Telecom Italia Finance Group

Half-Year Condensed Consolidated Financial Statements at June 30, 2020

Unaudited Half-Year Condensed Consolidated Financial Statements as at June 30, 2020, which have been authorized by the Board of Directors held on July 31, 2020

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Directors' report

The Business Units

BRAZIL

The Brazil Business Unit (Tim Brasil group) provides mobile telephone services using UMTS, GSM and LTE technologies. Moreover, with the acquisitions and subsequent integrations into the group of Intelig Telecomunicações (now TIM S.A.), Tim Fiber RJ and Tim Fiber SP, the services portfolio has been extended by offering fiber optic data transmission using full IP technology such as DWDM and MPLS and by offering residential broadband services.

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

OTHER OPERATIONS

This Business Unit provides financial assistance to TIM Group companies and the management of liquidity buffer through money market instruments.
As of June 30, 2020:

- The amount of notes (issued by Telecom Italia Finance and listed on Bourse of Luxembourg) is 1.015 million euros.
- The amount of net financial debt is equal to -3.164 million euros.

- TELECOM ITALIA FINANCE

Key operating Financial Data

Consolidated Operating and Financial Data

(millions of euros)	1st Half 2020	1st Half 2019
Revenues	**1.517**	**1.946**
EBITDA	**715**	**1.463**
EBIT	**208**	**859**
Profit (loss) before tax from continuing operations	128	712
Profit (loss) for the period	**91**	**488**
Profit (loss) for the period attributable to Owners of the Parent	65	326
Capital expenditures	**292**	**369**

Consolidated Financial Position Data

(million euros)	30/06/2020	31/12/2019
Total assets	**13.090**	**14.812**
Total equity	**7.319**	**8.780**
Attributable to Owners of the Parent	6.056	7.100
Attributable to non-controlling interests	1.263	1.680
Total liabilities	**5.771**	**6.032**
Total equity and liabilities	**13.090**	**14.812**
Share capital	**1.819**	**1.819**
Net financial debt carrying amount	**-2.022**	**-1.691**

Headcount

	30/06/2020	31/12/2019
Number in the Group at period end	9.607	9.699
Average number in the Group	8.690	9.059

Highlights

NON-RECURRING EVENTS

In the 1st half 2020, the Group has not incurred in events and transactions that by their nature do not occur continuously in the normal course of operations.

FINANCIAL HIGHLIGHTS

In terms of economic and financial performance of 1st half 2020:

- **Consolidated revenues** amounted to 1,5 billion euros, down by 22,0% compared to the same period 2019.
- **EBITDA** amounted to 0,7 billion euros, down by 51,1% on the 1st half 2019.
- **Operating profit (EBIT)** was 0,2 billion euros, down by 75,8% on the 1st half 2019.
- The **Profit for the period attributable to Owners of the Parent** amounted to 65 million euros (326 million euros on the 1st half 2019).
- **Capital expenditures** in 1st half 2020 amounted to 292 million euros (369 million euros in 1st half 2019).
- **Net financial debt** amounts to -2.022 million euros at June 30, 2020, down of 331 million euros compared to the end of 2019 (-1.691 million euros).

Consolidated operating performance

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

	Other operations (millions of euros)		**Brazil Business Unit** (millions of euros)		(millions of reais)		Changes		
	1st Half 2020	1st Half 2019	1st Half 2020	1st Half 2019	1st Half 2020 (a)	1st Half 2019 (b)	Amount (a-b)	% (a-b)/b	% organic
Revenues	**-**	**-**	**1.517**	**1.946**	**8.202**	**8.454**	**-252**	**-3,0**	**-3,0**
EBITDA	**-3**	**-3**	**718**	**1.466**	**3.883**	**6.370**	**-2.487**	**-39,0**	**4,4**
EBITDA Margin			47,3	75,3	47,3	75,3		28,0pp	3,3pp
EBIT	**-4**	**-3**	**212**	**863**	**1.144**	**3.747**	**-2.603**	**-69,5**	**4,3**
EBIT Margin			13,9	44,3	13,9	44,3		30,4pp	0,9pp
Headcount at period end (number)	**11**	**11[*]**			**9.596**	**9.689[*]**	**-93**	**-1,0**	**-**

[*] Figures as of December 31, 2019.

	1st Half 2020	1st Half 2019
Lines at period end (thousands)	52.031	54.447 [*]
ARPU (reais)	23,6	23,0

[*] Figures as of December 31, 2019.

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

REVENUES

All the revenues are almost entirely related to Brazil Business Unit.

Revenues in the first half 2020 of the Brazil Business Unit amounted to 8.202 million reais (1.517 million euros), down by 3,0% on the first half 2019.
Revenues from services totaled 8.017 million reais (1.482 million euros), a decrease of 71 million reais (-380 million euros) compared to 8.088 million reais (1.862 million euros) for the first half of 2019 (-0,9%).
Revenues from product sales came to 185 million reais, or 34 million euros (366 million reais or 84 million euros for the first half 2019). The downturn reflects the impact of shutdown of at least two months in most of Brazil

due to the Covid-19 emergency; the sales policy is still focused more on value than on increasing sales volumes. In particular, the main goals of the new strategy are to increase purchases of new connected devices giving TIM customers access to broadband services on 3G/4G networks and to support new retention offerings for higher-value postpaid customers.
Mobile Average Revenue Per User (ARPU) for the first half 2020 was 23,6 reais (4,4 million euros), up 2,5% compared to the figure posted for the first half 2019, thanks to the global repositioning towards the postpaid segment and new commercial initiatives aimed at promoting data use and the average spend per customer.
Total lines in place at June 30, 2020 amounted to 52,0 million, showing a decline of 2,4 million compared to December 31, 2019 (54,4 million). The lower figure was driven mainly by the prepaid segment (-2,3 million) and in part the post-paid segment (-0,1 million), also due to the consolidation underway in the market for second SIM cards. Postpaid customers accounted for 41,0% of the customer base at June 30, 2020, an increase of 1,6 percentage points on December 2019 (39,4%).

	1st Half 2020	1st Half 2019
(millions of reais)		
Net revenues	**8.202**	**8.454**
Service revenues	8.017	8.088
Mobile services	7.512	7.628
Fixed services	505	460
Product revenues	185	366
(thousands)		
Lines at period end	**52.031**	**54.447 [*]**
Average Market Lines	**52.972**	**55.157**
(reais)		
Mobile ARPU (mobile services/average market lines/months)	**23,6**	**23,0**

[*] Lines as of December 31, 2019.

EBITDA

EBITDA totaled 715 million euros, of which 718 million euros attributable to the Brazil BU.

Considering Brazil BU, EBITDA for the first half 2020 amounted to 3,883 million reais (718 million euros), down by 2.487 million reais (-748 million euros) year-on-year (-39,0%). The margin on revenues is equal to 47,3% (75,3% in the first half of 2020).

It should be remembered that EBITDA in the first half of 2019 included 2.650 million reais (610 million euros) of non-recurring net income, connected to the recognition of tax credits for an amount of 2.876 million reais (662 million euros) - from the recognition by the Brazilian Federal Supreme Court ("STF") of the unconstitutionality of the inclusion of the ICMS in the calculation base of PIS/COFINS contributions - which were offset by charges for non-recurring expenses, for an amount of 226 million reais (52 million euros), mainly for regulatory disputes and liabilities related to them, as well as to liabilities with customers and/or suppliers.

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

	(millions of euros)		(millions of reais)		Change	
	1st Half 2020 (a)	1st Half 2019 (b)	1st Half 2020 (c)	1st Half 2019 (d)	Amount (c-d)	% (c-d)/d
EBITDA	**718**	**1.466**	**3.883**	**6.370**	**-2.487**	**-39,0**
Non recurring expenses/(income)	-	-610	-	-2.650	2.650	
=Organic EBITDA	**718**	**856**	**3.883**	**3.720**	**163**	**4,4**

The growth is attributable to the improvement in the efficiency of the operating expenses structure during the Covid-19 emergency.

The relative margin on revenues stood at 47.3%, an increase of 3,3 percentage points compared to the first half of 2019 (44.0%).

The changes in the main cost items for the BU are shown below:

	(millions of euros)		(millions of reais)		
	1st Half 2020 (a)	1st Half 2019 (b)	1st Half 2020 (c)	1st Half 2019 (d)	Change (c-d)
Acquisition of goods and services	538	760	2.909	3.303	-394
Employee benefits expenses	127	170	685	737	-52
Other operating expenses	182	276	982	1.197	-215
Change in inventories	-	-7	-	-31	31

EBIT

EBIT totaled 208 million euros (859 million euros in the same period 2019), a decrease of 651 million euros.

Considering Brazil BU, EBIT for the first half of 2020 was 1.144 million reais (212 million euros), down by 2.603 million reais (-651 million euros, -69,5%) on the same period of the previous year (3.747 million reais, 863 million euros). Contraction was mainly driven by lower EBITDA (-2.487 million reais, -460 million euros) and higher depreciation (112 million reais, 21 million euros).

Net of the non-recurring component, organic EBIT grew by 4,3% and is calculated as follows:

	(millions of euros)		(millions of reais)		Change	
	1st Half 2020 (a)	1st Half 2019 (b)	1st Half 2020 (c)	1st Half 2019 (d)	Amount (c-d)	% (c-d)/d
EBIT	**212**	**863**	**1.144**	**3.747**	**-2.603**	**-69,5**
Non recurring expenses/(income)	-	-610	-	-2.650	2.650	
=Organic EBIT	**212**	**253**	**1.144**	**1.097**	**47**	**4,3**

PROFIT (LOSS) FOR THE PERIOD

The details are as follows:

(millions of euro)	1st Half 2020	1st Half 2019
Profit (loss) for the period	**91**	**488**
Attributable to		
Owners of the Parent	65	326
Non-controlling interests	26	162

CAPITAL EXPENDITURE

All the capital expenditure was referred to the Brazil Business Unit and amounted to 292 million euros.
The BU posted capital expenditures in the first half of 2020 of 292 million euros, reduced by 75 million euros on the first half of 2019 (369 million euros). Excluding the impact of changes in exchange rates (-72 million euros), capital expenditure reduced by 3 million euros, targeted mainly at the expansion of mobile ultra-broadband infrastructure and the development of the fixed broadband business of TIM Live.

Consolidated financial position and cash flows performance

Non-current assets

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

- **Goodwill** decreased by 222 million euros as a result of changes in foreign exchange rates applicable to the Group's Brazilian operations. Further details are provided in the Note "Goodwill".
- **Other intangible assets** decreased by 520 million euros representing the balance of the following items:
  - Capex (+100 million euros)
  - Amortization charge for the year (-172 million euros)
  - Disposals, exchange differences, reclassifications and other changes (for a net balance of -448 million euros).
- **Tangible assets** decreased by 659 million euros representing the balance of the following items:
  - Capex (+192 million euros)
  - Depreciation charge for the year (-229 million euros)
  - Disposals, exchange differences, reclassifications and other changes (for a net balance of -622 million euros).
- **Rights of use third-party assets**: decreased by 422 million euros representing the balance of the following items:
  - Investments and increases in finance leasing contracts (+94 million euros)
  - Amortization charge for the period (-109 million euros).
  - Disposals, exchange differences and other changes (for a net balance of -407 million euros).

Consolidated equity

Consolidated equity amounted to 7.319 million euros (8.780 million euros at December 31, 2019), of which 6.056 million euros attributable to Owners of the Parent (7.100 million euros at December 31, 2019) and 1.263 million euros attributable to non-controlling interests (1.680 million euros at December 31, 2019).

Cash flows

The details of Group cash flows are as follow:

(millions of euros)	1st Half 2020	1st Half 2019
Cash flows from (used in) operating activities	520	274
Cash flows from (used in) investing activities	-586	-435
Cash flows from (used in) financing activities	673	179
Aggregate cash flows	**607**	**18**
Net foreign exchange differences on net cash and cash equivalents	-150	5
Net cash and cash equivalents at beginning of the year	**2.649**	**1.359**
Net cash and cash equivalents at end of the period	**3.256**	**1.377**

Net financial debt

The following table shows the net financial debt of the Group:

(millions of euros)	**Other operations**		**Brazil Business Unit**	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Non-current financial liabilities	1.895	1.747	1.356	1.669
Current financial liabilities	1.103	397	427	499
Total gross financial debt	**2.998**	**2.144**	**1.783**	**2.168**
Non-current financial assets	-2	-1	-24	-33
Current financial assets	-4.189	-3.419	-563	-658
Net financial debt as per ESMA	**-1.193**	**-1.276**	**1.196**	**1.477**
Other Non-current financial assets	-1.970	-1.885	-55	-7
Net financial debt	**-3.164**	**-3.161**	**1.141**	**1.470**

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

Main changes in the regulatory framework

Brazil

Revision of the model for the provision of telecommunications services

In April 2016, the working group composed of the Ministry of Science, Technology, Innovation and Communications (MCTIC), now called the Ministry of Communications (Minicom), and Anatel (Brazilian National Telecommunications Agency) published its final report with a "diagnosis" on the telecommunications industry and proposed guidelines for the revision of the Brazilian regulatory model. A bill (PLC 79/2016) was then presented to the National Congress of Brazil to propose amendments to the General Telecommunications Law.
Law 13.879 was approved in 2019 and entered into force on October 4, to establish a new regulatory framework for the telecommunications sector in Brazil. This is the most significant change in 20 years.
The new telecommunications framework allows fixed-line licensees to adapt their contracts from a concession scheme to an authorization scheme. This transition from concession to authorization must be requested by the licensee and requires the approval of the Anatel. In return, licensees must, among other conditions, make a commitment to investment in expanding fixed broadband telephony services to areas with no adequate competition for these services, in order to minimize inadequacies and inequalities between areas of Brazil.
The change also affects the roles for authorizing the use of radio frequencies, establishing subsequent renewals (currently limited to only one) and allows the exchange of radio frequencies between operators (secondary spectrum market).
In June 2020, Decree 10.402 was published, which governs the procedure for adapting the concession to the authorization regime, as well as the definition of the criteria for calculating investment commitments. The Decree also established guidelines for the extension of radio frequency authorization, which will be held by Anatel to guarantee greater security for investments in the sector.
Another important set of rules was the Decree 9.612/2018 ("Connectivity Plan") with a series of guidelines for the adaptation of conduct terms, the onerous concession of spectrum authorization and regulatory acts in general, including: (i) expansion of high capacity telecommunications transport networks; (ii) increased coverage of mobile broadband access networks; and (iii) broadening the coverage of fixed broadband access network in areas with no Internet access through this type of infrastructure. This Decree also establishes that the network resulting from the commitments must be shared from the moment it enters into service, except where there is adequate competition in the relative reference market.
In relation to the deadlines for the development of pipelines not compliant with current regulations, authorizations for user licenses to radio frequencies, and the introduction of other statutory provisions generally, planned investments (as identified by Anatel and approved by the MCTIC) will focus primarily on the expansion of mobile and fixed-line broadband networks and on specific areas of the country. Telecommunications networks built under the investment plan will have shared access.

700 MHz and Analog TV switch off

In September 2014, TIM won the tender for the award of the 700 MHz (4G/LTE) band frequencies, for a price of 1,7 billion reais (0,5 billion euros at the average exchange rate for the period), and with additional commitments of 1,2 billion reais (0,4 billion euros at the average exchange rate for the period, in four annual installments, adjusted for inflation) as a contribution to the consortium established by the tender ("EAD") for all the operators (TIM, Algar, Claro and Vivo) awarded the contract for managing the freeing up of the 700 MHz band through the switch off of analog TV, the redistribution of channels and the clean-up of interference. To that end, the first payment (370 million reais) was made in April 2015 and another two payments (for a total of 860 million reais) were both made in January 2017, while the final installment (142 million reais) was duly paid in January 2018.
The spectrum for mobile traffic was released in 2016, and in June 2019 the availability for all municipalities was guaranteed, meaning that the entire Brazilian population can be covered by 700 MHz LTE.
Throughout 2020, EAD will have to meet the remaining auction obligations, concluding the relocation of broadcasters and provisions on interference solutions relating to completion of the switch off process and the full availability of the spectrum for mobile operators.

"Marco Civil da Internet" and Network Neutrality

The "Marco Civil da Internet" (MCI), approved in April 2014 by Brazilian Law 12.965/2014, defined network neutrality as the "duty to treat different data packages in the same way, without distinction based on content, origin and destination, service, terminal or application". On May 11, 2016, Brazilian Presidential Decree 8.771/2016 was published, which regulates exceptions to the principle of net neutrality, set out in article 9 of the mentioned law.
In August 2017, the oversight board ("GS") of the Administrative Council for Economic Defense (CADE) handed down a decision in favor of Brazil's mobile TLC providers, which excluded the imposition of fines in relation to a preliminary investigation into alleged unfair competition in "zero rating" offers and promotions on Internet data consumption. The oversight board heard the depositions of various parties, including the Ministry of Science, Technology, Innovation and Communications (MCTIC) and Anatel, and concluded that Internet business models

should not be banned *ex-ante*, but instead should be monitored comprehensively to prevent any unfair competition outcomes.

Revision of Competition Rules
In November 2012, the Brazilian regulator Anatel introduced instruments for the market analysis, the identification of operators with significant market power (SMP) and the consequent imposition of ex-ante obligations (Plano Geral de Metas de Competição – PGMC).
Anatel has established a number of asymmetrical obligations on all markets for operators with a Significant Market Power (SMP).
In July 2018, Anatel published the new PGMC revising some points and defining two new markets: (i) interconnection for mobile services; and (ii) high capacity data transmission.
TIM Brasil has been identified as the SMP operator on the: (i) mobile network terminations; (ii) national roaming; and (iii) high capacity data transport (in five municipalities).
The measures applied to the SMP operator in these markets include the obligation for non-SMP operators to offer national roaming services. The obligation for access to the copper network has been maintained (e.g. leased lines, bitstream and full unbundling) was maintained.
Since 2016, fixed interconnection rates have been based on a cost-oriented approach. In December 2018, Anatel published the laws that establish the MTR (Mobile Termination Rate) that will be valid from 2020 to 2023.

Revision of Service Quality Regulation
In December 2019, Anatel approved the new Telecommunication Services Quality Regulation (RQUAL), based on a reactive approach to standards. In this new model, quality is measured on the basis of three indicators - a Service Quality Index, a Perceived Quality Index and a User Complaints Index - and operators are classified into five categories (A to E). Based on the standards' responsive approach, Anatel will be able to take measures based on specific cases, including consumer compensation, the adoption of an action plan or the application of precautionary measures to ensure quality standard improvements.
The new regulation is scheduled to enter into force by 2021; until Anatel sets up the Working Group, operators and the support body for quality assurance (ESAQ) will define the objectives, criteria and reference values and Anatel will monitor the indicators that guarantee analogy with the new ones introduced in the new RQUAL. The criteria and reference values will be established in the next 12 months by the Working Group.

Strategic Digital transformation and the Internet of Things (IoT)
In March 2018, the E-Digital Decree 9.319/2018 was published, it identified about 100 strategic actions to encourage competition and the country's level of online productivity, as well as to increase connectivity and digital inclusion levels. These actions aim to address the digital economy's main strategic issues, including connectivity infrastructure, data use and protection, the Internet of Things and cybersecurity.
The Decree on the National Plan for the Internet of Things (Decree 9.854/2019) was published in June 2019, to regulate and promote this technology in Brazil. The Decree describes the Internet of Things (IoT) as the "infrastructure integrating the value-added services offer with the ability to physically or virtually connect things with devices based on existing information and communication technology and their evolution, through interoperability". The Decree lists the following topics, defining them as necessary to further support the National Plan for the Internet of Things: (i) science, technology and innovation; (ii) international integration; (iii) education and professional training; (iv) connectivity and interoperability infrastructure; (v) regulation, security and privacy; (Iv) economic feasibility.

Data protection
On August 14, 2018, the Brazilian President promulgated the General Data Protection Law (Law 13.709/2018). The new law, as promulgated by the President, is closer to the GDPR, including significant extra-territorial application and considerable fines of up to 2% of the Company's global turnover of the previous financial year.
In December 2018, Provisional Measure 869/2018 passed by the former President amended Law 13.709 to create the National Data Protection Authority (ANPD), within the structure of the Presidency of the Republic, which implies greater control by the State and, among other topics, extending the entry into force of the Law to 24 months (August 2020). By this date (August 2020) all legal entities will be required to adapt their data processing activities to the new rules.
In July 2019, Provisional Measure 869/2018 was converted into Law 13.853, which provides for the maintenance of the ANPD, as a federal public administration body, part of the executive branch, with a transitory nature, for at least 2 years, when it may be transformed, by the executive branch, into an indirect federal public administration company".
On June 10, 2020, Law 14.010 was approved and postponed the entry into force of the Data Protection Act (LGPD) until August 2020 and the applicability of administrative sanctions to August 2021. In May 2020, President Bolsonaro issued Provisional Measure 959, which postponed the entry into force of the LGPD until May 3, 2021.
Given that the Provisional Measure has yet to be approved by Congress, the date of entry into force of the LGPD is still under discussion.

Events subsequent to June 30, 2020

For details of subsequent events, see the specific Note "Events Subsequent to June 30, 2020".

Business outlook for the 2nd Half 2020

For more details on the main drivers of focus for the outlook of the Group, see the Annual Financial Report at December 31, 2019.

Main risks and uncertainties

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

Strategic risks

Risks related to macro-economic factors
The Group's economic and financial situation is subject to the influence of numerous macroeconomic factors such as economic growth, political stability, consumer confidence, and changes in interest rates and exchange rates in the markets in which it operates.
In the first half of 2020, the Brazilian economy, as most of the Emerging Markets' economies, has been heavily hit by the Covid-19 spread. Beyond the steep contraction this year, the medium-term growth outlook is darkened by the possibility of high unemployment, low business confidence, weak commodity prices and the need for fiscal consolidation.
The Brazilian stock exchange, thanks to the quick intervention of the central bank that lowered its target rate and set it to 2.25% (the lowest ever since the 2000), recovered 80% of the loss related to the Covid-19 spread. Inflation as measured by the Ample Consumer Price Index (IPCA) ended on June 2020 at 2.13%, after touching the lowest ever on May 2020 (1.83%). Inflation was mostly impacted by a broad fall in the price of commodities and financial markets instability.
On the foreign exchange front, the Euro appreciated vis-à-vis the Real in the first half of 2020, ending the semester at 6,1444 reais per 1 euro, after reaching 6,3878 reais per 1 euro in May. The rate showed strong volatility during the year amid factors such as domestic political turbulence, in addition to higher global risk aversion, lower commodity prices and less intense international trade.

Risks related to competition
The Brazilian telecommunications market, where TIF Group is engaged through its subsidiary TIM Servicos y Participações (TIM BR) is characterized by strong competition that may reduce market share as well as erode prices and margins. Moreover, the telecommunications sector in Brazil is marked by the effective regulation of the National Telecommunications Agency, Anatel.
However, fierce competition in the arena, seen through the presence of more aggressive offers both in terms of contents and level of prices, limited the Group's capacity to pass on the cost increases or to propose adhesion to higher-value offers.
The sector continued the trend of strong growth in data consumption, demanding from the operators the capacity to adapt their networks, facing the challenge of delivering an increasingly robust infrastructure in an environment of more rational investments in projects such as the densification of sites, frequency reframing and the carrier aggregation in two or three frequencies. Last, the growing demand for Fixed Broadband consolidated the view of internet access as an essential resource for the population.

Operational risks

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

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

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

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

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

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

Financial risks

TIF Group may be exposed to financial risks, such as risks arising from fluctuations in interest rates and exchange rates, credit risk, liquidity risk and risks related to the performance of the equity markets in general, and – more specifically – risks related to the performance of the share price of participations held by the Group. These risks may adversely impact the earnings and the financial structure of the Group. Accordingly, to manage those risks, the TIF Group has embedded guidelines defined at central level by TIM Group, which must be followed for operational management, identification of the most suitable financial instruments to meet set goals, and monitoring the results achieved. In particular, in order to mitigate the liquidity risk, the TIM Group aims to maintain an "adequate level of financial flexibility", in terms of cash and syndicated committed credit lines, enabling it to cover refinancing requirements at least for the next 12-18 months.

For details of financial risks, see the specific Note "Financial risks management" in the annual consolidated financial statements at December 31, 2019.

Regulatory and compliance risks

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

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

Other risks
Moreover, the business outlook for 2020 could be affected by risks and uncertainties caused by a multitude of factors, the majority of which are beyond the Group's control.
The Covid-19 pandemic continues to spread, having far-reaching effects on lives, businesses, and economies worldwide. Local and national governments are escalating measures aimed at stemming the reach of the virus and mitigating its disruptive impacts. The current situation remains fluid, with scientific understanding of the Covid-19 virus, medical response, and actions by governments and organizations evolving rapidly.
In addition to a slow economic recovery and the risk of further deterioration of the credit profile of certain customer segments, any new pickup in Covid-19 infections could lead again to slowdowns in business activities and limitation of certain types of technical and commercial interventions, difficulties encountered by customers and discontinuity in the supply chain, with negative impacts on the overall results of the Group.
The management of this emergency phenomenon requires, also in consideration of the public service provided, the implementation of all activities relating to the operational continuity of business processes with the aim of ensuring the functionality of the services provided and the protection of employees’ health.

Group internal control and risk management

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

Information for investors

Brazil – shares

Regarding the trading of shares issued by Group companies on regulated markets, the ordinary shares of TIM Participações S.A. are listed in Brazil (BOVESPA index).
The ordinary shares of TIM Participações S.A. are also listed on the NYSE (New York Stock Exchange); trading occurs through ADS (American Depositary Shares) that represent 5 ordinary shares of TIM Participações S.A.

Alternative Performance Measures

In this Directors' Report and in the Consolidated Financial Statements of the Group for the first six months of 2020, in addition to the conventional financial performance measures established by IFRS, certain alternative performance measures are presented for a better understanding of the trend of operations and financial condition. Such measures, should, however, not be considered as a substitute for those required by IFRS.

- **EBITDA/EBIT**: these financial measures represent a useful unit of measurement for assessing the operating performance of the Group (considering in particular Brazil BU level). In order to get a more complete and effective understanding, they are also presented in terms of organic changes (amount and/or percentage), excluding, where applicable, the effects of the change in the scope of consolidation and exchange differences. EBITDA/EBIT are calculated as follows:

Profit (loss) before tax from continuing operations	
+	Finance expenses
-	Finance income
+/-	Other expenses (income) from investments
+/-	Share of profits (losses) of associates accounted for using the equity method
EBIT – operating profit (loss)	
+/-	Impairment losses (reversals) on non-current assets
+/-	Losses (gains)on disposals of non-current assets
+	Depreciation and amortization
EBITDA – Operating profit(loss) before depreciation and amortization, Capital gains (losses) and impairment reversal (losses) on non-current assets	

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

- **Organic change and impact of the non-recurring items on revenues, EBITDA and EBIT:** these measures express changes (amount and/or percentage) in Revenues, EBITDA and EBIT, excluding the non-recurring events and transactions. Telecom Italia Finance believes that this method of presentation provides a more complete and effective interpretation of the Group's operating performance.

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

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

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

Corporate Governance Statement

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

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Consolidated Statements of Financial Position

Assets

(millions of euros)	Note	30/06/2020	31/12/2019
Non-current assets			
Intangible assets		**1.851**	**2.593**
Goodwill	[4]	629	851
Intangible assets with a finite useful life	[5]	1.222	1.742
Tangible assets	[6]	**1.718**	**2.377**
Property, plant and equipment owned		1.718	2.377
Assets held under finance leases		-	-
Right of use third-party assets	[7]	**1.148**	**1.570**
Other non-current assets		**2.790**	**2.957**
Other investments	[8]	44	70
Non-current financial receivables arising from lease contracts	[9]	24	34
Other non-current financial assets	[9]	2.027	1.893
Miscellaneous receivables and other non-current assets	[10]	695	960
Deferred tax assets		-	-
Total Non-current assets		**7.507**	**9.497**
Current assets			
Inventories		33	44
Trade and miscellaneous receivables and other current assets	[11]	763	1.122
Current income tax receivables		35	72
Current financial assets	[9]	**4.752**	**4.077**
Current financial receivables arising from lease contracts		1	1
Securities other than investments, financial receivables and other current financial assets		1.489	1.418
Cash and cash equivalents		3.262	2.658
Total Current assets		**5.583**	**5.315**
TOTAL ASSETS		**13.090**	**14.812**

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

Equity and Liabilities

(million euros)	Note	30/06/2020	31/12/2019
Equity	[12]		
Share capital issued		1.819	1.819
Other reserves and retained earnings (accumulated losses), including profit (loss) for the period		4.237	5.281
Equity attributable to owners of the Parent		**6.056**	**7.100**
Non-controlling interests		**1.263**	**1.680**
TOTAL EQUITY		**7.319**	**8.780**
Non-current liabilities			
Non-current financial liabilities for financing contracts and others	[13]	2.115	1.890
Non-current financial liabilities for lease contracts	[13]	1.135	1.526
Employee benefits		1	1
Deferred tax liabilities		38	11
Provisions	[17]	140	187
Miscellaneous payables and other non-current liabilities	[18]	169	237
Total Non-current liabilities		**3.598**	**3.852**
Current liabilities			
Current financial liabilities for financing contracts and others	[13]	1.389	703
Current financial liabilities for lease contracts	[13]	141	193
Trade and miscellaneous payables and other current liabilities	[17][19]	639	1.249
Current income tax payables		4	35
Total Current Liabilities		**2.173**	**2.180**
TOTAL LIABILITIES		**5.771**	**6.032**
TOTAL EQUITY AND LIABILITIES		**13.090**	**14.812**

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

Separate Consolidated Income Statements

(millions of euros)	Note	1st Half 2020	1st Half 2019
Revenues	[21]	1.517	1.946
Other income		6	671
Total operating revenues and other income		**1.523**	**2.617**
Acquisition of goods and services		-539	-761
Employee benefits expenses		-127	-170
Other operating expenses		-184	-278
Change in inventories		-	7
Internally generated assets		42	48
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		**715**	**1.463**
Depreciation and amortization		-510	-609
Gains/(losses) on disposals of non-current assets		3	5
Impairment reversals (losses) on non-current assets		-	-
Operating profit (loss) (EBIT)		**208**	**859**
Other income (expenses) from investments		-	-
Finance income	[22]	410	300
Finance expenses	[22]	-490	-447
Profit (loss) before tax from continuing operations		**128**	**712**
Income tax expenses		-37	-224
Profit (loss) from continuing operations		**91**	**488**
PROFIT (LOSS) FOR THE PERIOD		**91**	**488**
Attributable to			
Owners of the Parent		65	326
Non-controlling interests		26	162

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

Consolidated Statements of Comprehensive Income

(millions of euros)		1st Half 2020	1st Half 2019
Profit (loss) for the period	**(a)**	**91**	**488**
Other components that subsequently will not be reclassified in the Separate Consolidated Income Statements	**(b=c)**	**-26**	**-1**
Financial assets measured at fair value through other comprehensive income:	**(c)**	**-26**	**-1**
Profit (loss) from fair value adjustments		-26	-1
Other components that subsequently will be reclassified in the Separate Consolidated Income Statements	**(d=e+f+g)**	**-1.452**	**96**
Financial assets measured at fair value through other comprehensive income:	**(e)**	**-8**	**11**
Profit (loss) from fair value adjustments		-8	14
Loss (profit) transferred to the Separate Consolidated Income Statements		-	-3
Hedging instruments:	**(f)**	**1**	**0**
Profit (loss) from fair value adjustments		1	-
Loss (profit) transferred to the Separate Consolidated Income Statements		-	-
Exchange differences on translating foreign operations:	**(g)**	**-1.445**	**85**
Profit (loss) on translating foreign operations		-1.445	85
Other components of the Consolidated Statements of Comprehensive Income	**(h=b+d)**	**-1.478**	**95**
Total comprehensive income (loss) for the period	**(i=a+h)**	**-1.387**	**583**
Attributable to			
Owners of the Parent		-970	396
Non-controlling interests		-417	188

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

Consolidated Statements of Changes in Equity

Changes from January 1, 2020 to June 30, 2020

(millions of euros)	Share capital	Additional paid in capital	Reserve for financial assets measured at fair value through other comprehensive income	Reserve for cash-flow hedges	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other profits (losses) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the period	**Total Equity attributable to owners of the Parent**	**Non-controlling interests**	**Total equity**
Balance at January 1, 2020	**1.819**	**3.148**	**-438**	**2**	**-1.440**	**-**	**-**	**4.009**	**7.100**	**1.680**	**8.780**
Changes in equity during the period:											
Dividends approved	-	-	-	-	-	-	-	-75	**-75**	-	**-75**
Total comprehensive income (loss) for the period	-	-	-34	-	-1.001	-	-	65	**-970**	-417	**-1.387**
Other changes	-	-	-	-	-	-	-	1	**1**	-	**1**
Balance at June 30, 2020	**1.819**	**3.148**	**-472**	**2**	**-2.441**	**-**	**-**	**4.000**	**6.056**	**1.263**	**7.319**

Changes from January 1, 2019 to June 30, 2019

(millions of euros)	Share capital	Additional paid in capital	Reserve for financial assets measured at fair value through other comprehensive income	Reserve for cash-flow hedges	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other profits (losses) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the period	**Total Equity attributable to owners of the Parent**	**Non-controlling interests**	**Total equity**
Balance at January 1, 2019	**1.819**	**3.148**	**-463**	**1**	**-1.360**	**-**	**-**	**3.543**	**6.688**	**1.518**	**8.206**
Changes in equity during the period:											
Dividends approved	-	-	-	-	-	-	-	-53	**-53**	-	**-53**
Total comprehensive income (loss) for the period	-	-	11	-	60	-	-	326	**397**	188	**585**
Other changes	-	-	-	-	-	-	-	-1	**-1**	-	**-1**
Balance at June 30, 2019	**1.819**	**3.148**	**-452**	**1**	**-1.300**	**-**	**-**	**3.815**	**7.031**	**1.706**	**8.737**

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

Consolidated Statements of Cash Flows

(millions of euros)	Note	1st Half 2020	1st Half 2019
Cash flows from operating activities:			
Profit (loss) from continuing operations		91	488
Adjustments for:	[5],[6]		
Depreciation and amortization		510	609
Impairment losses (reversals) on non-current assets (including investments)		-1	2
Net change in deferred tax assets and liabilities		28	192
Losses (gains) realized on disposals of non-current assets (including investments)		-3	-5
Change in inventories		12	-8
Change in trade receivables and net amounts due from customers on construction contracts		230	-48
Change in trade payables		-220	-56
Net change in current income tax receivables/payables		6	20
Net change in miscellaneous receivables/payables and other assets/liabilities and other changes		-133	-920
Cash flows from (used in) operating activities		**520**	**274**
Cash flows from investing activities:			
Purchase of intangible assets, property, plant and equipment and rights of use assets on a cash basis		-623	-645
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)		32	202
Proceeds from sale/repayment of intangible, tangible and other non-current assets		5	8
Cash flows from (used in) investing activities		**- 586**	**-435**
Cash flows from financing activities:			
Change in current financial liabilities and other		744	17
Proceeds from non-current financial liabilities (including current portion)		348	395
Repayments of non-current financial liabilities (including current portion)		-220	-160
Changes in hedging and non-hedging derivatives		-82	2
Dividends paid		-117	-75
Cash flows from (used in) financing activities		**673**	**179**
Aggregate cash flows		**607**	**18**
Net foreign exchange differences on net cash and cash equivalents		**-150**	**5**
Net cash and cash equivalents at beginning of the year	**[8]**	**2.649**	**1.359**
Net cash and cash equivalents at end of the period	**[8]**	**3.256**	**1.377**

Additional Cash Flow Information

(millions of euros)	1st Half 2020	1st Half 2019
Income taxes (paid) received	-17	-26
Interest expense paid	-163	-186
Interest income received	70	82
Dividends received	1	-

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

Notes to the Half-Year Accounts

Note 1 – Form, content and other general information

FORM AND CONTENT

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

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

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

The TIF Group Half-Year Condensed Consolidated Financial Statements at June 30, 2020 have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board as endorsed by EU ("IFRS") and were authorized for issue with a resolution of the Board of Directors on July 31, 2020.

The Half-Year Condensed Consolidated Financial Statements at June 30, 2020 have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board as endorsed by EU ("IFRS"). In particular, they have been prepared in accordance with IAS 34 (Interim Financial Reporting) and, as permitted by that standard, do not include all the information that would be required in annual financial statements; accordingly, these financial statements should be read together with the 2019 Telecom Italia Finance Group Consolidated Financial Statements.
Furthermore, in the first six months of 2020 the Group adopted accounting policies consistent with those of the previous year, except for the changes to the accounting standards issued by the IASB and in force as of January 1, 2020. See the Note "Accounting policies" for more details.

The Half-Year Condensed Consolidated Financial Statements at June 30, 2020 have been prepared on a going concern basis (for further details see Note "Accounting policies").

The Half-Year Condensed Consolidated Financial Statements have been prepared under the historical cost convention except for financial assets measured at fair value through other comprehensive income, financial assets measured at fair value through profit or loss and derivative financial instruments which have been measured at fair value.

The Half-Year Condensed Consolidated Financial Statements are expressed in euro (rounded to the nearest million, unless otherwise indicated). Therefore, figures in details presented in the notes might not sum-up because of rounding.

FINANCIAL STATEMENT FORMATS

The financial statement formats adopted are consistent with those indicated in IAS 1. In particular:

- the Consolidated Statement of Financial Position has been prepared by classifying assets and liabilities according to "current and non-current" criterion;
- the Separate Consolidated Income Statement has been prepared by classifying operating expenses by nature of expense as this form of presentation is considered more appropriate and representative of the specific business of the Group, conforms to internal reporting and is in line with the Group's industrial sector;
- the Consolidated Statement of Comprehensive Income includes the profit or loss for the period as shown in the Separate Consolidated Income Statement and all other non-owner changes in equity;
- the Consolidated Statement of Cash Flows has been prepared by presenting cash flows from operating activities according to the "indirect method", as permitted by IAS 7 (Statement of Cash Flows).

Furthermore, according to IAS 1 (paragraphs 97 and 98), certain expense and income items that are material in terms of nature and amount are separately disclosed in the notes to the separate consolidated income statement. Specifically, such items include: income/expenses arising from the disposal of property, plant and equipment, business segments and investments; expenses stemming from company reorganization and streamlining processes and projects, also in connection with corporate transactions (mergers, spin-offs, etc.); expenses resulting from litigation and regulatory fines and related liabilities; other provisions and related reversals; costs for the settlement of disputes; items connected to prior-year adjustments; impairment losses on goodwill and/or other tangible and intangible assets.

SEGMENT REPORTING

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

In particular, the operating segments of the Group are organized according to the specific businesses.
The term "operating segment" is considered synonymous with Business Unit.
The operating segments of the Group are as follows:

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

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

Note 2 – Accounting policies

GOING CONCERN

The Half-Year Condensed Consolidated Financial Statements at June 30, 2020 have been prepared on a going concern basis as there is the reasonable expectation that the Group will continue its operational activities in the foreseeable future (and in any event with a time horizon of at least twelve months).
In particular, the following factors have been taken into consideration:

- the main risks and uncertainties (that are for the most part of an external nature) to which the Group and the various activities of the Group are exposed:
  - variations in business conditions, also related to competition;
  - financial risks (interest rate and/or exchange rate trends, changes in the Group's credit rating by rating agencies);
  - changes in the general macroeconomic situation in the European and the Brazilian market, as well as the volatility of financial markets in the Eurozone, also as a result of the "Brexit" referendum in the UK, as well as the health emergency due to the recent spread of Covid-19;
  - changes in the legislative and regulatory context (changes in prices and tariffs or decisions that may influence technological choices);
  - the results of legal proceedings and regulatory authorities;
- the optimal mix between risk capital and debt capital;
- the policy for financial risk management (market risk, credit risk and liquidity risk) as described in the Consolidated Financial Statements at December 31, 2019, Note "Financial risk management".

Based on these factors, the Management believes that, at the present time, there are no elements of uncertainty regarding the Group's ability to continue as a going concern.

ACCOUNTING POLICIES AND PRINCIPLES OF CONSOLIDATION

The accounting policies and principles of consolidation for preparing the Half-Year Condensed Consolidated Financial Statements at June 30, 2020 are the same as those used to prepare the Consolidated Financial Statements at December 31, 2019, to which reference is made, with the exception of:

- amendments to accounting standards issued by the IASB and in force from January 1, 2020 hereinafter described;
- the alignments required by the nature of interim financial reporting.

Moreover, in the Half-Year Condensed Consolidated Financial Statements at June 30, 2020, income taxes for the period of individual consolidated companies were determined based on the best possible estimate in relation to available information and the reasonable forecast of operating performance at the end of the tax period. On a conventional basis, tax liabilities (current and deferred) on income for the period of individual consolidated companies was recognized in the "Deferred tax liabilities" net of advances and tax receivables (only as regards taxes for which a refund was not requested) as well as deferred tax assets; if this balance is positive, it is conventionally recognized under "Deferred tax assets".

USE OF ACCOUNTING ESTIMATES

The preparation of the Half-Year Condensed Consolidated Financial Statements at June 30, 2020 and related disclosure in conformity with IFRS requires management to make estimates and assumptions based also on subjective judgments, past experience and assumptions considered reasonable and realistic in relation to the information known at the time of the estimate. Such estimates have an effect on the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period, as well as the amount of revenues and costs during the period under review. Actual results could differ, even significantly, from those estimates owing to possible changes in the factors considered in the determination of such estimates. Estimates are reviewed periodically.
As regards the most important accounting estimates, reference is made to the Consolidated Financial Statements at December 31, 2019.

NEW STANDARDS AND INTERPRETATIONS ENDORSED BY THE EU AND IN FORCE SINCE 2020

As required by IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the following is a brief description of the IFRS in force commencing as of January 1, 2020.

Amendments to IFRS 9 (Financial Instruments), IAS 39 (Financial Instruments: Recognition and Measurement) and IFRS 7 (Financial Instruments: additional disclosure – Interest-rate benchmark reform

Commission Regulation (EU) 2020/34 was issued on January 15, 2020, implementing amendments to IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments: recognition and measurement and IFRS 7 – Financial Instruments: additional disclosure.
The amendments refer to some specific hedge accounting requirements and provide facilitation in relation to the potential effects of uncertainty caused by the IBOR reform.
Moreover, the amendments require companies to provide additional disclosure on investors concerning the hedging relations directly affected by these uncertainties.
The adoption of these amendments had no effect on the Half-Year Condensed Consolidated Financial Statements at June 30, 2020.

Amendments to References to the Conceptual Framework in IFRS Standards

On November 29, 2019 Commission Regulation (EU) 2019/2075 was issued, implementing the revised version of the Conceptual Framework for Financial Reporting, at EU level. The main changes with respect to the 2010 version concern:

- a new chapter on measurement;
- best definitions and guidance, particularly with regard to the definition of liabilities;
- clarifications of important concepts, such as "stewardship", prudence and uncertainty in measurements.

A document was also published updating references in IFRS to the previous Conceptual Framework.
The adoption of these amendments had no effect on the Half-Year Condensed Consolidated Financial Statements at June 30, 2020.

Amendments to IAS 1 and IAS 8 (Definition of Material)

On November 29, 2019, Commission Regulation (EU) 2019/2104 was issued, implementing some amendments to IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors).
These amendments clarify the definition of "material" and align the definition used in the “Conceptual Framework” with that used in individual IFRS. The definition of "material", as revised by the amendments, is: “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”
The adoption of these amendments had no effect on the Half-Year Condensed Consolidated Financial Statements at June 30, 2020.

Amendments to IFRS 3 (Business Combinations)

On April 21, 2020, Commission Regulation (EU) 2020/551 was issued, implementing some amendments to IFRS 3 (Business Combinations). These amendments concern the definition of "business" and help the entity determine whether an acquisition is a "business" or a group of assets.
Based on the new definition, a business is: “An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. The amendments also

clarify that in order to be considered a business, an acquisition must include inputs and a substantial process, that together contribute to the ability to generate outputs”.
The adoption of these amendments had no effect on the Half-Year Condensed Consolidated Financial Statements at June 30, 2020.

NEW STANDARDS AND INTERPRETATIONS ISSUED BY THE IASB BUT NOT YET APPLICABLE

At the date of preparation of these Half-Year Condensed Consolidated Financial Statements, the IASB had issued the following new standards / interpretations which have not yet been endorsed by the EU or come into force:

	Mandatory application starting from
New Standards and Interpretations not yet endorsed by the EU	
Amendments to IFRS 16 Leases for concessions related to Covid-19	June 1, 2020
Amendments to IFRS 4 Insurance contracts – Deferment of IFRS 9	January 1, 2021
Amendments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-current	January 1, 2022 [*]
Amendments to: IFRS 3 Business combinations; IAS 16 Property, Plant and equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as well as the annual cycle of improvements 2018–2020	January 1, 2022
IFRS 17 (Insurance contracts), including amendments to IFRS 17	January 1, 2023

[*] The IASB arranged for a public consultation to defer the date of entry into force to January 1, 2023.

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

Note 3 – Scope of consolidation

INVESTMENTS IN CONSOLIDATED SUBSIDIARIES

Composition of the Group
The Group holds a majority of the voting rights in all the subsidiaries included in the scope of consolidation.
A complete list of consolidated subsidiaries is provided in the Note "List of companies of the Telecom Italia Finance Group".

Note 4 – Goodwill

Goodwill is only referred to Brazil Cash Generating unit (“CGU”) and shows the following changes during the first six months of 2020:

(millions of euros)	**31/12/2019**	Increase	Decrease	Impairments	Exchange differences	**30/06/2020**
Brazil	**851**	-	-	-	-222	**629**

In the first half of 2020, the spot exchange rate used for the translation into euro of the Brazilian real (expressed in terms of units of local currency per 1 euro) went from 4,52808 at December 31, 2019 to 6,13202 at June 30, 2020. This led to the 222 million euro fall in the value of goodwill expressed in euros. The carrying amount of goodwill for the CGU corresponds to 3.854 million reais.

In accordance with IAS 36, goodwill is not subject to amortization, but it is tested for impairment at least annually or more frequently, whenever specific events or circumstances occur that may indicate an impairment.
The COVID-19 health emergency, caused by the spread of the SARS-CoV-2 virus and declared a pandemic by the World Health Organization (WHO) on March 11, 2020, which has led to a consequent global economic crisis, is an external factor potentially indicative of a possible loss of value.
In light of this evidence, also taking into account the recommendations of in relation to the potential impact of the COVID-19 pandemic, in preparation of the half-year report at June 30, 2020, the Group deemed it appropriate to carry out an impairment test on goodwill.
The results showed that the recoverable amount of the assets at June 30, 2020 was higher than the net carrying amount for the Brazil CGU (+1.328 million of euros).
The value used to measure the recoverable amount of the Cash Generating Unit to which goodwill has been allocated is the fair value, based on market capitalisation as of the end of the reporting period. The recoverable

amount of the assets was denominated in the functional currency and subsequently translated at the spot exchange rate at the reporting date.
In estimating the recoverable amounts, simulations were conducted on the results with respect to changes in the relevant parameters. To make the recoverable amount of the Brazil CGU equal to their net carrying amount the market capitalization should vary of -24%.

Note 5 – Intangible assets with a finite useful life

All intangible assets with a finite useful life in the first six months of 2020 are referred to Brazil Business Unit.

(millions of euros)	31/12/2019	Additions	Depreciation and amortization	Disposals	Exchange differences	Capitalized borrowing costs	Other changes	30/06/2020
Industrial patents and intellectual property rights	**691**	86	-121		-177	-	-	**479**
Concessions, licenses, trademarks and similar rights	**1.017**	7	-51		-261	-	-	**712**
Other intangible assets	**2**	-	-		-1	-	-	**1**
Work in progress and advance payments	**32**	7	-		-9	-	-	**30**
Total	**1.742**	**100**	**- 172**	**-**	**- 448**	**-**	**-**	**1.222**

Industrial patents and intellectual property rights at June 30, 2020 consisted mainly of software application purchased outright and user licenses rights.

Concessions, licenses, trademarks and similar rights at June 30, 2020 mainly related to the remaining cost of telephone licenses and similar rights (666 million of euros).

Note 6 – Tangible assets (owned and under finance leases)

All tangible assets (owned and under finance leases) in the first six months of 2020 are referred to Brazil Business Unit.

PROPERTY, PLANT AND EQUIPMENT OWNED

(millions of euros)	31/12/2019	Additions	Depreciation and amortization	Impairment (losses) / reversals	Disposals	Exchange differences	Other changes	30/06/2020
Land	**9**			-	-	-2	-	**7**
Buildings (civil and industrial)	**16**		-1	-	-	-4	-	**11**
Plant and equipment	**2.105**	132	-206	-	-1	-552	88	**1.566**
Other	**126**	14	-22	-	-1	-33	10	**94**
Construction in progress and advance payments	**121**	46	-	-	-	-25	-102	**40**
Total	**2.377**	**192**	**-229**	**-**	**-2**	**-616**	**-4**	**1.718**

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

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

Plant and equipment includes the aggregate of all the structures used for the provision of telecommunications services (transport and distribution of voice/data traffic).

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

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

Note 7 – Right of use third-party assets

All right of use third-party assets in the first six months of 2020 are referred to Brazil Business Unit.

(millions of euros)	31/12/2019	Capital Expenditures	Increase in financial leasing contracts	Depreciation and amortization	Disposals	Exchange differences	Other changes	30/06/2020
Property	**446**	-	38	-29		-118	1	**338**
Plant and equipment	**1.118**	-	55	-79		-291	3	**806**
Other	**6**	-	1	-1		-2	-	**4**
Total	**1.570**	**-**	**94**	**-109**	**-**	**-411**	**4**	**1.148**

"Increases in finance lease contracts" include the higher value of the rights of use recorded as a result of new leases, increases of lease payments and renegotiations of agreements existing both land and buildings for office use and industrial relationship over time, to infrastructure sites for the mobile telephone network infrastructure and network.
In accordance with IFRS 16 (Leases), lease liabilities are presented through the recognition of a financial liability in the statement of financial position at the present value of future lease payments, against the recognition of a rights-of-use asset of the leased asset.

The item **Property** (civil and industrial) includes buildings under financial leases and related building adaptations essentially.

The item **Plant and equipment** mainly includes the rights of use on the infrastructures for telecommunications services (806 million euros). This includes, among others, the recognition of the value of the telecommunications towers sold by the Tim Brasil group to American Tower do Brasil and subsequently repurchased in the form of finance lease.

The item **Other** mainly comprises the finance leases on vehicles.

Note 8 – Investments

INVESTMENTS IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associates accounted for using the equity method include TI Audit Compliance Latam S.A. and Movenda S.p.A., but their contributions in the Consolidated Financial Statements is considered to be non-material individually and in an aggregate form.

INVESTMENTS IN STRUCTURED ENTITIES
The Group does not hold investments in structured entities.

OTHER INVESTMENTS

(millions of euros)	30/06/2020	31/12/2019
TIM S.p.A.	44	70
Total	**44**	**70**

As permitted by IFRS 9, the Group measures all Other Investments at fair value through other comprehensive income (FVTOCI).

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

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

Financial assets (non-current and current) were broken down as follows:

(millions of euros)	30/06/2020	31/12/2019
Non-current financial assets	**2.051**	**1.927**
Financial receivables for lease contracts	24	34
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature	2	1
Non-hedging derivatives	838	635
Loans and other financial receivables	1.187	1.257
Current financial assets	**4.752**	**4.077**
Securities other than investments	**876**	**877**
Fair value through other comprehensive income (FVTOCI)	834	728
Fair value through profit or loss (FVTPL)	42	149
Financial receivables and other current financial assets	**614**	**542**
Financial receivables for lease contracts	1	1
Non-hedging derivatives	53	24
Loans and other financial receivables	560	517
Cash and cash equivalents	**3.262**	**2.658**
Total non-current and current financial assets	**6.803**	**6.004**

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

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

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

Non-hedging derivatives relating to items classified as current and non-current financial assets totaled 891 million euros (659 million euros at December 31, 2019). These include the measurement of derivatives which, although put into place for hedging purposes, do not possess the formal requisites to be considered as such under IFRS and derivatives put in place in the framework of the activity of centralizing all the banking exposures of the TIM Group (further details are provided in the Note "Derivatives").

Loans and other financial receivables both in current and non-current financial assets amounts to 1.747 million euros (1.774 million euros at December 31, 2019) and refers to loans granted by the Parent to the ultimate Parent and other TIM Group companies. Regarding the loans granted to the ultimate Parent company, the credit risk is considered low based on the financial capability of TIM S.p.A. Other loans are considered fully recoverable by the management.

Securities other than investments included in current assets relates to:

- listed securities, classified as FVTOCI - *Fair value through other comprehensive income*, due beyond three months. They consist of 319 million euros of treasury bonds and 515 million euros of bonds purchased by the Parent with different maturities, all with an active market and consequently readily convertible into cash. The above government bonds represent investments in "Sovereign debt securities".
- securities, classified as FVTPL - *Fair value through profit or loss,* due beyond three months. They are related to the investment made by the Brazil Business Unit for an equivalent value of 42 million euros in monetary funds.

On April 27, 2020, in accordance with two securities lending agreements signed with TIM S.p.A., Telecom Italia Finance S.A. lent until February 2, 2021 (renewable term), 98 million euros (nominal) of BTP 01/03/2023 and 150 million euros of BTP 15/04/2021. As per IFRS9, the assets have not been derecognized.

Cash and cash equivalents:

(millions of euros)	30/06/2020	31/12/2019
Liquid assets with banks, financial institutions and post offices	2.784	2.176
Securities other than investments (due within 3 months)	478	482
Total	**3.262**	**2.658**

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

(millions of euros)	30/06/2020	31/12/2019
Liquid assets with banks, financial institutions and post offices	2.784	2.176
Securities other than investments (due within 3 months)	478	482
	3.262	**2.658**
Financial payables (due within 3 months)	-7	-9
Total	**3.255**	**2.649**

The different technical forms of investing available cash at June 30, 2020 can be analyzed as follows:

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

Securities other than investments (due within 3 months) included 478 million euros (482 million euros at December 31, 2019) of Brazilian bank certificates of deposit (Certificado de Depósito Bancário) held by the Brazil Business Unit with premier local banking and financial institutions.

Note 10 – Miscellaneous receivables and other non-current assets

(million euros)	30/06/2020	Of which Financial Instruments	31/12/2019	Of which Financial Instruments
Miscellaneous receivables	**685**	**158**	**945**	**238**
Other non-current assets	10	-	15	-
Prepaid expenses from customer contracts (contract assets)	3	-	5	-
Other prepaid expenses	7	-	10	-
Total	**695**	**158**	**960**	**238**

As at June 30, 2020 **Miscellaneous receivables** mainly relate to the Brazil Business Unit for an amount of 685 million euros (944 million euros at December 31, 2019). They include receivables for court deposits of 152 million euros (255 million euros at December 31, 2019) and income tax receivables of 34 million euros (46 million euros at December 31, 2019). Furthermore, they included the posting of higher tax credits following the favourable result of the tax disputes concerning the inclusion of the ICMS indirect tax in the basis of calculation of the taxes on PIS and COFINS revenues.
Please refer to the "Disputes and pending legal actions, other information, commitments and guarantees" note for further details.

Other non-current assets include prepaid expenses related to the Brazil BU for 10 million euros (15 million euros at December 31, 2019) and is mainly represented by incremental costs related to sales commissions paid to partners in order to obtain customer contracts arising from the adoption of IFRS 15, which are deferred to income according to the term and/or economic benefit of the contract, which is usually 1 to 2 years.

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

Note 11 – Trade and miscellaneous receivables and other current assets

(million euros)	30/06/2020	Of which Financial Instruments	31/12/2019	Of which Financial Instruments
Trade receivables	**492**	**492**	**723**	**723**
Receivables from customers	447	447	665	665
Receivables from other telecommunications operators	45	45	58	58
Miscellaneous receivables	**235**	**-**	**359**	**2**
Other current assets	**36**		**40**	-
Prepaid expenses from customer contracts (contract assets)	18	-	31	-
Other prepaid expenses	18	-	9	-
Total	**763**	**492**	**1.122**	**725**

As at June 30, 2020 **Trade receivables** related to the Brazil Business Unit amounted to 492 million euros (723 million euros at December 31, 2019) and are stated net of the provision for expected credit losses of 124 million euros (171 million euros at December 31, 2019).

As at June 30, 2020 **Miscellaneous receivables** amounted to 235 million euros (359 million euros at December 31, 2019) and did not include any provision for bad debts (same as at December 31, 2019). Details are as follows:

(millions of euros)	30/06/2020	31/12/2019
Advances to suppliers	16	8
Receivables from employees	5	2
Tax receivables	199	333
Sundry receivables	15	16
Total	**235**	**359**

As at June 30, 2020 **Tax receivables** included 199 million euros (333 million euros at December 31, 2019) relating to the Brazil Business Unit, largely with reference to local indirect taxes; specifically, they include the recognition of current tax receivables resulting from the favourable outcome of tax disputes relating to the inclusion of the ICMS indirect tax in the basis for calculating of the PIS/COFINS contribution, the use of which began as early as the end of 2019.

Other current assets include prepaid expenses of the Brazil BU for 36 million euros (40 million euros at December 31, 2019).

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

Note 12 – Equity

As at June 30, 2020 and December 31, 2019 the authorized, issued and fully paid capital of 1.818.691.978,50 euros is represented by 185.960.325 ordinary shares with a nominal value of EUR 9,78 per share.
As at June 30, 2020 and December 31, 2019 the Parent is 100% held by TIM S.p.A.

Note 13 – Financial liabilities (non-current and current)

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

(million euros)	30/06/2020	31/12/2019
Non-current financial liabilities	**3.250**	**3.416**
Financial payables (medium/long-term):	**1.398**	**1.318**
Bonds	1.012	1.012
Amounts due to banks	220	142
Other financial payables	166	164
Finance lease liabilities (medium/long-term)	**1.135**	**1.526**
Other financial liabilities (medium/long-term):	**717**	**572**
Non-hedging derivatives	717	572
Current financial liabilities	**1.530**	**896**
Financial payables (short-term):	**1.365**	**686**
Bonds	200	300
Amounts due to banks	1.156	359
Other financial payables	9	27
Finance lease liabilities (short-term)	**141**	**193**
Other financial liabilities (short-term):	**24**	**17**
Non-hedging derivatives	24	17
Total financial liabilities (gross financial debt)	**4.780**	**4.312**

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

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

(millions of euros)	30/06/2020	31/12/2019
Up to 2,5%	1.158	25
From 2,5% to 5%	383	336
From 5% to 7,5%	166	416
From 7,5% to 10%	1.012	1.144
Over 10%	1.276	1.717
Accruals/deferrals, MTM and derivatives	785	674
Total	**4.780**	**4.312**

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

(millions of euros)	30/06/2020	31/12/2019
Up to 2,5%	1.293	189
From 2,5% to 5%	414	584
From 5% to 7,5%	-	86
From 7,5% to 10%	1.012	1.062
Over 10%	1.276	1.717
Accruals/deferrals, MTM and derivatives	785	674
Total	**4.780**	**4.312**

The maturities of financial liabilities according to the expected nominal repayment amount, as defined by contract, are the following:

Details of the maturities of financial liabilities – at nominal repayment amount as at June 30, 2020

	maturing by 30/06 of the year						
(millions of euros)	2021	2022	2023	2024	2025	After 2025	Total
Bonds	163	-	-	-	-	1.015	1.178
Loans and other financial liabilities	103	168	-	17	24	192	504
Finance lease liabilities	-	1	-	117	-	1.159	1.277
Total	**266**	**169**	**0**	**134**	**24**	**2.366**	**2.959**
Current financial liabilities	1.042	-	-	-	-	-	1.042
Total	**1.308**	**169**	**0**	**134**	**24**	**2.366**	**4.001**

The following tables list the bonds issued by the Group, expressed at the nominal repayment amount, net of bond repurchases, and also at market value as at June 30, 2020:

Currency	Amount (millions)	Nominal repayment amount at 30/06/20 (millions of euros)	Coupon	Issue date	Maturity date	Issue price (%)	Market price at 30/06/19 (%)	Market value at 30/06/20 (millions of euros)
Bonds issued by Telecom Italia Finance and guaranteed by TIM S.p.A.								
Euro	1.015	1.015	7,750%	24/01/2003	24/01/2033	109,646[*]	140,384	1.425
Bonds issued by TIM S.A. and guaranteed by TIM Participaçoes S.A.								
BRL	1.000	163	104,1%CDI	25/01/2019	15/07/2020	100	100	163
Total								**1.587**

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

As at June 30, 2020 **Other financial payables (medium/long-term)** amounted to 166 million euros (164 million euros at December 31, 2019) corresponding to Telecom Italia Finance loan of 20.000 million Japanese yens expiring in 2029.

Finance lease liabilities (medium/long-term) totalled 1.135 million euros at June 30, 2020 (1.526 million euros at December 31, 2019). **Finance lease liabilities (short-term)** amounted to 141 million euros (193 million euros at December 31, 2019) and referred to the current portion of medium/long-term finance lease liabilities.

Non-hedging derivatives relating to items classified as current and non-current financial liabilities totalled 741 million euros (589 million euros at December 31, 2019). These include the measurement of derivatives which, although put into place for hedging purposes, do not possess the formal requisites to be considered as such under IFRS and derivatives put in place in the framework of the activity of centralizing all the banking exposures of the TIM Group (further details are provided in the Note "Derivatives").

Short-term amounts due to banks totalled 1.156 million euros (359 million euros at December 31, 2019) and included repurchase agreements on government and corporate bonds for 469 million euros, 429 million euros maturing by July 2020 and 40 million euros maturing by September 2020.

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

Note 14 – Net financial debt

The following table shows the net financial debt at June 30, 2020 and December 31, 2019, calculated in accordance with the criteria indicated in the "Recommendations for the Consistent Implementation of the European Commission Regulation on Prospectuses", issued on February 10, 2005 by the European Securities & Markets Authority (ESMA).

(million euros)	30/06/2020	31/12/2019
Non-current financial liabilities	**3.250**	**3.416**
Current financial liabilities	**1.530**	**896**
Total gross financial debt	**4.780**	**4.312**
Non-current financial assets	**-26**	**-35**
Non-current financial receivables for lease contract	-24	-34
Non-current hedging derivatives	-2	-1
Current financial assets	**-4.752**	**-4.077**
Securities other than investments	-876	-877
Financial receivables and other current financial assets	-614	-542
Cash and cash equivalents	-3.262	-2.658
Net financial debt as per ESMA	**2**	**200**
Non-current financial assets	**-2.025**	**-1.892**
Other financial receivables and other non-current financial assets	-2.025	-1.892
Net financial debt [*]	**-2.022**	**-1.692**

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

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

(million euros)		Cash movements		Non-cash movements			
	31/12/2019	Receipts and/or issues	Payments and/or reimbursements	Differences exchange rates	Fair value changes	Other changes	30/06/2020
Financial payables (medium/long-term):	**1.700**	**337**	**-219**	**- 68**	**-**	**-32**	**1.718**
Bonds	1.312	-	-	-59	-	-41	1.212
Amounts due to banks	222	337	-219	-9	-	7	338
Other financial payables	166	-	-	-	-	2	168
of which short-term portion	*382*	-	*-219*	*-80*	-	*237*	*320*
Finance lease liabilities (medium/long-term):	**1.719**	**176**	**-165**	**-452**	**-**	**-2**	**1.276**
of which short-term portion	*193*	*82*	*-84*	*-51*	-	*1*	*141*
Other financial liabilities (medium/long-term):	**590**	**-**	**-**	**1**	**144**	**5**	**740**
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature	0	-	-	-	-	1	1
Non-hedging derivatives	590	-	-	1	144	4	741
of which short-term portion	*17*	-	-	*2*	*1*	*4*	*24*
Financial payables (short-term):	**303**	**759**	**-18**	**-**	**-**	**-**	**1.042**
Amounts due to banks	279	759	-	-	-	-	1.038
Other financial payables	24	-	-18	-	-	-	6
Total financial liabilities (gross financial debt)	**4.312**	**1.272**	**- 402**	**- 519**	**144**	**- 29**	**4.780**
Positive hedging derivatives (current and non-current)	1	-	-	-	-	1	1
Positive non-hedging derivatives (current and non-current)	658	-	-	78	152	4	892
Total	**4.971**	**1.272**	**-402**	**-441**	**296**	**-24**	**5.675**

Note 15 – Derivatives

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

Derivative financial instruments are used by the Group to hedge its exposure to foreign exchange rate risk, to manage interest rate risk and to diversify the parameters of debt so that costs and volatility can be reduced to within predetermined operational limits.
Derivative financial instruments in place as at June 30, 2020 are principally used to manage debt positions. They include interest rate swaps (IRSs) to reduce interest rate exposure on fixed-rate and variable-rate bank loans and bonds, as well as cross currency and interest rate swaps (CCIRSs), currency forwards and foreign exchange options to convert the loans/receivables secured in currencies different from the functional currencies of the various Group companies.
IRS transactions provide for or may entail, at specified maturity dates, the exchange of flows of interest, calculated on the notional amount, at the agreed fixed or variable rates.
The same also applies to CCIRS transactions which, in addition to the settlement of periodic interest flows, may provide for the exchange of principal, in the respective currencies of denomination, at maturity and possibly spot.

In carrying out its role of providing financial assistance to TIM Group companies, Telecom Italia Finance aggregates all the exposure with some banking counterparties in just one entity. As a consequence, the Group has derivative contracts signed with banks and analogous intercompany derivative contracts with other TIM Group companies for a notional amount of 3.033 million euros (3.030 at December 31, 2019).
The balance of asset and liability measurements of these contracts is equal to zero.

The following tables show the derivative financial instruments of the Group at June 30, 2020 and at December 31, 2019, by type:

Type (millions of euros)	Hedged risk	Notional amount at 30/06/2020	Notional amount at 31/12/2019	Spot Mark-to-Market (Clean Price) at 30/06/2020	Spot Mark-to-Market (Clean Price) at 31/12/2019
Cross Currency and Interest Rate Swaps [*]	Interest rate risk and currency exchange rate risk	139	139	2	1
Total Cash Flow Hedge Derivatives [**]		**139**	**139**	**2**	**1**
Total Non-Hedge Accounting Derivatives [***]		**3.880**	**3.346**	**148**	**68**
Total Telecom Italia Finance Group Derivatives		**4.019**	**3.485**	**150**	**69**

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

Note 16 – Supplementary disclosures on financial instruments

Measurement at fair value

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

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

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

The tables below provide additional information on the financial instruments, including the hierarchy level for each class of financial asset/liability measured at fair value at June 30, 2020.
The assets and liabilities at June 30, 2020 are presented based on the categories established by IFRS 9.

Key for IFRS 9 categories

	Acronym
Financial assets measured at:	
Amortized Cost	AC
Fair Value Through Other Comprehensive Income	FVTOCI
Fair Value Through Profit or Loss	FVTPL
Financial liabilities measured at:	
Amortized Cost	AC
Fair Value Through Profit or Loss	FVTPL
Hedge Derivatives	HD
Not applicable	n.a.

Classification and fair value hierarchy of financial instruments measured at fair value as at June 30, 2020:

(millions of euros)	IFRS 9 Categories	Note	Value at 30/06/2020	Levels of hierarchy Level1	Level2
ASSETS					
Non-current assets					
Other investments	FVTOCI	[8]	44	44	
Securities, financial receivables and other non-current financial assets:					
Hedging derivatives	HD[*]	[9]	2	-	2
Non-hedging derivatives	FVTPL	[9]	838	-	838
(a)			**884**	**44**	**840**
Current assets					
Securities other than investments, measured at:					
Fair value through other comprehensive income	FVTOCI	[9]	834	834	
Fair value through profit or loss	FVTPL	[9]	42	42	
Financial receivables and other current financial assets:					
Non-hedging derivatives	FVTPL	[9]	53		53
(b)			**929**	**876**	**53**
Total (a+b)			**1.486**	**746**	**741**
LIABILITIES					
Non-current liabilities					
Non-hedging derivatives	FVTPL	[13]	717		717
(c)			**717**	**-**	**717**
Current liabilities					
Non-hedging derivatives	FVTPL	[13]	24		24
(d)			**24**	**-**	**24**
Total (c+d)			**741**	**-**	**741**

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

Classification and fair value hierarchy of financial instruments measured at fair value as at December 31, 2019:

(millions of euros)	IFRS 9 Categories	Note	Value at 31/12/2019	Levels of hierarchy Level1	Level2
ASSETS					
Non-current assets					
Other investments	FVTOCI	[8]	70	70	-
Securities, financial receivables and other non-current financial assets:					
Hedging derivatives	HD[*]	[9]	1	-	1
Non-hedging derivatives	FVTPL	[9]	635	-	635
(a)			**706**	**70**	**636**
Current assets					
Securities other than investments, measured at:					
Fair value through other comprehensive income	FVTOCI	[9]	728	728	-
Fair value through profit or loss	FVTPL	[9]	149	149	-
Financial receivables and other current financial assets:					
Non-hedging derivatives	FVTPL	[9]	24	-	24
(b)			**901**	**877**	**24**
Total (a+b)			**1.607**	**947**	**660**
LIABILITIES					
Non-current liabilities					
Non-hedging derivatives	FVTPL	[13]	572	-	572
(c)			**572**	**-**	**572**
Current liabilities					
Non-hedging derivatives	FVTPL	[13]	17	-	17
(d)			**17**	**-**	**17**
Total (c+d)			**589**	**-**	**589**

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

Carrying amount and fair value of financial instruments not measured at fair value as at June 30, 2020:

(millions of euros)	IFRS 9 Categories	Note	Value at 31/12/2019	Fair Value at 31/12/2019	Levels of hierarchy Level1	Level3	Amounts recognized in the financial statements pursuant to IFRS 16
ASSETS							
Non-current assets							
Other financial receivables	AC	[9]	1.187	1.187	-	1.187	-
Miscellaneous receivables	AC	[10]	158	158	-	158	-
Financial receivables for lease contracts	n/a	[9]	24	24	-	-	24
(a)			**1.369**	**1.369**	**-**	**1.345**	**24**
Current assets							
Other short-term financial receivables	AC	[9]	560	560	-	560	-
Cash and cash equivalents	AC	[9]	3.262	3.262	-	3.262	-
Trade and miscellaneous receivables	AC	[11]	492	492	-	492	-
Financial receivables for lease contracts	*n/a*	[9]	1	1	-	-	1
(b)			**4.315**	**4.315**	**-**	**4.314**	**1**
Total (a+b)			**5.684**	**5.684**	**-**	**5.659**	**25**
LIABILITIES							
Non-current liabilities							
Financial payables	AC	[13]	1.398	1.810	1.425	385	-
Finance lease liabilities	n/a	[13]	1.135	1.135	-	-	1.135
(c)			**2.924**	**3.361**	**1.529**	**306**	**1.526**
Current liabilities							
Financial payables	AC	[13]	1.365	1.365	-	1.365	-
Trade and miscellaneous payables and other current liabilities	AC	[19]	478	478	-	478	-
Finance lease liabilities	n/a	[13]	141	141	-	-	141
(d)			**1.984**	**1.984**	**-**	**1.843**	**141**
Total (c+d)			**4.908**	**5.345**	**1.529**	**2.149**	**1.667**

Carrying amount and fair value of financial instruments not measured at fair value as at December 31, 2019:

(millions of euros)	IFRS 9 Categories	Note	Value at 31/12/2019	Fair Value at 31/12/2019	Levels of hierarchy Level1	Level3	Amounts recognized in the financial statements pursuant to IFRS 16
ASSETS							
Non-current assets							
Other financial receivables	AC	[9]	1.257	1.257	-	1.257	-
Miscellaneous receivables	AC	[10]	238	238	-	238	-
Financial receivables for lease contracts	n/a	[9]	34	34	-	-	34
(a)			**1.529**	**1.529**	**-**	**1.495**	**34**
Current assets							
Other short-term financial receivables	AC	[9]	517	517	-	517	-
Cash and cash equivalents	AC	[9]	2.658	2.658	-	2.658	-
Trade and miscellaneous receivables	AC	[11]	725	725	-	725	-
Financial receivables for lease contracts	*n/a*	[9]	1	1	-	-	1
(b)			**3.901**	**3.901**	**-**	**3.900**	**1**
Total (a+b)			**5.430**	**5.430**	**-**	**5.395**	**35**
LIABILITIES							
Non-current liabilities							
Financial payables	AC	[13]	1.318	1.835	1.529	306	-
Finance lease liabilities	n/a	[13]	1.526	1.526	-	-	1.526
(c)			**2.844**	**3.361**	**1.529**	**306**	**1.526**
Current liabilities							
Financial payables	AC	[13]	686	686	-	686	-
Trade and miscellaneous payables and other current liabilities	AC	[19]	1.132	1.132	-	1.132	-
Finance lease liabilities	n/a	[13]	193	193	-	-	193
(d)			**2.011**	**2.011**	**-**	**1.818**	**193**
Total (c+d)			**4.855**	**5.372**	**1.529**	**2.124**	**1.719**

Note 17 – Provisions

(millions of euros)	**31/12/2019**	Increase	Taken to income	Used directly	Exchange differences and other changes	**30/06/2020**
Provision for taxation and tax risks	**74**	3	-	-	-18	**59**
Provision for restoration costs	**8**	-	-	-	-3	**5**
Provision for legal disputes	**112**	33	-	-30	-30	**85**
Other provisions	**2**	-	-	-	-	**2**
Total	**196**	**36**	**-**	**-30**	**-51**	**151**
of which:						
non-current portion	**187**	31	-	-30	-48	**140**
current portion	**9**	4	-	-	-2	**11**

Provision for taxation and tax risks. The figure at June 30, 2020 are mainly related to companies in the Brazil Business Unit (58 million euros *vs.* 74 million euros at December 31, 2019).

Provision for legal disputes includes the provision for litigation with employees, social security entities, regulatory authorities and other counterparties and refers to the Brazil Business Unit.

Note 18 – Miscellaneous payables and other non-current liabilities

(million euros)	30/06/2020	31/12/2019
Deferred revenues from customer contracts (Contract liabilities)	-	-
Other deferred income	129	182
Income tax payables	32	42
Other	8	13
Total	**169**	**237**

Other deferred income includes the non-current portion of approximately 124 million euros in (174 million euros as at December 31, 2019) of deferred gain on the sale and lease back of the telecommunication towers of the Brazil Business Unit.

Note 19 – Trade and miscellaneous payables and other current liabilities

(million euros)	30/06/2020	Of which Financial Instruments	31/12/2019	Of which Financial Instruments
Trade payables	**391**	**391**	**943**	**943**
Payables to suppliers	361	361	912	912
Payables to other telecommunication operators	30	30	31	31
Tax payables	**79**	**79**	**136**	**136**
Miscellaneous payables	**131**	**8**	**108**	**49**
Payables for employee compensation	27		34	-
Payables to social security agencies	18	-	12	-
Payables for TLC operating fee	67	-	4	-
Dividends approved, but not yet paid to shareholders	8	8	49	49
Provisions for risks and charges for the current portion expected to be settled within 1 year	11	-	9	-
Other current liabilities	**38**	**-**	**62**	**4**
Deferred revenues from customer contracts (Contract liabilities)	4	-	9	4
Customer-related items	22	-	37	-
Other deferred income	12	-	16	-
Advances received	-	-	-	-
Other current liabilities	-	-	-	-
Total	**639**	**478**	**1.249**	**1.132**

Trade payables amounting to 391 million euros as at June 30, 2020 (943 million euros at December 31, 2020) are mainly referred to the Brazil Business Unit.

Tax payables amounting to 79 million euros as at June 30, 2020 are referred to the Brazil Business Unit (136 million euros at December 31, 2019).

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

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

Note 20 – Disputes and pending legal actions, other information, commitments and guarantees

SIGNIFICANT DISPUTES AND PENDING LEGAL ACTIONS

International tax and regulatory disputes

As of June 30, 2020, the companies forming the Brazil Business Unit were involved in tax or regulatory disputes, the outcome of which is estimated as a possible loss totaling around 16,2 billion reais (around 2,6 billion euros). The main types of litigation are listed below, classified according to the tax to which they refer.

Federal taxes
On March 22, 2011, TIM Celular S.A. (company incorporated into TIM S.A. starting from October 31, 2018) was served notice of a tax assessment issued by the Federal Tax Authorities of Brazil for a total sum of 1.265 million reais as of the date of the notification, including fines and interest, as a result of the completion of a tax investigation concerning financial years 2006, 2007, 2008 and 2009 for the companies TIM Nordeste Telecomunicações S.A. and TIM Nordeste S.A. (formerly Maxitel), companies which have been progressively incorporated into TIM Celular with the aim of rationalizing the corporate structure in Brazil.
The assessment notice includes various adjustments; the main challenges may be summarised as follows:

- non-recognition of the tax effects of the merger of TIM Nordeste Telecomunicações S.A. and Maxitel S.A.;
- non-recognition of the tax-deductibility of the write-down of goodwill relating to the purchase of Tele Nordeste Celular Participações S.A. ("TNC");
- non-recognition of certain tax offsets;
- denial of the SUDENE regional tax benefit, due to alleged irregularities in the management and reporting of the benefit itself.

The adjustments included in the assessment notice were disputed by TIM Celular, in administrative court, with the filing of its first objections on 20 April 2011. On April 20, 2012, TIM Celular received notification of the decision of the administrative court of first instance which confirmed the findings set out in the assessment notice; TIM Celular promptly filed an appeal against this decision on May 21, 2012.
The Company, as confirmed by specific legal opinions, believes it is unlikely that significant disbursements can be expected.
Still in relation to the federal level of taxation, the following additional disputes should also be noted:

- challenges regarding offsetting against previous tax losses;
- further challenges regarding the tax deductibility of the amortisation of goodwill;
- imposition of income tax on certain types of exchange rate differences;
- imposition of withholding taxes on certain types of payments to foreign entities (for example, payments for international roaming);
- further challenges regarding offsets made between the taxes payable and group company credit positions.

Overall, the risk for these cases, considered to be possible, amounts to 4,3 billion reais (about 0,7 billion euros).

State taxes
Within the scope of the state levy, there are numerous challenges regarding ICMS, and in particular:

- challenges concerning the reduction of the tax base due to discounts granted to customers, as well as challenges regarding the use of tax credits declared by group companies, with respect to the return of loaned telephone handset, and following the detection of contract frauds to the detriment of the companies;
- subjection of some fees owed to group companies and classified by them as fees for services other than telecommunications to ICMS;
- challenges over the use of the "PRO-DF" tax benefit originally granted by some States, and subsequently declared unconstitutional (the challenge refers to the actual credit due to ICMS, declared by the TIM Cellular on the basis of the aforementioned tax benefits);
- challenges relating to the use of ICMS credits, claimed by Group Companies as a result of the acquisition of tangible assets, and in relation to the supply of electricity to the Companies, as well as in application of the provisions on acting as a withholding agent;
- fines imposed on group companies for irregularities in tax return compliance.

In February 2018 the State of São Paulo notified two tax assessments regarding ICMS to TIM Celular, for a total amount of 679 million reais (around 111 million euros; at the date of the assessment, including fines and interest). The first assessment (344 million reais or 56 million euros) regarded a challenge of ICMS credits in relation to acting as a withholding agent, applicable when equipment is bought and distributed in different States. The second assessment (335 million reais or 55 million euros) challenged ICMS credits deriving from the "special credit" recognized by the company to its prepaid customers, against subsequent top-ups.

In June 2018 the State of São Paulo notified two further tax assessments to TIM Celular, again relating to ICMS, for a total amount of 369 million reais (60 million euros; at the date of the assessment, including fines and interest). This assessment too relates to ICMS credits deriving from the "special credit" recognized by the company to its prepaid customers against subsequent top-ups, as well as to the fines imposed for ICMS breaches. For a minor part of the claim, the company decided to authorize payment of the amount requested, instead of starting legal proceedings, benefiting from a discount on the fine. The dispute thus continues for the remaining amount, 296 million reais (around 48 million euros).

In late March 2020, the State of São Paulo issued a further tax assessment to the Company (TIM S.A., as the incorporating company of TIM Celular), for a total amount of 362 million reais (59 million euros, at the date of the assessment, including fines and interest). The notice is based on two alleged infringements: (i) the contestation of the ICMS credits deriving from the "special credit" recognized by the company to its prepaid customers, against subsequent top-ups, for the period April- October 2015; and (ii) the discrepancy between the information submitted with periodic reports and figures on taxes paid (discrepancy due to differences in reporting arrangements).

Overall, the risk for these cases, considered to be possible, amounts to 8,2 billion reais (about 1,3 billion euros).

Municipal taxes
Among disputes classified with a "possible" degree of risk, there are some relating to municipal taxes for a total amounting to around 0,7 billion reais (about 0,1 billion euros).

Contingent assets related to exclusion of ICMS from the PIS/COFINS tax base
As regards the tax receivables recognized following the positive outcome of tax disputes concerning the inclusion of ICMS in the basis for calculating the PIS/COFINS contribution, refer to the information published in the 2019 Annual Financial Report. Moreover, also during the first half of 2020, TIM S.A. proceeded with the use of registered tax receivables, in accordance with the formal certification procedures provided by the Brazilian tax authorities.

Brazil – Opportunity Arbitration

No significant events occurred for these disputes compared to the information published in the 2019 Annual Financial Report.

COMMITMENTS AND GUARANTEES

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

(millions of euros)	30/06/2020	31/12/2019
Guarantee on bonds issued by the Group	1.181	1.179
Guarantee on derivatives financial instruments	226	203
Total	**1.407**	**1.382**

There are also surety bonds on the telecommunication services in Brazil for 85 million euros.

The Group has provided to Telecom Italia Capital (related party) a guarantee covering the full amount of a credit line amounting to 250 million euros, which represents the maximum credit risk exposure relating to this financial guarantee contract.

ASSETS PLEDGED TO GUARANTEE FINANCIAL LIABILITIES

With reference to the subsidized loan contracts granted by the Brazilian Development Bank BNDES (Banco Nacional de Desenvolvimento Econômico e Social) to Tim Celular, now merged into TIM S.A. and for which specific covenants had been issued, it should be noted that these loans were fully repaid during the first half of 2020.

Note 21 – Revenues

(millions of euros)	1st Half 2020	1st Half 2019
Equipment sales	34	84
Services	1.483	1.862
Total	**1.517**	**1.946**

Revenues from telecommunications services are presented gross of amounts due to other TLC operators, equal to 71 million euros in 2020 (75 million euros in the same period 2019, -5,4% change), included in the costs of services.
For a breakdown of revenues by operating segment, reference should be made to the Note "Segment Reporting".

Note 22 – Finance income and expenses

FINANCE INCOME

(millions of euros)	1st Half 2020	1st Half 2019
Interest income and other finance income	**168**	**164**
Income from financial receivables, recorded in non-current assets	42	44
Income from securities other than investments, recorded in non-current assets	-	1
Income from securities other than investments, recorded in current assets	2	3
Income other than the above:		
Interest income	14	18
Exchange gains	30	20
Reversal of the Reserve for cash flow hedge derivatives to the income statement (interest rate component)	1	1
Income from non-hedging derivatives	70	70
Miscellaneous finance income	9	7
Positive fair value adjustments to non-hedging derivatives	**240**	**132**
Positive adjustments and reversal for impairment on financial assets	**2**	**4**
Total	**410**	**300**

FINANCE EXPENSES

(millions of euros)	1st Half 2020	1st Half 2019
Interest expenses and other finance expenses	**341**	**309**
Interest expenses and other costs relating to bonds	1	2
Interest expenses to banks	10	7
Interest expenses to others	126	157
Expenses other than the above:		
Commissions	15	11
Exchange losses	103	14
Reversal of the Reserve for cash flow hedge derivatives to the income statement (interest rate component)	-	-
Charges from non-hedging derivatives	69	69
Miscellaneous finance expenses	17	49
Negative fair value adjustments to non-hedging derivatives	**148**	**132**
Negative adjustments for impairment on financial assets	**1**	**6**
Total	**490**	**447**

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

(millions of euros)	1st Half 2020	1st Half 2019
Exchange gains	30	20
Exchange losses	-103	-14
Net exchange gains and losses	**-73**	**6**
Positive Reversal of the Reserve for cash flow hedge derivatives	1	1
Negative Reversal of the Reserve for cash flow hedge derivatives	-	-
Net effect of the Reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)	**1**	**1**
Income from non-hedging derivatives	70	70
Charges from non-hedging derivatives	-69	-69
Net result from non-hedging derivatives	**1**	**1**
Net result from derivatives	**2**	**2**
Positive fair value to non-hedging derivatives	240	132
Negative fair value adjustments to non-hedging derivatives	-148	-132
Net fair value adjustments to non-hedging derivatives	**92**	**0**
Positive adjustments and reversal for impairment on financial assets	2	4
Negative adjustments for impairment on financial assets	-1	-6
Net impairment on financial assets	**1**	**-2**

Note 23 – Segment reporting

SEGMENT REPORTING

Segment reporting is based on the following operating segments:

- Telecommunications (Brazil)
- Other Operations

Separate Consolidated Income Statements by Operating Segment

(millions of euros)	Brazil		Other Operations		Consolidated Total	
	1st Half 2020	1st Half 2019	1st Half 2020	1st Half 2019	1st Half 2020	1st Half 2019
Third-party revenues	1.517	1.946	-	-	1.517	1.946
Revenues by operating segment	**1.517**	**1.946**	**-**	**-**	**1.517**	**1.946**
Other income	6	671	-	-	6	671
Total operating revenues and other income	**1.523**	**2.617**	**-**	**-**	**1.523**	**2.617**
Acquisition of goods and services	-538	-760	-1	-1	-539	-761
Employee benefits expenses	-127	-170	-	-	-127	-170
Other operating expenses	-182	-276	-2	-2	-184	-278
of which: write-downs and expenses in connection with credit management and provision charges	*-86*	*-131*	-	-	*-86*	*-131*
Change in inventories	-	7	-	-	0	7
Internally generated assets	42	48	-	-	42	48
EBITDA	**718**	**1.466**	**-3**	**-3**	**715**	**1.463**
Depreciation and amortization	-510	-609	-	-	-511	-609
Gains/(losses) on disposals of non-current assets	3	5	-	-	3	5
Impairment reversals (losses) on non-current assets	-	-	-	-	-	-
EBIT	**212**	**862**	**-4**	**-3**	**208**	**859**
Other income (expenses) from investments					-	-
Finance income					410	300
Finance expenses					-490	-447
Profit (loss) before tax					**128**	**712**
Income tax expense					-37	-224
Profit (loss) for the period					**91**	**488**
Attributable to:						
Owners of the Parent					65	326
Non-controlling interests					26	162

Revenues by operating segment

The revenues only relate to the Brazil Business Unit.

Purchase of intangible and tangible assets by operating segment

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

Assets and liabilities by Operating Segment

(millions of euros)	Brazil		Other Operations		Consolidated Total	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Non-current operating assets	5.412	7.498	-	1	5.412	7.499
Current operating assets	760	1.055	-	70	760	1.125
Total operating assets	**6.172**	**8.553**	**0**	**71**	**6.172**	**8.624**
Unallocated assets					6.918	6.188
Total Assets					**13.090**	**14.812**
Total operating liabilities	**944**	**1.669**	**5**	**6**	**949**	**1.675**
Unallocated assets					4.822	4.357
Equity					7.319	8.780
Total Equity and Liabilities					**13.090**	**14.812**

Note 24 – Related party transactions

The following tables show the figures relating to related party transactions and the impact of those amounts on the Separate Consolidated Income Statement and Consolidated Statement of Financial Position.

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

The effects on the individual line items of the Group's Separate Consolidated Income Statements for the half-years 2020 and 2019 are as follows:

Separate Consolidated Income Statement line items 1st Half 2020:

(million euros)		Related Parties					
	Total	Associates, companies controlled by associates and joint ventures	Other related parties	Pension funds	Key managers	Total related parties	% of financial statement item
Revenues	**1.517**	-	1	-	-	1	0,1
Other income	**6**	-	-	-	-	-	0,4
Acquisition of goods and services	**539**	-	31	-	-	31	5,7
Employee benefits expenses	**127**	-	-	2	3	5	4,1
Other operating expenses	**184**	-	-	-	-	-	0,0
Finance income	**410**	-	96	-	-	96	23,5
Finance expenses	**490**	-	164	-	-	164	33,3

Separate Consolidated Income Statement line items 1st Half 2019

(millions of euros)		Related Parties					
	Total	Associates, companies controlled by associates and joint ventures	Other related parties	Pension funds	Key managers	Total related parties	% of financial statement item
Revenues	**1.946**	-	1	-	-	1	0,1
Acquisition of goods and services	**761**	-	50	-	-	50	6,6
Employee benefits expenses	**170**	-	-	2	2	4	2,4
Finance income	**300**	-	136	-	-	136	45,3
Finance expenses	**447**	-	113	-	-	113	25,3

The effects on the individual line items of the consolidated statements of financial position at June 30, 2020 and December 31, 2019 are as follows:

Consolidated Statement of Financial Position line items at 30/06/2020

(millions of euros)	Total	Associates, companies controlled by associates and joint ventures	Other related parties	Pension funds	Total related parties	% of financial statement item
Net financial debt	**-1.226**	**-**	**-3.768**	**-**	**-3.768**	**0,0**
Non-current financial assets	**-2.051**	**-**	**-1466**	**-**	**-1.466**	**71,5**
Current financial assets	**-4.752**	**-**	**-2.227**	**-**	**-2.227**	**62,0**
Securities other than investments (current assets)	**-876**	-	-	-	0	0,0
Financial receivables and other current financial assets	**-614**	-	-571	-	-571	93,0
Cash and cash equivalents	**-3.262**	-	-595	-	-595	18,2
Non-current financial liabilities	**3.250**	**-**	**498**	**-**	**498**	**15,3**
Current financial liabilities	**1.530**	**-**	**19**	**-**	**19**	**1,2**
Other statement of financial position line items						
Trade and miscellaneous receivables and other current assets	**763**	-	9	-	9	1,2
Miscellaneous payables and other non-current liabilities	**169**	-	-	-	-	-
Trade and miscellaneous payables and other current liabilities	**639**	-	31	1	0	0

Consolidated Statement of Financial Position line items at 31/12/2019

(million euros)	Total	Associates, companies controlled by associates and joint ventures	Other related parties	Pension funds	Total related parties	% of financial statement item
Net financial debt	**-1.692**	**-**	**-2.229**	**-**	**-2.229**	**0,0**
Non-current financial assets	**-1.927**	**-**	**-1.515**	**-**	**-1.515**	**78,6**
Current financial assets	**-4.077**	**-**	**-1.122**	**-**	**-1.122**	**27,5**
Securities other than investments (current assets)	**-877**	-	-	-	0	**0,0**
Financial receivables and other current financial assets	**-542**	-	-525	-	-525	96,9
Cash and cash equivalents	**-2.658**	-	-597	-	-597	22,5
Non-current financial liabilities	**3.416**	**-**	**372**	**-**	**372**	**10,9**
Current financial liabilities	**896**	**-**	**36**	**-**	**36**	**4,0**
Other statement of financial position line items						
Trade and miscellaneous receivables and other current assets	**1.122**	-	5	-	5	0,4
Miscellaneous payables and other non-current liabilities	**237**	-	-	-	-	0,0
Trade and miscellaneous payables and other current liabilities	**1.249**	-	24	-	24	1,9

TRANSACTIONS WITH PENSION FUNDS

The most significant amounts are summarized as follows:

Separate Consolidated Income Statement line items

(millions of euros)	1st Half 2020	1st Half 2019	Type of contract
Other pension funds	2	2	Contributions to pension funds
Total employee benefits expenses	**2**	**2**	

There are no transactions with pension funds in the Consolidated Statement of Financial Position.

REMUNERATION TO KEY MANAGERS

The remuneration to key managers in first half 2020 amounted to 3 million euros (2 million euros in the same period of 2019).

Note 25 – Equity compensation plans

The equity compensation plans in force at June 30, 2020, are used for attraction and retention purposes, and as a long-term incentive for the managers and employees of the Group.
However, it should be noted that these plans do not have any significant effect on the economic result or on the financial position or on cash flows at June 30, 2020.

DESCRIPTION OF STOCK OPTION PLANS

TIM Participações S.A. Stock Option Plan

• 2014-2016 Plan
On April 10, 2014, the General Meeting of Shareholders of Tim Participações S.A. approved the long-term incentive plan for managers in key positions in the company and its subsidiaries. Exercise of the options is not subject to the achievement of specific performance targets, but the exercise price is adjusted upwards or downwards according to the performance of the Tim Participações S.A. shares in a ranking of Total Shareholder Return, in which companies in the Telecommunications, Information Technology and Media industry are compared during each year of validity of the plan.
The vesting period is 3 years (a third per year), the options are valid for 6 years, and the company does not have the legal obligation to repurchase or liquidate the options in cash, or in any other form.

- Year 2014
  On September 29, 2014, the grantees of the options were granted the right to purchase a total of 1.687.686 shares. As at June 30, 2020, 100% of the options were considered as vested. Of the total granted, 1.249.465 shares were cancelled due to the participants leaving the company. Of the remaining balance of 438.221 options, 129,643 options had been exercised and 308,578 could still be exercised.
- Year 2015
  On October 16, 2015, the grantees of the options were granted the right to purchase a total of 3.355.229 shares. As at June 30, 2020, 100% of the options were considered as vested. Of the total options granted, 1.646.080 were cancelled due to the participants leaving the company. Out of the remaining 1.709.149 options, 1.687.378 options had been exercised and 21.771 could still be exercised.
- Year 2016
  On November 8, 2016, the grantees of the options were granted the right to purchase a total of 3.922.204 shares. At June 30, 2020, 100% of the options were considered as vested. Of the total options granted, 1.727.423 were cancelled by participants leaving the company. Of the remaining balance of 2.194.781 options, 1.899.718 options had been exercised and 295.063 could still be exercised.

• 2018-2020 Plan
On April 19, 2018 the General Meeting of Shareholders of Tim Participações S.A. approved the long-term incentive plan for managers in key positions in the company and its subsidiaries. The plan aims to reward participants with shares issued by the company, subject to specific temporal and/or performance conditions (upon reaching specific targets). The 2018-2020 Plan does not cover criteria for setting the purchase or exercise price because the shares are granted at market value.
The vesting period is 3 years (a third per year), valid for 3 years, and the company does not have the legal obligation to repurchase or liquidate the shares in cash, or in any other form. The portion of shares linked to performance (70%) is granted 1/3 each year, if the performance target is achieved; the remaining portion of shares (30%) is granted 3 years after allocation.

The plan – in addition to provide the transfer of the shares – also includes the possibility of rewarding participants through the settlement of the amount corresponding in cash.

- Year 2018
  On April 20, 2018, the grantees were granted the right to obtain a total of 849.932 shares.
  On June 30, 2020 the first and second vesting periods ended.
  - First vesting period: against the performance results approved on May, 29, 2019 – 112.302 shares were granted, plus 3,647 shares corresponding to the amount of dividends distributed during the vesting period, according to defined rules. For participants transferred to other companies that are part of the Group, the cash payment corresponding to 9.721 shares was decided, plus the amount of 316 shares corresponding to the amount of dividends distributed during the vesting period, according to the rules set out in the Plan.
  - The second vesting period: against the performance results approved on June, 17, 2020 – 83.111 shares were granted, plus 4,655 shares corresponding to the amount of dividends distributed during the vesting period, according to defined rules. For participants transferred to other companies that are part of the Group, the cash payment corresponding to 7,953 shares was decided, plus the amount of 446 shares corresponding to the amount of dividends distributed during the vesting period, according to the rules set out in the Plan.

  As of June 30, 2020, of the total granted amounting to 849.932 shares, 446,620 were cancelled due to the participants leaving the company and 222.151 shares were allocated or converted into cash, leaving a balance of 181.161 shares, which may increase or decrease according to the final balance of the performance parameters for the 2018–2020 three-year period.
- Year 2019
  On July 30, 2019, the grantees were granted the right to obtain a total of 930,662 shares. As at June 30, 2020, the first vesting period has not yet finished. However, 33,418 shares were cancelled due to the participants leaving the company. At the end of June 2020, 897,244 shares remain valid.
- Year 2020
  On April 14, 2020, the grantees were granted the right to obtain a total of 796,054 shares. As at June 30, 2020, the first vesting period has not yet finished.

Note 26 – Other information

EXCHANGE RATE USED TO TRANSLATE THE FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

	Period-end exchange rates (statements of financial position)		Average exchange rates for the period (income statements and statements of cash flows)	
Local currency against 1 EUR	30/06/2020	31/12/2019	1st Half 2020	1st Half 2019
ARS (Argentine peso)	78,78590	67,27490	71,02728	46,79486
BRL (Brazilian real)	6,13202	4,52808	5,40843	4,34394
CHF (Swiss franc)	1,06510	1,08540	1,06412	1,12968
GBP (Pound sterling)	0,91243	0,85080	0,87442	0,87357
JPY (Japan Yen)	120,66000	121,94000	119,24685	124,32519
USD (U.S. dollar)	1,11980	1,12340	1,10186	1,12977

RESEARCH AND DEVELOPMENT

Expenditures for research and development activities are represented by external costs, labour costs of dedicated staff and depreciation and amortization. Details are as follows:

(millions of euros)	1st Half 2020	1st Half 2019
Development costs capitalized	12	13
Total research and development costs (expensed and capitalized)	**12**	**13**

Note 27 – Events subsequent to June 30, 2020

Binding Offer OI Group
On July 18, 2020 Tim Participações S.A. and its 100% subsidiary TIM S.A. communicated that the Board of Directors of Tim Participações S.A. (the “company”) and TIM S.A. had, in the meetings held on July 18, 2020, approved making a binding offer for the mobile activities of the Oi Group by TIM S.A., jointly with Telefônica Brasil S.A. ("Vivo") and Claro S.A. ("Claro").
The binding offer was submitted by the parties indicated above for the Oi Group's consideration, after analyzing the data and information made available regarding the assets to be acquired, highlighting that the binding offer is subject to some conditions, in particular that bidders are recognized as "stalking horse" bidders, guaranteeing them the right to meet any other bids made in the competitive sale process of the Oi group's mobile assets. In the event the offer is accepted and the transaction is concluded, each of the interested parties will receive a share of the aforementioned assets.
The joint offer mainly includes the terms of authorization to use the radio frequency; customer base of the Personal Mobile Service; rights to use land and towers; the access or main elements of the mobile network; and systems/platforms.
The interest in the transaction comes because, if completed, it will bring further benefits for the company and its shareholders, its customers and the sector as a whole. From the point of view of the company and its shareholders, the value of the transaction comes from the opportunity to accelerate growth and improve operational efficiency through the expected synergies. From the customer's point of view, the transaction will promote a better user experience and an improvement in the quality of the service, as well as the possibility of launching products and offers. The telecommunications market in general will benefit from a strengthening of investment capacity, technological innovation and competitiveness of the sector.
On July 27, 2020 the Boards of Directors of Tim Participações S.A. and TIM S.A. approved the extension and revision of the binding offer for the mobile business of the Oi group by TIM S.A., together with Telefônica Brasil S.A. and Claro S.A., jointly called "Bidders", and the presentation of a new offer of 16,5 billion reais (about 2,7 billion euros). Furthermore, this joint offer considers the possibility of signing long-term contracts for the use of Oi group infrastructure.
The revised binding offer was submitted by the aforementioned parties, underlining that it is subject to certain conditions, in particular in relation to the selection of the company as the "preferential buyer" ("first bidder"), which would guarantee the company the right to increase its offer compared to the best presented bid ("right to top") during the competitive sale procedure of the Oi group's mobile business.
The review of the binding offer reaffirms Group's interest in the acquisition of the Oi group's mobile business, as well as the desire to contribute to the continuous development of mobile telephony in the country, taking into account the vast experience the company has in the telecommunications sector at a global level and an in-depth understanding of the Brazilian market.
As an operator of recognized financial strength and with a presence and history of large long-term investments in Brazil, the Group is confident that the joint offer of the Bidders, if accepted and deemed successful, will bring benefits to its shareholders through growth acceleration and generation of efficiencies, as well as for its customers, through the improvement of the user experience and provided service quality, and for the entire sector through the strengthening of its investment capacity, technological innovation and competitiveness. In this sense, the joint offer also supports, and is in line with, the regulation which aims to build and consolidate a strong and efficient telephone service in the country.
The Group believes that the offer meets the financial needs of the Oi group, widely known by the market, allowing it to implement its strategic plan and service its creditors, according to the terms set out in the Judicial recovery plan.
TIM S.A. will keep their shareholders and the market informed in accordance with current legislation.

Corporate reorganization in Brazil
In the meeting held on July 29, 2020, the Board of Directors of Tim Participações and its subsidiary TIM S.A. approved the presentation to the companies’ General Meeting of Shareholders, to be held on August 31, 2020, of the proposal to incorporate Tim Participações into its subsidiary TIM S.A., the latter becoming a company listed on the special Novo Mercado segment of the Brazilian stock exchange and with the American Depositary Receipts ("ADRs") traded on the New York Stock Exchange ("NYSE").
The result of this merger will have no impact on minority shareholders, since TIM S.A. will maintain the same management structure and best corporate governance practices, as well as bringing significant gains in terms of operational and financial efficiency.
The main objective of the merger is to make the operational and financial structure more efficient, reducing the corporate structure, thereby optimizing accounting and tax procedures with a consequent reduction in operating expenses.

Note 28 – List of companies of the Telecom Italia Finance Group

Company name	Head office	Currency	Share Capital	% Ownership	% of voting	Held by
PARENT COMPANY						
Telecom Italia Finance	Luxembourg	EUR	1.818.691.979			
SUBSIDIARIES CONSOLIDATED LINE-BY-LINE						
Brazil Business Unit						
• TIM Brasil Serviços & Partecipações S.A.	Rio de Janeiro	BRL	7.169.029.859	99,9999 0,0001		Telecom Italia Finance TIM S.p.A.
• TIM Participações S.A.	Rio de Janeiro	BRL	9.913.414.422	66,5819 0,0087	66,5877	TIM Brasil Serviços & Partecipações S.A. TIM Participações S.A.
• TIM S.A.	Rio de Janeiro	BRL	13.476.171.765	100,0000		TIM Participações S.A.
ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD						
Movenda S.p.A.	Roma	EUR	133.333	24,9998		Telecom Italia Finance
TI Audit Compliance Latam S.A. (in liquidation)	Rio de Janeiro	BRL	1.500.000	69,9996 30,0004		TIM S.p.A. TIM Brasil Serviços & Partecipações S.A.
OTHER RELEVANT SHAREHOLDERS						
TIM S.p.A.	Milano	EUR	11.677.002.855	0,5900		Telecom Italia Finance

Certification of the Consolidated Financial Statements pursuant to Luxembourg Transparency Law

Pursuant to paragraph 4 of Luxembourg's Transparency Law, the undersigned Biagio Murciano, Managing Director of the Company, to the best of his knowledge, hereby declares that the above interim financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and that the management report includes an indication of important events that have occurred during the first six months of the financial year, and their impact on the financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

Biagio Murciano
Managing Director