



2021 Annual Report

Telecom Italia Finance Société Anonyme
12, rue Eugène Ruppert L-2453 Luxembourg
R.C.S. Luxembourg B 76.448

Audited Annual Accounts as at December 31, 2021, which have been authorized by the Board of Directors, held on March 01, 2022

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Management's report

Dear Shareholder,

The year 2021 of Telecom Italia Finance (the "Company" or "TI Finance") ends with a profit of EUR 81.262.676,22 vs a positive result of EUR 77.522.816,99 in the year 2020.

In 2021 the Company's activities continue to be segmented into two business: holding of participations and financial assistance to Telecom Italia Group ("TIM Group") companies.

On November 23, 2021 the Board of Directors resolved to distribute an interim dividend in the amount of EUR 384.075.379,07, partly in kind and partly cash by using the non-distributed profit of year 2009 to 2014 accounted to "Profit or loss brought forward reserves". According to such resolution, on November 26, EUR 327.174.403,68 were paid cash. The amount in kind has been paid distributing all the no. 126,082,374 TIM S.p.A. ordinary shares in portfolio, for a countervalue of EUR 56.900.975,39.

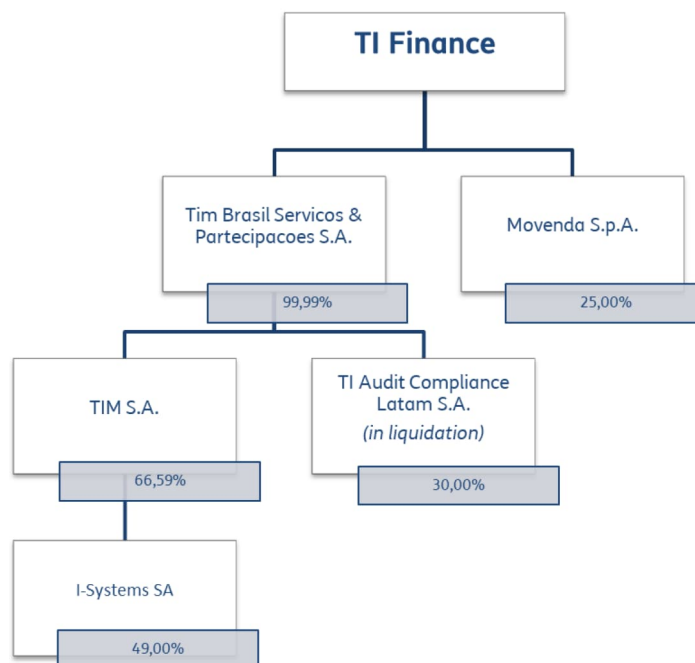
a) Participations

The main operations during year 2021 are the following:

- Dividends: during the year 2021 TI Finance registered net dividends from TIM Brasil for EUR 83,5 million (EUR 86,4 million in the year 2020).
- Shares disposal: TIM S.p.A. shares have been distributed to TIM S.p.A. generating a capital gain of 8,6 million.

As of December 31, 2021, the overall net book value of the Company's equity investments is worth EUR 3.183 million, compared to EUR 3.231 million as of December 31, 2020.

The table here below shows the main shareholdings as at December 31, 2021:



b) Financial activity

The net decrease in Cash and Cash Equivalent as of December 31, 2021 (considering the previous 12 months) has been equal to EUR 192 million, vs a net increase for the same period as of December 31, 2020 equal to EUR 929 million. The difference is attributable to the increase in dividends paid to TIM SpA in 2021, while in 2020 the cash generation was mainly due to reimbursements for EUR 1 billion of loans granted to the Group.

The net financial position as of December 31, 2021 is positive for EUR 2.880 million (EUR 3.143 million as of December 31, 2020).

Million EUR	December 31, 2021	December 31, 2020
Formation Expenses	2	2
Loans to affiliated undertakings	1.182	1.182
Amounts owed by affiliated undertakings		
becoming due and payable within one year [*]	253	179
becoming due and payable after more than one year	25	31
Other debtors		
becoming due and payable within one year	11	20
becoming due and payable after more than one year	152	80
Other investments	1.513	762
Cash at bank and in hand	2.302	2.495
Non-convertible loans		
becoming due and payable within one year	-74	-74
becoming due and payable after more than one year	-1.016	-1.016
Amounts owed to credit institutions		
becoming due and payable within one year	-1.114	-227
becoming due and payable after more than one year	-153	-158
Amounts owed to affiliated undertakings		
becoming due and payable within one year	-20	-17
becoming due and payable after more than one year	-152	-80
Other creditors		
becoming due and payable within one year	-8	-7
becoming due and payable after more than one year	-25	-31
Net Financial Position	2.880	3.143

[*] Note 8 – Amounts owed by affiliated undertakings – a) – excluding Dividends receivable.

As of December 31, 2021, the total outstanding nominal amount of notes issued by TI Finance amounts to EUR 1.015 million (same amount as of December 31, 2020). The Parent Company TIM S.p.A. unconditionally and irrevocably guarantees the notes.

Share Capital

As of December 31, 2021 and December 31, 2020, the authorized, issued and fully paid-up capital is worth EUR 1.818.691.978,50 represented by no. 185.960.325 ordinary shares with a nominal value EUR 9,78 per share.

Risks

The Directors consider the following as the principal risks that could materially affect the result and the financial position of the Company:

- the value of holdings in associated undertakings, equity investments and securities issued from third parties may be adversely affected by financial and economic development;
- open Market risks, composed by the following specific:
 - foreign currency risk: according to TIM Group risk management policies, TI Finance hedges the foreign currency exposure on its assets and liabilities in currencies other than euro through currency swap contracts or natural hedge positions;
 - interest rate risk: in order to modify its interest rate exposure, TI Finance enters into interest rate swaps. However, no assurance can be given that fluctuations in interest rates will not adversely affect its results of operations or cash flows;
 - credit risk: representing the risk of non-fulfilment of obligations assumed by a counterparty in relation to lending and liquidity management activities. The Company assesses the recoverability of its loans both when the credit is granted and annually. Results of assessments are summarized in the notes;
 - liquidity risk: related to the need to meet short-term financial liabilities.

The above-described financial risks are managed through:

- the application of the following guidelines defined at TIM Group level:
 - for credit risk: liquidity management is based on prudential criteria and articulated in investment of temporary cash surplus (money market instruments) and investment of a permanent level of liquidity (bond portfolio management). In both situations, in order to manage the counterparty risk, the counterparties are selected according to their credit rating and the exposure is regulated both by names diversification and by tenor;
 - for liquidity risk: an adequate level of financial flexibility is obtained by maintaining a treasury margin that allows the refinancing requirements to be covered for at least the next twelve months;
 - for other market risks: fully hedging the exchange risk and minimizing exposure to interest rates through appropriate diversification of the portfolio, including the use of derivative financial instruments.
- the identification of the most suitable financial instruments, including derivatives, to reach prefixed objectives;
- the monitoring of the results achieved.

The COVID-19 pandemic continues to spread, having far-reaching effects on lives, businesses and economies worldwide. The discovery of a vaccine has set an important step in the fight against the pandemic, nevertheless, production delays and virus variations are still demanding to local and national governments to identify and evolve measures aimed at stemming the reach of the virus and implementing the roll out of the vaccination plan.

The Company is implementing protective measures for its employees and is enhancing its resilience through:

- adapting workplaces and protecting workers: ensured two-meter distance between desks; placed barrier between workers and waypoints; disposed meeting rooms to the benefit of spare offices; supplied of hand sanitiser for each desk;
- improving Business Continuity Management: ensured ability of staff and operations to continue functioning remotely; upgrade of IT Hardware and remote connectivity;
- upgrading of Cyber Security & IT: raised staff awareness of cyber threats; upgraded authentication features; reinforced remote administration of devices and accesses.

Corporate governance statement

The Company, in order to ensure its strategic guidance, the effective monitoring of management by the Board, and the Board's accountability to the Company and the Shareholders, has implemented the following corporate framework:

- The Board, whose members are characterized by a high professional profile, is entrusted with:
 - reviewing and guiding corporate strategy;
 - overseeing major capital expenditures, acquisitions and divestitures;
 - ensuring the integrity of accounting and financial reporting systems, including the independent audit.
- Three out of five of Board seats are assigned to non-executive members.
- Two out of five of Board seats are assigned to independent directors.
- The Board establishes an Audit Committee ("AC") to support its function in respect to all audit matters. The AC is composed of three members, out of which two are independent, including the chairperson and has direct access and contact with the external auditors ("réviseur d'entreprises agréé").
- The Board delegates the day to day management of the Company to one of its members.

Telecom Italia Finance is committed to the following TIM Group organizational model:

- Definition of strategic guidelines: in charge of the TIM Group Finance "Risk Committee" of which the CEO and the Treasurer of Telecom Italia Finance are members.
- Execution activity: in charge of Telecom Italia Finance Front and Back Office, which, among others, implements such guidelines in coordination with the TIM Group Treasurer and Capital Markets.
- TIM Group Financial Planning & Risk Control: any deviation from the guidelines is reported by the TIM Group Financial Risk Controller to the Finance "Risk Committee".

Additional details on financial risk management policies of TIM Group are available in the TIM S.p.A. consolidated accounts and related documents.

Alternative Performance Measures

In this Management's report, in addition to the conventional financial performance measures established by Luxembourg laws, certain alternative performance measures are presented for a better understanding of the trend of operations and financial condition.

The alternative performance measures used are described below:

- Net Increase / Decrease in Cash and Cash Equivalents: indicates the capability of the Company to provide financial assistance to the Group, and its ability to face the liquidity risk as described above. Greater details on calculation are provided in the Cash Flow Statement, that the Board of Directors of the Company has decided to include within present Financials Statement.
- Net Financial Position: indicates the Company's ability to pay off its debts. It is calculated as shown below.

+ Formation expenses
+ Loans and investments included in Financial Fixed assets
+/- Financial amounts owed by/to affiliated undertakings
+ Other financial positions included in other debtors
+ Investments included in current assets and Cash at bank and in hand
+ Financial Prepayments
- Debenture loans
- Amounts owed to credit institutions
- Other financial positions included in other creditors
- Financial deferred income
Net Financial Position

Events subsequent to December 31, 2021 - Evolution of the year 2022

During the year 2022 it is foreseen to continue the activity of financial assistance to TIM Group companies and continue to manage the market risks above mentioned. The Board remarks that the current financial environment is characterized by a peculiar combination of negative or very low level of short-term interest rates and anticipation of higher rates on medium and long-term interest rates. This blend will influence the return on liquid assets and will adversely impact the earnings of the year.

The Company does not perform research and development activities.

The Company did not acquire and does not hold its own shares.

Financials as of December 31, 2021 herein reported comprise the balance sheet, the profit and loss account, the cash flow statement and the explanatory notes.

Allocation of the result

The Board reminds that out of the result of EUR 81.262.676,22, at least EUR 4.063.133,81 must be allocated to the legal reserve, the difference of EUR 77.199.542,41 remains at disposal of the shareholder.

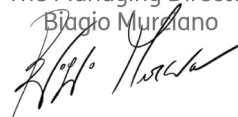
Therefore, the Board proposes the following allocation to the shareholders' meeting:

- EUR 4.063.133,81 to the legal reserve;
- EUR 54.100.000,00 to be distributed to the sole shareholder;
- EUR 23.099.542,41 to be allocated to profit or loss brought forward.

Additionally, the shareholder will be requested to:

1. Acknowledge the distribution of an interim dividend in the amount of EUR 384.075.379,07, by using the non-distributed profit of year 2009 to 2014 accounted to "Profit or loss brought forward reserves", as approved by the Board of Directors on November 23, 2021. According to such resolution, the dividend has been paid partly in cash and partly in kind. The amount in kind has been paid via the distribution by all the no. 126,082,374 TIM S.p.A. ordinary shares in the company's portfolio for an amount of EUR 56.900.975,39; EUR 327.174.403,68 has been paid in cash.
2. Reallocate, following the distribution of all TIM S.p.A.' shares in portfolio, EUR 200.000.000,00 from "Other non available reserves" to "Other available reserves".

For the Board of Directors
The Managing Director
Biagio Murziano



Annual Accounts

Balance Sheet – Assets

TELECOM ITALIA FINANCE S.A. BALANCE SHEET AS AT DECEMBER 31, 2021		
ASSETS - [EUR]	31 DECEMBER 2021	31 DECEMBER 2020
A. Subscribed capital unpaid	—	—
I. Subscribed capital not called	—	—
II. Subscribed capital called but unpaid	—	—
B. Formation expenses [n.3]	2.214.105,50	2.414.092,76
C. Fixed assets	4.365.050.937,89	4.413.408.281,78
I. Intangible assets		
1. Costs of development	—	—
2. Concessions, patents, licenses, trade marks and similar rights and assets, if they were		
a) acquired for valuable consideration and need not be shown under C.I.3. [n.4]	2.480,97	4.977,10
b) created by the undertaking itself	—	—
3. Goodwill, to the extent that it was acquired for valuable consideration	—	—
4. Payments on account and intangible assets under development	—	—
II. Tangible assets		
1. Land and buildings	—	—
2. Plant and machinery	—	—
3. Other fixtures and fittings, tools and equipment [n.5]	13.807,49	17.270,73
4. Payments on account and tangible assets in the course of construction	—	—
III. Financial assets		
1. Shares in affiliated undertakings [n.6]	3.183.042.391,99	3.231.315.010,71
2. Loans to affiliated undertakings [n.7]	1.181.925.177,06	1.181.950.879,63
3. Participating interests [n.6]	67.080,38	120.143,61
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	—	—
5. Investments held as fixed assets	—	—
6. Other loans	—	—
D. Current assets	4.257.801.605,22	3.614.129.346,89
I. Stocks		
1. Raw materials and consumables	—	—
2. Work in progress	—	—
3. Finished goods and goods for resale	—	—
4. Payments on account	—	—
II. Debtors		
1. Trade debtors		
a) becoming due and payable within one year	—	—
b) becoming due and payable after more than one year	—	—
2. Amounts owed by affiliated undertakings [n.8]		
a) becoming due and payable within one year	253.417.076,46	226.283.118,56
b) becoming due and payable after more than one year	25.387.927,90	30.694.365,31
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests		
a) becoming due and payable within one year	—	—
b) becoming due and payable after more than one year	—	—
4. Other debtors [n.9]		
a) becoming due and payable within one year	11.476.169,56	19.960.814,80
b) becoming due and payable after more than one year	152.351.685,27	80.504.539,92
III. Investments		
1. Shares in affiliated undertakings	—	—
2. Own shares	—	—
3. Other investments [n.10]	1.512.932.322,08	762.031.374,58
IV. Cash at bank and in hand [n.11]	2.302.236.423,95	2.494.655.133,72
E. Prepayments	580.006,48	977.951,02
TOTAL ASSETS	8.625.646.655,09	8.030.929.672,45

The accompanying notes are an integral part of these annual accounts.

Balance Sheet – Capital, Reserves and Liabilities

TELECOM ITALIA FINANCE S.A. BALANCE SHEET AS AT DECEMBER 31, 2021		
CAPITAL, RESERVES AND LIABILITIES - [EUR]	31 DECEMBER 2021	31 DECEMBER 2020
A. Capital and reserves	6.058.198.062,23	6.412.610.765,08
I. Subscribed capital [n.12]	1.818.691.978,50	1.818.691.978,50
II. Share premium account [n.13]	3.147.555.262,50	3.147.555.262,50
III. Revaluation reserve	—	—
IV. Reserves [n.14]		
1. Legal reserve	48.411.001,50	44.534.860,65
2. Reserve for own shares	—	—
3. Reserves provided for by the articles of association	—	—
4. Other reserves, including the fair value reserve		
a) other available reserves	663.753.481,50	663.753.481,50
b) other non available reserves	200.000.000,00	200.000.000,00
V. Profit or loss brought forward	98.523.662,01	460.552.364,94
VI. Profit or loss for the financial year	81.262.676,22	77.522.816,99
VII. Interim dividends	—	—
VIII. Capital investment subsidies	—	—
B. Provisions	1.246.066,73	1.276.799,91
1. Provisions for pensions and similar obligations	—	—
2. Provisions for taxation [n.15]	140,00	140,00
3. Other provisions [n.16]	1.245.926,73	1.276.659,91
C. Creditors	2.565.596.456,57	1.611.315.115,64
1. Debenture loans		
a) Convertible loans		
i) becoming due and payable within one year	—	—
ii) becoming due and payable after more than one year	—	—
b) Non convertible loans [n.17]		
i) becoming due and payable within one year	73.756.481,69	73.770.024,91
ii) becoming due and payable after more than one year	1.015.511.586,03	1.015.562.382,79
2. Amounts owed to credit institutions [n.18]		
a) becoming due and payable within one year	1.114.169.854,47	226.917.614,80
b) becoming due and payable after more than one year	153.397.760,39	158.115.266,03
3. Payments received on account of orders in so far as they are not shown separately as deductions from stocks		
a) becoming due and payable within one year	—	—
b) becoming due and payable after more than one year	—	—
4. Trade creditors		
a) becoming due and payable within one year	3.290.948,71	2.251.085,24
b) becoming due and payable after more than one year	—	—
5. Bills of exchange payable		
a) becoming due and payable within one year	—	—
b) becoming due and payable after more than one year	—	—
6. Amounts owed to affiliated undertakings [n.19]		
a) becoming due and payable within one year	20.269.383,07	17.288.600,77
b) becoming due and payable after more than one year	152.167.237,94	79.790.262,58
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests		
a) becoming due and payable within one year	—	—
b) becoming due and payable after more than one year	—	—
8. Other creditors		
a) Tax authorities	28.975,60	116.531,14
b) Social security authorities	58.927,90	68.659,15
c) Other creditors [n.20]		
i) becoming due and payable within one year	7.557.372,87	6.740.322,92
ii) becoming due and payable after more than one year	25.387.927,90	30.694.365,31
D. Deferred income	606.069,56	5.726.991,82
TOTAL CAPITAL, RESERVES AND LIABILITIES	8.625.646.655,09	8.030.929.672,45

The accompanying notes are an integral part of these annual accounts.

Profit & Loss account

TELECOM ITALIA FINANCE S.A. PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2021		
[EUR]	31 DECEMBER 2021	31 DECEMBER 2020
1. Net turnover	275.519,61	216.522,16
2. Variation in stocks of finished goods and in work in progress	—	—
3. Work performed by the undertaking for its own purposes and capitalised	—	—
4. Other operating income	43.481,11	43.254,89
5. Raw materials and consumables and other external expenses	-2.168.042,59	-2.012.185,65
a) Raw materials and consumables	—	—
b) Other external expenses	-2.168.042,59	-2.012.185,65
6. Staff costs	-1.231.754,99	-1.228.274,25
a) Wages and salaries	-1.070.271,15	-1.063.712,35
b) Social security costs		
i) relating to pensions	-69.413,84	-72.643,14
ii) other social security costs	-36.943,81	-37.746,62
c) Other staff costs	-55.126,19	-54.172,14
7. Value adjustments	-215.643,19	-215.347,16
a) in respect of formation expenses and of tangible and intangible fixed assets	-215.643,19	-215.347,16
b) in respect of current assets	—	—
8. Other operating expenses	-222.270,28	-281.479,99
9. Income from participating interests [n.21]	108.299.333,28	103.021.008,32
a) derived from affiliated undertakings	108.156.396,49	102.905.258,32
b) other income from participating interests	142.936,79	115.750,00
10. Income from other investments and loans forming part of the fixed assets [n.22]	84.820.900,44	85.190.240,54
a) derived from affiliated undertakings	84.435.768,91	84.769.203,81
b) other income not included under a)	385.131,53	421.036,73
11. Other interest receivable and similar income [n.23]	251.285.235,79	295.077.106,25
a) derived from affiliated undertakings	73.109.882,96	65.711.679,88
b) other interest and similar income	178.175.352,83	229.365.426,37
12. Share of profit or loss of undertakings accounted for under the equity method	—	—
13. Value adjustments in respect of financial assets and of investments held as current assets [n.24]	-8.678.983,10	-16.935.715,93
14. Interest payable and similar expenses [n.25]	-331.861.321,94	-365.689.568,39
a) concerning affiliated undertakings	-159.515.686,64	-88.296.487,91
b) other interest and similar expenses	-172.345.635,30	-277.393.080,48
15. Tax on profit or loss [n.26]	-15.241.492,42	-15.831.047,80
16. Profit or loss after taxation	85.104.961,72	81.354.512,99
17. Other taxes not shown under items 1 to 16 [n.27]	-3.842.285,50	-3.831.696,00
18. Profit or loss for the financial year	81.262.676,22	77.522.816,99

The accompanying notes are an integral part of these annual accounts.

Cash Flow Statement

TELECOM ITALIA FINANCE S.A.		
CASH FLOW STATEMENT AS AT DECEMBER 31, 2021		
[EUR]	31 DECEMBER 2021	31 DECEMBER 2020
Operating Activities		
Net profit	81.262.676,22	77.522.816,99
Adjustments for		
Amortization of formation expenses and on tangible and intangible fixed assets	215.643,19	215.347,16
Value adjustments in respect of financial assets [n.24]	-18.635,00	15.373.026,10
Value adjustments in respect of investments held as current assets [n.24]	8.697.618,10	1.562.689,83
Capital gains/losses realised on disposal of non-current and current assets	-9.156.424,99	-421.036,73
Finance Income	-420.007.552,10	-467.036.270,58
Finance Expenses	331.510.802,61	365.337.633,81
Changes in trade and other receivables	-135.773,72	100.107,33
Changes in trade and other payables	859.807,16	-1.516.745,87
Income Taxes Paid	—	—
Net cash flows from operating activities	-6.771.838,53	-8.862.431,96
Cash flows from Investing activities		
Changes in Property, plant and equipment [n.5]	-9.696,56	-6.598,44
Changes in Intangible assets [n.4]	—	-6.161,58
Changes in Participations, funds and other securities	-750.637.661,55	-37.772.671,80
Investments and re-payments in Financial Receivables	-32.813.415,86	1.007.918.131,43
Interest, commissions and other financial income received	222.437.568,81	238.938.416,15
Dividends received	85.782.107,86	108.585.986,31
Income received from participations and funds	—	—
Net cash flows from Investing activities	-475.241.097,30	1.317.657.102,07
Cash flows from Financing activities		
Net change in short-term Financial Payables	888.542.239,12	-71.724.697,38
Interest, commissions and other financial expenses paid	-225.889.553,58	-233.370.041,89
Dividends paid [n.14]	-378.774.403,68	-74.900.000,00
Net cash flows from financing activities	283.878.281,86	-379.994.739,27
Net Increase / Decrease in Cash and Cash Equivalents ("C&CE")	-198.134.653,97	928.799.930,84
Net foreign exchange differences in C&CE	4.790.049,87	9.520.001,07
Cash and cash equivalents at 01 January	2.494.654.862,88	1.556.334.930,97
Cash and cash equivalents at the end of the year [n.11]	2.301.310.258,78	2.494.654.862,88

The accompanying notes are an integral part of these annual accounts.

Notes to the Annual Accounts

as at December 31, 2021, which have been authorized by the Board of Directors held on March 01, 2022.

Note 1 – General information

Telecom Italia Finance (the “Company”, “TI Finance”) was incorporated on June 2, 2000 for an unlimited duration. The registered office is established at 12, Rue Eugène Ruppert L-2453 Luxembourg. The registered number is B 76.448.

The corporate object is to provide any financial assistance to TIM S.p.A. (the “Parent Company”) itself as well as to all companies in which the Parent Company has a direct or indirect interest. This is implemented by the provision of loans and the granting of guarantees or securities in any kind or form. The object of the Company is further to provide domiciliation and administration services to companies being part of the TIM Group and to exercise any activity in relation thereto as provided in the law of May 31, 1999 on the domiciliation of companies, as amended. The Company may acquire and hold interests in Luxembourg and/or in foreign undertakings. The Company may also use its funds to invest in real estate and in intellectual property rights in any kind or form. The Company may participate at the creation and development of any other companies and entities and provide financial assistance in any kind or form. The Company may borrow in any kind or form and issue bonds or notes. Generally, the Company may carry out any commercial, industrial or financial operation, relating directly or indirectly to its object.

The financial year begins on January 1st and ends on December 31st of each year.

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

Note 2 – Summary of significant accounting policies

Basis of preparation

The accounts in hand are prepared in accordance with the accounting principles and regulations generally accepted in the Grand Duchy of Luxembourg (“Luxembourg GAAP”) under the historical cost convention. As allowed by the amended law of December 19, 2002, the Board of Directors of the Company has decided to include the cash flow statement based on the indirect method. Euro (EUR) is the book accounting currency.

Use of estimates

The preparation of financial statements in accordance with Luxembourg GAAP, requires Board of Directors to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the accounts, and reported amounts of revenues and expenses during that reporting period. Actual results could differ from those estimates.

Foreign currency translation

The Company follows the multi-currency accounting policy that consists in recording the assets and the liabilities in their original currencies, the same being converted into EUR at the balance sheet date.

The exchange differences arising from the transactions expressed in currencies other than EUR are hedged either by balanced deposits and loans or through derivative instruments, such as Cross Currency Interest Rate Swaps (“CCIRS”) or foreign exchange agreements, all hereby referred to as “currency swaps”.

Currency swaps combine two positions that are represented by the amounts that will be exchanged with the counterparty at the maturity of the contract. They are recorded as assets or liabilities to the net between the payable and the receivable amount. Generally, one is in EUR and the other in currencies other than EUR. This latter is converted into EUR at the balance sheet date.

The unrealized exchange differences that arise from all these conversions are reflected in the profit and loss account in the items “Other interest and similar expenses/Other interest and similar income”.

The realized income and charges in currencies other than EUR are recorded in their respective currencies and converted at the exchange rate prevailing on the respective transaction dates.

The exchange rates used to translate foreign assets and liabilities are summarized in the table here below.

<i>Local currency against 1 EUR</i>	31 December 2021	31 December 2020
BRL (Brazilian real)	6,32047	6,37687
CHF (Swiss franc)	1,03310	1,08020
GBP (Pound sterling)	0,84028	0,89903
JPY (Japan Yen)	130,38000	126,49000
USD (U.S. dollar)	1,13260	1,22710

Formation expenses

Formation expenses may include incorporation expenses and bond issuance expenses. Incorporation expenses are valued at purchase price including the expenses incidental thereto less cumulated depreciation amounts written off over maximum 5 years. Bond issuance expenses are written off on a straight-line basis over the period of the note.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and any impairment adjustments. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Financial assets

Shares in affiliated undertakings and participating interests are valued at purchase price, including the expense incidental thereto. Loans to affiliated undertakings are valued at nominal value including the expense incidental thereto. The contingent write-downs are recorded in case of a permanent impairment loss of the investments estimated by the Board of Directors while comparing the net book value with the market value or with the net equity of the company. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Other investments

Transferable securities in current assets are evaluated to the lower between the market value and the acquisition cost. A value adjustment is recorded where the market value is lower than the purchase price. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Cash at bank and in hand

Cash at bank and in hand is defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash at bank and in hand and short-term deposits which are held to maturity are carried at cost.

Accrued interest

Accrued interest are shown with their principal amount.

Prepayments/Deferred income

“Prepayments” and “Deferred income” accounts include prepaid charges and deferred income. Issue discounts and issue premiums are listed with the related notes, while other similar charges are classified in “Formation expenses”. All are amortized through the profit and loss account on a straight-line basis over the lifetime of the notes.

Derivative instruments

The commitments related to derivative instruments are recorded off-balance sheet at their nominal value as of transaction date. Only accruals and differential on exchange rates are booked. In case of negative Mark to Market value of non-hedging instruments at the financial statements closing date, a provision is recorded.

Creditors

Creditors are recorded at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is shown in the same line of the debt and is written off over the period of the debt based on a linear method.

Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Note 3 – Formation expenses

All the formation expenses of EUR 2.214.105,50 (EUR 2.414.092,76 as per December 31, 2020) consist of issuance expenses related to long-term debts. Movements for the period are only due to depreciation.

Note 4 – Concessions, patents, licenses, trademarks and similar rights and assets

EUR	31 December 2021	31 December 2020
Net Book Value at the beginning of the year	4.977,10	66,61
Gross Book Value at the beginning of the year	6.260,58	99,00
Acquisitions during the year	—	6.161,58
Gross Book Value at the end of the year	6.260,58	6.260,58
Accumulated value adjustments at the beginning of the year	1.283,48	32,39
Value adjustments during the year	2.496,13	1.251,09
Accumulated value adjustments at the end of the year	3.779,61	1.283,48
Net Book Value at the end of the year	2.480,97	4.977,10

Note 5 – Other fixtures and fittings, tools and equipment

EUR	31 December 2021	31 December 2020
Net book Value at the beginning of the year	17.270,73	24.233,18
Gross Book Value at the beginning of the year	337.016,45	403.409,58
Acquisitions during the year	9.696,56	6.598,44
Disposal or reductions during the year	—	-72.991,57
Gross Book Value at the end of the year	346.713,01	337.016,45
Accumulated value adjustments at the beginning of the year	319.745,72	379.176,40
Value adjustments during the year	13.159,80	13.560,89
Disposal or reduction during the year	—	-72.991,57
Accumulated value adjustments at the end of the year	332.905,52	319.745,72
Net Book Value at the end of the year	13.807,49	17.270,73

Note 6 – Shares in affiliated undertakings and Participating interests

	Ownership (%)	Number of shares	Net Book value at the beginning of the year	Gross book value			Value Adjustments			Net Book value at the end of the year	Fair Value at the end of the year	
				at the beginning of the year	other changes during the year	at the end of the year	at the beginning of the year	other changes during the year	at the end of the year			
1. Shares in affiliated undertakings												
TIM S.p.A. (dismissed)	[1]	Via Negri 1, Milan (Italy)	0,59	126.082.374	48.272.618,72	518.876.962,83	-518.876.962,83	—	470.604.344,11	-470.604.344,11	—	—
Movenda S.p.A.	[2]	Via Pian Di Sco 82, Rome (Italy)	25,00	33.333	44.510,23	44.510,23	—	44.510,23	—	—	—	44.510,23
TIM Brasil Serviços e Participações S.A.	[3]	Avenida das Américas 3434, Rio de Janeiro (Brazil)	99,99	15.865.086.849	3.182.997.707,76	3.182.997.707,76	—	3.182.997.707,76	—	—	—	3.182.997.707,76
Noovle Slovakia s.r.o. (in liquidation)	[3]	Michalská 7, 811 01 Bratislava, Slovak Republic	15,00	750	—	—	174,00	174,00	—	—	—	174,00
Total EUR					3.231.314.836,71	3.701.919.180,82	-518.876.788,83	3.183.042.391,99	470.604.344,11	-470.604.344,11	—	3.183.042.391,99
3. Participating interests												
Venture Investors Property Recovery LLC (ex Consolidated IP Holdings Inc.) (dismissed)	[4]	c/o Sherwood Partners 101 University Avenue, Suite 100 Palo Alto (California - United States)	0,50	99.164	0,01	0,01	-0,01	—	—	—	—	—
Infomaster S.p.A. (dismissed)	[5]	Via V maggio 81 Genova (Italy)	2,93	19.412	53.063,21	413.304,84	-413.304,84	—	360.241,63	-360.241,63	—	—
Docunet Inc. (dismissed)	[6]	400 Oyster Pt Blvd Ste 111 South San Francisco (California - United States)	0,18	124.528	0,01	0,01	-0,01	—	—	—	—	—
Lauro Dodici S.p.A.		Piazza degli Affari 2, Milan (Italy)	3,05	5.000	67.080,38	67.080,38	—	67.080,38	—	—	—	67.080,38
Total EUR					120.143,61	480.385,24	-413.304,86	67.080,38	360.241,63	-360.241,63	—	67.080,38

[1] The shares of TIM S.p.A. have been entirely distributed on November 23, 2021 to TIM S.p.A. Further details are provided in the Note "Reserves".

[2] The amount of capital and reserves, as well as the result for the latest financial year available of the entities held for more than 20% are not disclosed as considered as having negligible importance for the purposes of art. 26 paragraph 3 of the law December 19, 2002 except for the following: TIM Brasil Serviços e Participações S.A. - Capital: 7.169 BRL (1.134 EUR); Reserves: 5.499 BRL (870 EUR); Result of the year: 633 BRL (100 EUR) in millions as of December 31, 2021.

[3] The Net Book Value is annually assessed with a strong focus on the market value of the Company's main holding (TIM S.A.). Given that the analysis is carried out in Brazilian Reals and then translated into Euro, the assessment takes into account macro-economic factors related to Brazil and its currency exchange versus Euro. The Fair Value shown in the table is equal to the owned percentage of the Market Cap of the operating Company TIM S.A. as at December 31, 2021.

[4] The company has been dissolved and therefore the participation has been cancelled during the year.

[5] The company's shares have been sold on May 19, 2021.

[6] Docunet Inc. is suspended according to the Californian Company Register and therefore there has been a write-off of the participation.

Note 7 – Loans to affiliated undertakings

This item is composed by EUR 1.181.925.177,06 being the total amount of medium-long term loans granted to the Parent Company and other TIM Group companies (2020 – EUR 1.181.950.879,63). The detail by final payment date is as follows:

EUR	31 December 2021	31 December 2020
Nominal value: EUR 1.000.000.000,00 Expiring July 29, 2033 Fixed rate: 8,00000%	1.000.000.000,00	1.000.000.000,00
Nominal value: JPY 20.000.000.000 [*] Expiring October 29, 2029 Floater rate: JPYLibor 6m + 0,94625%	153.397.760,39	158.115.266,03
Total to Parent Company	1.153.397.760,39	1.158.115.266,03
Telecom Italia Latam Participacoes e Gestao LTDA Nominal value: BRL 44.134.954,59 Expiring October 31, 2024 Fixed rate: 15,63682%	6.982.859,60	—
Telecom Italia Latam Participacoes e Gestao LTDA Nominal value: BRL 23.120.528,15 Expiring October 31, 2024 Fixed rate: 15,66035%	3.658.039,38	—
TI Sparkle Turkey Telekomunikasyon Anonim Şirketi Nominal value: USD 7.500.000,00 [*] Expiring July 01, 2024 Fixed rate: 10,04336%	6.621.931,84	6.111.971,31
TI Sparkle St Croix Llc Nominal value: USD 1.963.918,00 [*] Expiring December 14, 2023 Fixed rate: 2,16789%	1.733.990,82	1.600.454,73
TI Sparkle Puerto Rico Llc Nominal value: USD 3.258.600,93 [*] Expiring November 06, 2023 Fixed rate: 4,04718%	2.877.097,77	2.655.530,05
TI Sparkle Panama S.A. Nominal value: USD 2.337.019,53 Expiring July 31, 2023 Fixed rate: 1,24958%	2.063.411,20	—
TI Sparkle Panama S.A. Nominal value: USD 2.835.500,00 Expiring July 31, 2023 Fixed rate: 1,28147%	2.503.531,70	—
TI Sparkle Brasil Telecomunicacoes Ltda Nominal value: USD 2.000.000,00 Expiring February 28, 2023 Fixed rate: 1,72520%	1.765.848,49	—
TI Sparkle Panama S.A. Nominal value: USD 1.901.762,53 Expiring December 16, 2022 Fixed rate: 3,05568%	<i>Classified in short term portion</i>	1.549.802,40
TI Sparkle Brasil Telecomunicacoes Ltda Nominal value: USD 5.000.000,00 Expiring August 05, 2022 Fixed rate: 1,86694%	<i>Classified in short term portion</i>	4.074.647,54
TI Sparkle Brasil Telecomunicacoes Ltda Nominal value: USD 3.000.000,00 Expiring August 05, 2022 Fixed rate: 1,88867%	<i>Classified in short term portion</i>	2.444.788,53
TI Sparkle Brasil Telecomunicacoes Ltda Nominal value: USD 2.000.000,00 Expiring August 05, 2022 Fixed rate: 1,89282%	<i>Classified in short term portion</i>	1.629.859,02

TI Sparkle Turkey Telekomünikasyon Anonim Şirketi Nominal value: USD 1.500.000,00 Expiring April 05, 2022 Fixed rate: 3,78989%	<i>Classified in short term portion</i>	1.222.394,26
TI Sparkle Panama S.A. Nominal value: USD 1.658.500,00 Expiring March 03, 2022 Fixed rate: 0,83200%	<i>Classified in short term portion</i>	1.351.560,59
TI Sparkle Panama S.A. Nominal value: USD 1.465.900,00 Expiring March 03, 2022 Fixed rate: 0,93920%	<i>Classified in short term portion</i>	1.194.605,17
Accrued interest	320.705,87	—
Total to TIM Group companies	28.527.416,67	23.835.613,60
	1.181.925.177,06	1.181.950.879,63

[*] Differences between December 31, 2021 and December 31, 2020 are due to exchange rate impact.

The Board of Directors is of the opinion that the value of the loans above is fully recoverable.

Note 8 – Amounts owed by affiliated undertakings

a) becoming due and payable within one year

EUR	31 December 2021	31 December 2020
Loans - Principal and accrued interest and commissions		
Noovle S.r.l.	—	1.000.000,00
Olivetti SpA	115.007.902,03	93.502.261,44
Olivetti UK Limited	1.906.144,71	778.809,88
Telecom Italia Capital	20.884,50	1.057,05
Telecom Italia Latam Participacoes e Gestao LTDA	—	6.623.729,76
TI Sparkle Austria GmbH	300.000,00	500.167,47
TI Sparkle Brasil Telecomunicacoes Ltda	8.861.235,59	29.785,85
TI Sparkle Bulgaria EOOD	1.700.167,64	1.700.803,90
TI Sparkle Colombia Ltda	889.844,81	847.119,34
TI Sparkle Greece SA	21.892.248,48	20.178.988,33
TI Sparkle Panama s.a.	7.397.947,21	3.973.350,64
TI Sparkle Puerto Rico LLC	101.747,08	16.718,19
TI Sparkle Singapore Pte/Ltd	5.550.626,37	5.163.489,21
TI Sparkle Slovakia s.r.o.	250.003,59	305.296,00
TI Sparkle St Croix LLC	36.181,35	55.262,97
TI Sparkle Turkey Telekomunikasyon AS	1.623.002,90	1.002.132,27
TIM S.p.A.	35.543.368,70	35.793.428,71
TIM San Marino S.p.A.	337,26	—
Dividends receivable		
TIM Brasil Serviços e Participações S.A.	44.699.009,73	46.947.098,45
Derivatives		
Accruals on derivatives with Parent Company	5.994.436,37	5.807.096,56
Accruals on derivatives with TIM Group companies	1.590.160,56	1.749.920,94
Currency swaps with TIM Group companies	—	255.482,45
Other receivables from Parent Company	51.827,58	51.119,15
	253.417.076,46	226.283.118,56

b) becoming due and payable after more than one year

EUR	31 December 2021	31 December 2020
Currency swaps with Parent Company	25.387.927,90	30.694.365,31
	25.387.927,90	30.694.365,31

Note 9 - Other debtors

a) becoming due and payable within one year

EUR	31 December 2021	31 December 2020
Accruals on derivatives	11.209.763,58	10.362.665,92
Currency swaps	175.628,05	9.569.789,34
Other receivables	90.777,93	28.359,54
	11.476.169,56	19.960.814,80

b) becoming due and payable after more than one year

EUR	31 December 2021	31 December 2020
Receivable from Lehman Brothers Special Financing Inc. in liquidation ("LBSF")	184.447,33	245.817,18
Currency swaps	152.167.237,94	80.258.722,74
	152.351.685,27	80.504.539,92

The receivable from LBSF was originally booked for EUR 25.016.035,74. Based on the documentation filed with the US Courts, the position has been converted during 2009 from EUR into USD for an amount of USD 35.552.789,99 and then in 2012 updated to USD 35.590.272,35.

As of December 31, 2021 the following amounts have been distributed to TI Finance and the receivable has been consequently reduced:

Distributions between 2012 and 2019	USD	24.118.220,91
Distributions of the year:		
On April 02, 2021	USD	78.909,40
On October 01, 2021	USD	13.827,81
	USD	24.210.958,12

In accordance with market evaluations, the receivable is registered at its recoverable value of 0,59% (USD 208.905,05) of the principal value before distributions. The credit in hands is supported by the guarantee from Lehman Brothers Holding Inc. in liquidation.

Note 10 - Other investments

This item refers to the accrued value of the securities in portfolio for an amount of EUR 1.512.932.322,08 (EUR 762.031.374,58 at December 31, 2020).

Note 11 - Cash at bank and in hand

EUR	31 December 2021	31 December 2020
Cash in hand	116,98	108,94
Bank current accounts	2.301.310.141,80	2.444.654.753,94
Bank term deposit accounts	—	50.000.000,00
Cash and cash equivalent as shown in Cash Flow Statement	2.301.310.258,78	2.494.654.862,88
Other Liquid Assets	960,70	—
Accruals	925.204,47	270,84
	926.165,17	270,84

Note 12 - Subscribed capital

As of December 31, 2021 and December 31, 2020 the authorized, issued and fully paid capital of 1.818.691.978,50 EUR is represented by 185.960.325 ordinary shares with a nominal value EUR 9,78 per share. As of December 31, 2021 and December 31, 2020 the Company is 100% held by TIM S.p.A.

Note 13 - Share premium account

The extraordinary shareholder meeting held on July 28, 2016 that approved the merger with Telecom Italia International N.V. decided to increase the share capital of the Company by EUR 1.276.601.737,50 through the creation and issue of 130.531.875 shares with a nominal value of EUR 9,78 each.

The issue of new shares has been made together with a share premium of EUR 3.147.555.262,50, in exchange for all the assets and liabilities of the absorbed company, as they appeared in the 2015 accounts.

Note 14 - Reserves

Reserves are split as follows:

EUR	December 31, 2021	December 31, 2020
Legal reserve	48.411.001,50	44.534.860,65
Other reserves:		
Reserves unavailable for distribution [*]	200.000.000,00	200.000.000,00
Other distributable reserves	663.753.481,50	663.753.481,50
Total other reserves	863.753.481,50	863.753.481,50

[*] The reserve has been set up following the shareholder meeting held October 28, 2004. On April 19, 2018, the shareholders meeting decided to reduce the unavailable reserve from EUR 394.805.662,41 to EUR 200.000.000,00 by allocating the difference to "Other distributable reserves". As reported in the Management's report of these Financial Accounts, the shareholder will be proposed to approve the allocation of the residual amount to "Other distributable reserves" following the disposal of TIM shares.

The Company is required to allocate a minimum of 5% of its annual net income to a legal reserve, until this reverse equals 10% of the subscribed share capital. This reserve cannot be distributed. Legal reserve is detailed as below:

	EUR	
shareholder meeting from 2008 to 2020	EUR	44.534.860,65
shareholder meeting of March 30, 2021	EUR	3.876.140,85
	EUR	48.411.001,50

Movements for the year on the reserves and profit and loss items are as follows:

EUR	Legal Reserve	Other reserves	Profit or Loss brought forward	Profit or Loss for the financial year
Balance as at 31.12.2020	44.534.860,65	863.753.481,50	460.552.364,94	77.522.816,99
Movements for the year:				
Allocation of prior year's profit	3.876.140,85	—	22.046.676,14	-25.922.816,99
Dividend distributed [*]	—	—	—	-51.600.000,00
Interim dividend [**]	—	—	-384.075.379,07	—
Profit for the year	—	—	—	81.262.676,22
Balance as at 31.12.2021	48.411.001,50	863.753.481,50	98.523.662,01	81.262.676,22

[*] On April 16, 2021 a dividend of EUR 51.600.000,00 has been paid to the sole shareholder.

[**] On November 24, 2021 an amount of EUR 384.075.379,07 has been distributed as interim dividend using the amounts non distributed during the period 2009 to 2013 and accounted to the Profit or loss brought forward reserve. The dividend has been paid partly in cash (EUR 327.174.403,68) and partly in kind, by distributing all the 126.082.374 TIM S.p.A. ordinary shares in portfolio valued at the market price of the day preceding the Board resolution (EUR 56.900.975,39), realizing a gain of EUR 8.628.356,67 (Note "Income from participating interests").

Note 15 - Provisions for taxation

EUR	31 December 2021	31 December 2020
Chamber Of Commerce Fee	140,00	140,00
	140,00	140,00

Note 16 - Other provisions

In the framework of the liquidation of the 100% owned subsidiary, Olivetti Holding N.V., TI Finance on 2012 acquired the obligation to take part to the decontamination of a site in Burlington, New Jersey (USA), formerly owned by an Olivetti' subsidiary. Olivetti Holding transferred as well a provision for the completion of the concerned activity.

EUR	31 December 2021	31 December 2020
Provisions for expenses linked to the decontamination of a site in USA	1.235.926,73	1.266.659,91
Other provisions	10.000,00	10.000,00
	1.245.926,73	1.276.659,91

Note 17 - Non convertible loans

i) becoming due and payable within one year

EUR	31 December 2021	31 December 2020
Issue premiums on notes - Current portion	285.581,80	285.581,80
Issue discounts on notes - Current portion	-234.785,04	-234.785,04
Accrued interest on notes	73.705.684,93	73.719.228,15
	73.756.481,69	73.770.024,91

ii) becoming due and payable after more than one year

EUR	31 December 2021	31 December 2020
Nominal value: EUR 765.000.000,00 Expiring January 24, 2033 Fixed rate: 7,7500%	765.000.000,00	765.000.000,00
Nominal value: EUR 250.000.000,00 Expiring January 24, 2033 Fixed rate: 7,7500%	250.000.000,00	250.000.000,00
Issue premiums on notes - Long term portion	2.876.160,84	3.161.742,64
Issue discounts on notes - Long term portion	-2.364.574,81	-2.599.359,85
	1.015.511.586,03	1.015.562.382,79

Note 18 - Amounts owed to credit institutions

a) becoming due and payable within one year

EUR	31 December 2021	31 December 2020
Payables to banks	1.110.327.390,98	223.307.238,81
Accrued interest	3.842.463,49	3.610.375,99
	1.114.169.854,47	226.917.614,80

The item "Payable to Banks" includes EUR 838.286.400,00 of short-term capital raised by entering in repurchase agreements ("Repo").

Further details are provided in the Note "Off balance sheet commitments".

b) becoming due and payable after more than one year

EUR	31 December 2021	31 December 2020
Nominal value: JPY 20.000.000.000 [*] Expiring October 29, 2029 Fixed rate: 6,7500%	153.397.760,39	158.115.266,03
	153.397.760,39	158.115.266,03

[*] Differences between December 31, 2021 and December 31, 2020 are due to exchange rate impact.

Note 19 - Amounts owed to affiliated undertakings

This item refers to the sums owed to TIM Group companies under the deposit agreements (included accrued interest thereon), to accruals on interest rate swaps with Parent and TIM Group companies and currency swaps with TIM Group companies.

a) becoming due and payable within one year

EUR	31 December 2021	31 December 2020
Borrowings and other payables – Principal and accrued interest		
Olivetti SpA	14.367,33	4.240,17
Olivetti UK Limited	8.299,29	—
Telecom Italia Latam Participacoes e Gestao LTDA	29,93	29,66
TI Sparkle Brasil Telecomunicacoes Ltda	26.812,48	13.074,49
TI Sparkle Israel Ltd	6.642.196,34	6.124.589,16
TIM San Marino S.p.A.	1.498.933,52	—
TIM S.p.A.	350.519,33	383.031,55
Derivatives		
Accruals on derivatives with Parent Company	2.511.765,02	2.396.847,56
Accruals on derivatives with TIM Group companies	9.093.299,38	8.366.788,18
Currency swaps with TIM Group companies	123.160,45	—
	20.269.383,07	17.288.600,77

b) becoming due and payable after more than one year

EUR	31 December 2021	31 December 2020
Currency swaps with Parent Company	53.045.815,80	24.389.455,99
Currency swaps with TIM Group companies	99.121.422,14	55.400.806,59
	152.167.237,94	79.790.262,58

Note 20 - Other creditors

a) becoming due and payable within one year

EUR	31 December 2021	31 December 2020
Accruals on derivatives	5.984.796,74	6.080.419,27
Currency swaps	1.572.007,02	659.115,55
Others	569,11	788,10
	7.557.372,87	6.740.322,92

b) becoming due and payable after more than one year

EUR	31 December 2021	31 December 2020
Currency swaps	25.387.927,90	30.694.365,31
	25.387.927,90	30.694.365,31

Note 21 - Income from participating interests

a) derived from affiliated undertakings

EUR	31 December 2021	31 December 2020
Dividend received		
TIM Brasil Serviços e Participações S.A.	98.267.216,08	101.644.434,58
TIM S.p.A.	1.260.823,74	1.260.823,74
Gain on TIM SpA shares disposal[*]	8.628.356,67	—
	108.156.396,49	102.905.258,32

[*] Further details are provided in the Note "Shares in affiliated undertakings and Participating interests" and "Reserves".

b) derived from affiliated undertakings

EUR	31 December 2021	31 December 2020
Gain on Infomaster shares sale[*]	142.936,79	—
Dividend received from Lauro Dodici S.p.A.	—	115.750,00
	142.936,79	115.750,00

[*] Further details are provided in the Note "Shares in affiliated undertakings and Participating interests".

Note 22 - Income from other investments and loans forming part of the fixed assets

a) derived from affiliated undertakings

EUR	31 December 2021	31 December 2020
Interest on long term loans to Parent Company	82.452.874,60	83.084.301,88
Interest on long term loans to TIM Group companies	1.982.894,31	1.684.901,93
	84.435.768,91	84.769.203,81

b) other income not included under a)

EUR	31 December 2021	31 December 2020
Gain on securities disposal	385.131,53	421.036,73
	385.131,53	421.036,73

Note 23 - Other interest receivable and similar income

a) derived from affiliated undertakings

EUR	31 December 2021	31 December 2020
Interest and commissions on receivables from Parent Company	4.828.960,57	1.990.759,95
Interest and commissions on receivables from TIM Group companies	329.293,64	971.257,07
Income on derivatives with Parent Company	40.539.258,41	40.566.810,09
Income on derivatives with TIM Group companies	19.174.282,62	21.102.568,10
Gain on exchange rates with Parent Company	4.717.505,64	—
Gain on exchange rates with TIM Group companies	3.519.178,34	1.080.284,67
Other income from TIM Group companies	1.403,74	—
	73.109.882,96	65.711.679,88

b) other interest and similar income

EUR	31 December 2021	31 December 2020
Interest on other securities	6.960.786,82	4.873.403,26
Interest on banks	943.766,98	2.377.506,61
Other interest, income and commissions	255.558,96	11.794,25
Income on derivatives with banks	76.961.012,68	74.848.647,67
Gain on exchange rates	93.054.227,39	147.254.074,58
	178.175.352,83	229.365.426,37

Note 24 - Value adjustments in respect of financial assets and of investments held as current assets

EUR	31 December 2021	31 December 2020
Value adjustments on TIM S.p.A. shares	—	-15.593.733,49
Reversal of adjustments on Infomaster S.p.A. shares	—	10.350,29
Reversal of adjustments on securities	18.635,00	210.357,10
Value adjustments on securities	-8.697.618,10	-1.562.689,83
	-8.678.983,10	-16.935.715,93

Note 25 - Interest payable and similar expenses

a) concerning affiliated undertakings

EUR	31 December 2021	31 December 2020
Guarantee fee due to Parent Company	-350.519,33	-351.934,58
Charges on derivatives with Parent Company	-22.235.615,10	-24.192.736,65
Charges on derivatives with TIM Group companies	-48.761.031,39	-52.541.202,28
Interest due to TIM Group companies	-6.329,82	-63.756,34
Losses on exchange rates with Parent Company	-43.397.808,51	-5.899.823,36
Losses on exchange rates with TIM Group companies	-44.764.382,49	-5.247.034,70
	-159.515.686,64	-88.296.487,91

b) other interest and similar expenses

EUR	31 December 2021	31 December 2020
Interest and charges to banks	-17.742.475,88	-20.036.726,22
Interest and charges on debentures	-78.598.660,02	-78.625.607,28
Charges on derivatives	-56.451.717,87	-57.226.026,68
Losses on exchange rates	-15.449.927,09	-120.588.059,79
Other financial charges and commissions	-3.440.664,18	-165.450,51
Losses on securities disposal	-662.190,26	-751.210,00
	-172.345.635,30	-277.393.080,48

Note 26 - Tax on profit or loss

EUR	31 December 2021	31 December 2020
Withholding tax on interest received	-486.280,13	-226.746,78
Withholding tax on dividends and income received from equity investments	-14.755.212,29	-15.604.301,02
	-15.241.492,42	-15.831.047,80

Note 27 - Other taxes not shown under items 1 to 16

The amount of EUR -3.842.285,50 (EUR -3.831.696,00 – 2020) includes payments and provisions for Net Wealth Tax.

Note 28 - Guarantees

All issued notes, derivative instruments and debts towards other financial institutions are guaranteed by the Parent Company.

Note 29 - Off balance sheet commitments

The table here below reports the sum of the notional amount for derivative agreements entered by the Company.

EUR	31 December 2021	31 December 2020
Cross Currency Interest Rate Swaps ("CCIRS") [*]	291.948.604,05	296.666.109,69
Foreign exchange agreements	92.167.789,00	165.962.177,46
Options	147.050.318,34	111.675.126,92
	531.166.711,39	574.303.414,07

The table here below reports the net sum of the mark to market value (“MTM”) of the above reported derivative agreements.

EUR	31 December 2021	31 December 2020
Cross Currency Interest Rate Swaps (“CCIRS”) [*]	49.429.742,75	51.779.316,76
Foreign exchange agreements	1.392.003,96	9.134.446,93
	50.821.746,71	60.913.763,69

[*] In these instruments contracts no exchange of notional amounts has been agreed with the counterparties.

In addition, the Company entered into some derivatives on other TIM Group companies’ request. Since TI Finance 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 table here below reports the sum of the notional amount for such derivatives.

EUR	31 December 2021	31 December 2020
Cross Currency Interest Rate Swaps (“CCIRS”)	2.199.166.772,86	2.199.166.772,86
Interest Rate Swaps (“IRS”)	1.227.140.378,84	1.162.545.379,17
Foreign exchange agreements	6.101.942,86	5.141.772,66
	3.432.409.094,56	3.366.853.924,69

As of December 31, 2021, the Company raised short-term capital (note "Amounts owed to credit institutions") with government and corporate bonds (note "Other investments") serving as collateral for a total value of EUR 838.286.400,00 by entering in repurchase agreements (“Repo”) expiring in the first quarter 2022.

As of December 31, 2021, the Company has contracts of security lending with the Parent Company for a total of EUR 189.500.000,00 of government bonds and with third parties for EUR 171.640.000,00 of other bonds .

Note 30 - Tax situation

The Company is subject to the fiscal law in force in Luxembourg applicable to all commercial companies.

Note 31 - Consolidation

The accounts of the Company are included in the consolidated accounts of TIM S.p.A., which are available at its registered office located in Milano, Via Negri 1, Italy and on the website <http://www.telecomitalia.com>.

TIM S.p.A. accounts are not consolidated in the accounts of any other company.

Starting from 2016 the Company produces a set of consolidated accounts according to IFRS as adopted by the European Union.

Note 32 - Directors remuneration

Only the independent Directors are remunerated in their capacity as Directors. The remuneration of independent members, including their participation in the Audit Committee, amounts to EUR 36.000,00 per annum (VAT excluded). No Director has an interest in the share capital of the Company.

Note 33 - Staff

As of December 31, 2021 the Company had on its payroll 10 employees (December 31, 2020 – 11). The average of employees during the fiscal period has been of 9,67 resources (December 31, 2020 – 10,21).

Note 34 - Litigations

The litigations in which the Company is involved as per December 31, 2021 or has been involved during the 2021 are described here below.

The Board of Directors is of the opinion that no provision should be recognised for the litigations.

- Brazil - Opportunity Arbitration

In May 2012, TIM and Telecom Italia International N.V. (now merged in Telecom Italia Finance) were served with a notice of arbitration proceedings brought by the Opportunity group, claiming compensation for damages allegedly suffered for presumed breach of a settlement agreement signed in 2005. Based on the claimant's allegations, the damages relate to circumstances that emerged in the criminal proceedings pending before the Milan Court regarding, inter alia, unlawful activities engaged in by former employees of TIM.

The investigatory phase having been completed, the hearing for oral discussion took place in November 2014, after which the parties filed their concluding arguments in preparation for the decision on the case. In September 2015, the Board of Arbitration declared the proceedings closed, as the award was going to be filed.

In September 2016, the ICC Court notified the parties of its judgment, based on which the Board of Arbitration rejected all the claims made by the Opportunity group and decided that the legal costs, administrative costs and costs for expert witnesses should be split between the parties (the "2016 Arbitration Award").

In April 2017, the Opportunity group filed an appeal against the 2016 Arbitration Award before the Paris Court of Appeal.

In November 2017, TIM and Telecom Italia Finance received from the Secretariat of the ICC's International Court of Arbitration notice of a Request for Revision of the 2016 Arbitration Award, filed by the Opportunity group, asking for a new ruling. A Board of Arbitration was subsequently established.

In October 2018, TIM and Telecom Italia Finance requested the proceedings pending before the Paris Court of Appeal to be suspended, in the light of proceedings pending before the ICC Board of Arbitration to review the same 2016 Arbitration Award. In November 2018, the Paris Court of Appeal suspended the proceedings until the decision is taken by the Board of Arbitration in the review proceedings.

As regards the proceedings to review the 2016 Arbitration Award, in October 2019, discussion hearings were held in Paris. In August 2020, the Board of Arbitration issued the award rejecting the Request for Revision presented by the Opportunity Group (the "2020 Arbitration Award").

In December 2020, the Opportunity group filed an appeal against the 2020 Arbitration Award before the Paris Court of Appeal.

In May 2021, the Opportunity group asked the Paris Court of Appeal to reinstate the proceedings brought against the 2016 Arbitration Award.

Note 35 - Auditor's fees

During the year 2021 a total of EUR 87.631,27 (VAT excluded) has been paid to Ernst & Young S.A. for the audit activity (2020 - EUR 139.408,24).

No other amount has been paid to the Auditor.

Note 36 - Subsequent events

In February 2022, a number of countries (including the US, UK and EU) imposed sanctions against certain entities and individuals in Russia as a result of the official recognition of the Donetsk People Republic and Lugansk People Republic by the Russian Federation. Further and heavier sanctions have been adopted following the invasion of Ukraine by Russia on February 24, 2022.

Due to the growing geopolitical tensions, since February 2022, there has been a significant increase in volatility on the securities and currency markets, as well as a significant depreciation of the ruble against the US dollar and the euro. It is expected that these events may affect the activities of Russian enterprises in various sectors of the economy.

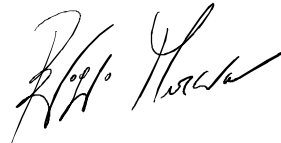
The Company regards these events as non-adjusting events after the reporting period

Although neither the company's performance and going concern nor operations, at the date of this report, have been significantly impacted by the above, the Board of Directors continues to monitor the evolving situation and its impact on the financial position and results of the Company.

Declaration of the manager responsible for financial reporting

Pursuant to paragraph 3 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 financial statements prepared in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts 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 a fair review of the development and performance of the business and the position of the issuer as at and for the period ended December 31, 2021, together with a description of the principal risks and uncertainties that the issuer faces.

Biagio Murciano
Managing Director



Digitally signed by
Biagio Murciano
Date: 2022.03.15
18:42:26 +01'00'

Independent auditor's report

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

Opinion

We have audited the financial statements of Telecom Italia Finance S.A. (the "Company"), which comprise the balance sheet as at 31 December 2021, and the profit and loss account for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of shares in affiliated undertakings

Description

The Company has, as at 31 December 2021, investment in shares in affiliated undertakings amounting to EUR 3,18 billion and are mainly comprised of the investment in TIM Brasil Serviços e Participações S.A.. The investments are recognised and valued at acquisition price, including the expenses incidental thereto. They are subject to value adjustments in case of permanent impairment in value. In assessing whether such permanent impairment exists, management considers factors that could give rise to the impairment of its investment and evaluates whether the impairment is of permanent nature when an eventual impairment loss is identified. We considered the valuation of shares in affiliated undertakings to be a key audit matter because it requires a high level of management judgement and due to the materiality of the amounts involved.

Auditor's response

We considered management's impairment assessment based on our understanding of the investments and existing market conditions. We have performed procedures over the assessment of recoverability of the investment, including testing the valuation model for consistency and arithmetical accuracy. We assessed management's conclusions on the absence of permanent impairment on the value of the investment and related disclosures in the notes to the financial statements.

Other information

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

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

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

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

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

The Board of Directors is responsible for presenting the financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

Responsibilities of the “réviseur d'entreprises agréé” for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “réviseur d'entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the “réviseur d'entreprises agréé” to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the “réviseur d'entreprises agréé”. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Assess whether the financial statements have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Our responsibility is to assess whether the financial statements have been prepared in all material aspects with the requirements laid down in the ESEF Regulation.

Report on other legal and regulatory requirements

We have been appointed as “réviseur d’entreprises agréé” by the General Meeting of the Shareholders on 24 May 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 1 year.

The corporate governance statement, included in the management report, is the responsibility of the Board of Directors. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

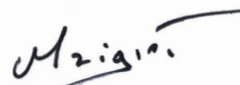
We have checked the compliance of the financial statements of the Company as at 31 December 2021 with relevant statutory requirements set out in the ESEF Regulation that are applicable to financial statements.

For the company it related to:

- Financial statements prepared in a valid xHTML format.

In our opinion, the financial statements of Telecom Italia Finance S.A. as at 31 December 2021, identified as “TI Finance – Annual Accounts 2021.xhtml”, have been prepared, in all material aspects, with the requirements laid down in the ESEF Regulation.

Ernst & Young
Société anonyme
Cabinet de révision agréé



Gabriel De Maigret

Luxembourg, 15 March 2022