Telecom Italia Finance Group

Half-Year Condensed Consolidated Financial Statements at June 30, 2021

Unaudited Half-Year Condensed Consolidated Financial Statements at June 30, 2021, which have been authorized by the Board of Directors held on July 27, 2021

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Directors' report

The Business Units

BRAZIL

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

- TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A.
  - TIM S.A.
    - FIBERCO SOLUÇÕES DE INFRAESTRUTURA SA

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, 2021:

- 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 -3.183 million euros.

- TELECOM ITALIA FINANCE

Key operating Financial Data

Consolidated Operating and Financial Data

(million euros)	1st Half 2021	1st Half 2020
Revenues	**1.348**	**1.517**
EBITDA	**627**	**715**
EBIT	**191**	**208**
Profit (loss) before tax from continuing operations	145	128
Profit (loss) for the year	**133**	**91**
Profit (loss) for the year attributable to Owners of the Parent	84	65
Capital expenditures	**344**	**292**

Consolidated Financial Position Data

(million euros)	30/06/2021	31/12/2020
Total assets	**13.012**	**12.263**
Total equity	**7.666**	**7.303**
Attributable to Owners of the Parent	6.310	6.070
Attributable to non-controlling interests	1.355	1.233
Total liabilities	**5.346**	**4.960**
Total equity and liabilities	**13.012**	**12.263**
Share capital	**1.819**	**1.819**
Net financial debt carrying amount	**-2.372**	**-2.354**

Headcount

	30/06/2021	31/12/2020
Number in the Group at year end	9.244	9.420
Average number in the Group	8.822	8.718

Highlights

Offer for the purchase of Oi Group's Mobile Business

In December 2020, TIM announced that the offer presented by TIM S.A. (the operating company of the TIM Brasil Group) together with Telefônica Brasil S.A. (VIVO) and Claro S.A., had been awarded the contract in the competitive sale process for the purchase of the Oi Group's mobile business. The completion of the transaction, expected in 2021, is in any case subject to the fulfillment of the same conditions precedent provided for in the agreements and the authorizations of the competent Authorities.

The total value of the transaction amounts to 16,5 billion reais which is summed with the consideration offered to the Oi Group, of approximately 819 million reais, as net present value (NPV) for the Take-or-Pay Data Transmission Capacity Contracts. TIM Brasil will participate in the transaction with an investment of approximately 7,3 billion reais, to be paid at closing, and 476 million reais relating to TIM Brasil's share of the net present value (NPV) of the contracts. Given the low debt and the favorable market conditions, TIM S.A. believes it can finance the acquisition through cash and the local debt market. However, in the event of any changes in market conditions, TIM S.A. will evaluate all available options.

The purchase plan provides for TIM Brasil, Telefônica Brasil and Claro to divide up Oi's mobile assets and, in particular, its customers, radio frequencies and mobile access infrastructure.

In particular, TIM Brasil will be allocated:

- approximately 14,5 million customers (corresponding to 40% of UPI Ativos Móveis' total customer base), according to Anatel's data of April 2020. The allocation took into consideration criteria that favor competition among the operators present in the Brazilian market;
- approximately 49 MHz as a national average weighted by population (54% of UPI Ativos Móveis radio frequencies). The division of frequencies strictly respects the spectrum limits per group established by Anatel;
- approximately 7,2 thousand mobile access sites (corresponding to 49% of total UPI Ativos Móveis sites).

The transaction, as of its completion, will add value not only to its Brazilian subsidiary but to the whole TIM Group and its shareholders as it will accelerate its growth and increase operating efficiency through relevant synergies. In addition, positive effects are also expected for customers, since improvements in user experience and in the quality of the services offered are expected from the transaction. Finally, the transaction is expected to benefit the entire telecommunications sector in South America, which will be strengthened in its investment capacity, technological innovation, as well as its competitiveness.

Agreement with IHS for an equity stake in FiberCo

In December 2020, the Board of Directors of TIM S.A. approved the formation of a company, in preparation for future segregation of assets and provision of fiber infrastructure services. This process is one of the intermediate steps in the transformation of TIM in the provision of broadband services and aims to create an open fiber infrastructure vehicle ("FiberCo") attracting a strategic partner that will become a shareholder of the FiberCo. The FiberCo will operate in the wholesale market and providing fiber connectivity services for last-mile and transport network, for all market operators, with TIM as an anchor customer. This transaction aims to accelerate the growth of the residential broadband business and unlock the value of TIM's infrastructure.

On May 5th, 2021, TIM S.A., informed its shareholders and the market in general that, at a meeting of the Company's Board of Directors held on the same day, an agreement ("Agreement") was approved between TIM S.A. and IHS Fiber Brasil - Cessao de Infraestruturas Ltda. ("IHS"), in order to acquire an equity stake in FiberCo Soluções de Infraestrutura Ltda. ("FiberCo").

In the Agreement, TIM will sell 51% of FiberCo's share capital in favor of IHS, and the remaining 49% will remain under the Company's control. The relationship between the partners will be governed by a shareholders' agreement to be entered into upon closing of the transaction.

FiberCo's initial asset base will consist of TIM's secondary network infrastructure contribution covering approximately 6,4 million households, of which 3,5 million are FTTH and 3,5 million FTTC. In addition, other assets, contracts and employees will be transferred to FiberCo, all exclusively related to its activities. These transfers will only take place after the Agreement is approved by the competent authorities.

In this context, the Enterprise Value of FiberCo was established at 2,6 billion of reais. The transaction includes a primary component (609 million reais) going to FiberCo's cash and secondary component (1.028 million reais) to be paid to TIM.

FiberCo's mission is to deploy, operate and maintain last-mile infrastructure for broadband access to be offered in the wholesale market. Nevertheless, the terms of the agreement define TIM as anchor customer, having the prerogative of a 6 (six) months exclusivity period after the entrance in new areas.

This transaction is subject to the fulfillment of certain preceding conditions, including, among others, the contribution of assets described above and the obtaining of authorizations from the competent authorities, such as the Agência Nacional de Telecomunicações - ANATEL and the Conselho Administrativo de Defesa Econômica-CADE.

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

FINANCIAL HIGHLIGHTS

In terms of economic and financial performance in the 1st Half 2021:

- **Consolidated revenues** amounted to 1,3 billion euros, down by 11,1% on the 1st Half 2020.
- **EBITDA** amounted to 0,6 billion euros, down by 12,3% on the 1st Half 2020.
- **Operating profit (EBIT)** was 0,2 billion euros, down by 8,3% compared to the 1st Half 2020.
- The **Profit for the year attributable to Owners of the Parent** amounted to 84 million euros (65 million euros for the 1st Half 2020).
- **Capital expenditures** in 2021 amounted to 344 million euros (292 million euros in the 1st Half 2020).
- **Net financial debt** amounts to -2.372 million euros at June 30, 2021, down of 18 million euros compared to the end of 2020 (-2.354 million euros).

Consolidated operating performance

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

	Other operations		Brazil Business Unit					
	(millions of euros)		(millions of euros)		(millions of reais)		Changes	
	1st Half 2021	1st Half 2020	1st Half 2021	1st Half 2020	1st Half 2021 (a)	1st Half 2020 (b)	Amount (a-b)	% (a-b)/b
Revenues	—	—	**1.348**	**1.517**	**8.747**	**8.202**	**544**	**6,6**
EBITDA	**-3**	**-3**	**630**	**718**	**4.086**	**3.883**	**203**	**5,2**
EBITDA Margin			46,7	47,3	46,7	47,3		-0,6 pp
EBIT	**-3**	**-4**	**194**	**212**	**1.256**	**1.144**	**112**	**9,8**
EBIT Margin			14,4	13,9	14,4	13,9		0,5 pp
Headcount at period end (number)	**10**	**11[*]**			**9.234**	**9.409[*]**	**-175**	**-1,9**

[*] Figures as of December 31, 2020

The average exchange rates used for the translation into euro (expressed in terms of units of Real per 1 euro) were 6,48919 for the first half of 2021 and 5,40843 in the first half of 2020.

	1st Half 2021	1st Half 2020
Lines at period end (thousands)	51.341	51.433 [*]
ARPU (reais)	25,6	23,6

[*] Figures as of December 31, 2020

REVENUES

Revenues in the 1st Half 2021 were entirely related to the Brazil Business Unit and amounted to 8.747 million reais (1.348 million euros), up by 6,6% on the 1st Half 2020.

Revenues from services totaled 8.495 million reais (1.309 million euros), an increase of 478 million reais (-173 million euros) compared to 8.017 million reais (1.482 million euros) in the 1st Half 2020 (+6,0%) with Mobile Services Revenues at +5,6% compared to the 1st Half 2020. This performance is mainly explained by the continuous recovery of both Prepaid and Postpaid segments. Regarding the Fixed Service Revenues, it showed a 11,9% growth compared to the same period of last year, mostly due to TIM Live's expansion pace.

Revenues from product sales came to 252 million reais, or 39 million euros (185 million reais, or 34 million euros in the 1st Half 2020).

Mobile Average Revenue Per User (ARPU) for the 1st Half 2021 was 25,6 reais (3,9 euros), up 8,5% compared to the figure posted in the 1st Half 2020, thanks to the general 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, 2021 amounted to 51,3 million, a decrease of 0,1 million compared to December 31, 2020 (51,4 million). This variation was mainly driven by the prepaid segment (-0,4 million), partially offset by the performance in the postpaid segment (+0,3 million), in part due to the consolidation underway in the market for second SIM cards. At June 2021, postpaid customers accounted for 43,1% of the customer base, an increase of 0,7% percentage points on December 2020 (42,4%).
TIM Live broadband operation showed positive net adds of 21,3 thousand new clients, +3,3% compared to December 31, 2020. The mix of this base continues to concentrate in high speed connections, with more than 50% being above 100Mbps.

	1st Half 2021	1st Half 2020
(millions of reais)		
Net revenues	**8.747**	**8.202**
Service revenues	8.495	8.017
Mobile services	7.930	7.512
Fixed services	565	505
Product revenues	252	185
(thousands)		
Lines at period end	**51.341**	**51.433 [*]**
Average Market Lines	**51.570**	**52.972**
(reais)		
Mobile ARPU (mobile services/average market lines/months)	**25,6**	**23,6**

[*] Lines as of December 31, 2020

EBITDA

EBITDA in the 1st Half 2021 totaled 627 million euros, of which 630 million euros attributable to the Brazil BU.

Considering Brazil BU, EBITDA for the 1st Half 2021 amounted to 4.086 million reais (630 million euros), up by 203 million reais (-88 million euros) year-on-year (+5,2%).

EBITDA in 2021 is affected by non-recurring expenses of 14 million reais mainly related to non-recurring projects.

EBITDA net of the non-recurring component (Organic EBITDA), grew by 5,6% and is calculated as follows:

	(millions of euros)		(millions of reais)		Change	
	1st Half 2021	1st Half 2020	1st Half 2021	1st Half 2020	Amount	%
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d
EBITDA	**630**	**718**	**4.086**	**3.883**	**203**	**5,2**
+/- Non recurring expenses/(income)	2	—	14	—	14	
= Organic EBITDA	**632**	**718**	**4.100**	**3.883**	**217**	**5,6**

The growth in EBITDA is attributable to the growth in revenues and the efficiency of cost control.

The related EBITDA margin stood at 46,9%, down in organic terms by -0,5% compared to the 1st Half 2020.

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

	(millions of euros)		(millions of reais)		
	1st Half 2021 (a)	1st Half 2020 (b)	1st Half 2021 (c)	1st Half 2020 (d)	Change (c-d)
Purchase of goods and services	502	538	3.260	2.909	351
Employee benefits expenses	110	127	715	685	30
Other operating expenses	143	182	927	982	-55
Change in inventories	3	—	21	—	21

EBIT

EBIT totaled 191 million euros (208 million euros in the 1st Half 2020), a decrease of -17 million euros.

Considering Brazil BU, EBIT for the 1st Half 2021 amounted to 1.256 million reais (194 million euros).

Organic EBIT, net of the non-recurring component, amounted to 1.270 million reais (196 million euros), with an EBIT margin of 14,5% (13,9% in 2020), and was calculated as follows:

	(millions of euros)		(millions of reais)		Change	
	1st Half 2021 (a)	1st Half 2020 (b)	1st Half 2021 (c)	1st Half 2020 (d)	Amount (c-d)	% (c-d)/d
EBIT	**194**	**212**	**1.256**	**1.144**	**112**	**9,8**
+/- Non recurring expenses/(income)	2	—	14	—	14	
= Organic EBIT	**196**	**212**	**1.270**	**1.144**	**126**	**11,0**

PROFIT (LOSS) FOR THE YEAR

The details are as follows:

(million euros)	1st Half 2021	1st Half 2020
Profit (loss) for the year	**133**	**91**
Attributable to		
Owners of the Parent	84	65
Non-controlling interests	49	26

CAPITAL EXPENDITURE

All capital expenditure is referred to the Brazil Business Unit. The BU posted capital expenditures in the 1st Half 2021 of 344 million euros, increasing by 52 million euros on the 1st Half 2020 (292 million euros). Excluding the impact of changes in exchange rates (-48 million euros), capital expenditure rose by 100 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 137 million euros as a result of a reclassification to "Discontinued operations / Non-current assets held for sale" of -181 million euros in connection with the sale of an equity stake in FIberco and +44 million euros of changes in foreign exchange rates applicable to the Group's Brazilian operations. Further details are provided in the Note "Goodwill".
- **Other intangible assets** increased by 1 million euros representing the balance of the following items:
  - Capex (+62 million euros)

  - Amortization charge for the year (-134 million euros)
  - Disposals, exchange differences, reclassifications and other changes (for a net balance of +73 million euros), of which +75 related to exchange rate differences.
- **Tangible assets** increased by 29 million euros representing the balance of the following items:
  - Capex (+282 million euros)
  - Depreciation charge for the year (-206 million euros)
  - Reclassification to "Discontinued operations /Non-current assets held for sale" of -178 million euros in connection with the sale of an equity stake in FIberco
  - Disposals, exchange differences, reclassifications and other changes for a net balance of +131 million euros almost entirely related to exchange rate differences.
- **Rights of use third-party assets:** increased by 66 million euros representing the balance of the following items:
  - Investments and increases in finance leasing contracts (+193 million euros)
  - Amortization charge for the period (-99 million euros)
  - Disposals, exchange differences and other changes (for a net balance of -28 million euros) of which +84 related to exchange rate difference.

Consolidated equity

Consolidated equity amounted to 7.666 million euros at June 30, 2021 (7.303 million euros at December 31, 2020), of which 6.310 million euros attributable to Owners of the Parent (6.070 million euros at December 31, 2020) and 1.355 million euros attributable to non-controlling interests (1.233 million euros at December 31, 2020).

Cash flows

The details of Group cash flows are as follow:

(million euros)	1st Half 2021	1st Half 2020
Cash flows from (used in) operating activities	579	520
Cash flows from (used in) investing activities	-643	-586
Cash flows from (used in) financing activities	188	673
Aggregate cash flows	**125**	**607**
Net foreign exchange differences on net cash and cash equivalents	46	-150
Net cash and cash equivalents at beginning of the year	**2.995**	**2.649**
Net cash and cash equivalents at end of the period	**3.120**	**3.256**

Net financial debt

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

(million euros)	Other operations		Brazil Business Unit	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
Non-current financial liabilities	1.729	1.782	1.697	1.256
Current financial liabilities	260	324	457	431
Total gross financial debt	**1.989**	**2.106**	**2.154**	**1.687**
Non-current financial assets	-1.789	-1.845	-99	-62
Current financial assets	-3.382	-3.461	-1.244	-778
Net financial debt	**-3.183**	**-3.200**	**811**	**847**

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, 2019 establishing a new regulatory environment for the regulation of telecommunications in Brazil. This is the most significant change in 20 years.

The new telecommunications framework allows fixed-line licensees to adapt their contracts from a concession scheme to an authorization scheme. This transition from concession to authorization must be requested by the licensee and requires the approval of 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 series of important rules was established by 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.

In order to use the Universal Telecom Services Fund (FUST), (i.e. the contribution that the telecom sector makes annually), law 14.109/2020 was introduce authorizing the use of FUST, including by the private sector, to expand connectivity in rural or urban areas with a low human development Index (HDI) as well as policies for education and tech innovation of services in rural areas.

In 2020, the decree No. 10.480/2020 was published by the federal government, which regulates the antennas law (law 13.116/2015) with the purpose of stimulating the development of the telecommunications network infrastructure. This decree fosters development of telecom network infrastructure and is a major step towards unlocking historical problems in the sector preventing its development (free right of way on highways and railways, positive silence, small cells, dig once are some of the examples of such regulatory removal of historical problems).

In June, 15th 2021, Provisional Measure 1.018/2020 was transformed into Law No. 14.173/2021, reducing charges for satellite internet terrestrial stations and changing some of FUST application rules.

The law reduces FUST collection between 2022 and 2026, to telecommunications operators that run universalization programs approved by the management council (to be approved still) with their own resources The benefit will be valid for five years from January 1st, 2022 and will be progressive: 10% in the first year; 25% in the second year; 40% in the third year; and 50% from the fourth year onwards.

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 for: (i) mobile network terminals; (ii) national roaming; and (iii) high capacity data transport (in five municipalities).

Measures adopted for the SMP operator in these markets include a requirement to offer national roaming services for non-SMP operators. The obligation for vertically integrated fixed network operators with an SMP to access the copper network (e.g. leased lines, bitstream and full unbundling) has been maintained.
Since 2016, fixed interconnection rates have been based on a cost-oriented approach. In December 2018, Anatel published the relevant deeds nos. 9.918/2018 and 9.919/2018, which determined specific benchmark tariffs effective February 2020. Prior to their entry into force, Anatel began reviewing these deeds and, on February 24, 2020, published the new deeds nos. 986/2020 and 987/2020.

Revision of Service Quality Regulation
In December 2019, Anatel approved the new Telecommunication Services Quality Regulation (RQUAL), based on a reactive regulation. In this new model, quality is measured on the basis of three indicators - a Service Quality Index, a Perceived Quality Index and a User Complaints Index - and operators are classified into five categories (A to E). Based on this reactive regulation, Anatel will be able to take measures according to specific cases, such as consumer compensation, the adoption of an action plan or the adoption of precautionary measures to ensure quality standard improvements.
Consequence of the global health crisis (Covid-19), the new regulation is now expected to enter into force by January 2022; until the work group consisting of Anatel, operators, and the Quality Assurance Support Authority (ESAQ) defines the objectives, criteria, and reference values of the indicators, Anatel will continue to monitor the old indicators that maintain similarity to the new ones established in the new RQUAL.
In June 2021, the criteria and reference values were established by the working group and were sent for analysis and approval by Anatel's Board of Directors. Even under consideration by the Anatel Board of Directors, operators still interested in adapting some definitions (excluding events such as service interruption, reference value for the claim index, rules attenuation of the Wifi signal to define fixed broadband speed, etc.).

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, and with additional commitments of 1,2 billion reais (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.
Since 2016, the spectrum has been freed up for mobile operation and in June 2019, all municipalities became available, meaning that 100% of the Brazilian population is covered by the 700 MHz LTE network.
Throughout 2020 and 2021, EAD is expected to fulfil the remaining auction obligations, concluding the relocations of broadcasters and the provision of interference solutions to complete the switch-off process and to make the spectrum fully available to mobile operators.

"Marco Civil da Internet" and Network Neutrality
The "Marco Civil da Internet" (MCI), approved in April 2014 by Brazilian Law no. 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 no. 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 cases of unfair competition.

Data protection
On August 14, 2018, the Brazilian President promulgated the General Data Protection Law (Law 13.709/2018). The new provisions, as promulgated by the President, are 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 aspects, extending the entry into force of the Law to 24 months (August 2020), within which all legal persons must adjust their data processing activities to these new regulations.
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 entity".
In June 2020, bill of law no. 1.179/2020 was converted into law no. 14.010/2020, which postponed the entry into force of the General Data Protection Law, only for the provisions related to fines and penalties, to August 2021. The other provisions of the law took effect in September 2020,. In addition, Decree no. 10.474/2020 (National Data Protection Authority) came into force in August 2020, establishing the ANPD (Autoridade Nacional de Dados Pessoais), which is responsible for, among other things: developing guidelines for the National Data Protection Policy; supervising companies and applying sanctions; and issuing regulations and procedures on personal data protection.
In January, ANPD published on its website the biannual regulatory agenda (2021-2022) listing the 10 priority items. Among these items, the following stand out: ANPD's internal regulations, the establishment of norms for the application of art. 52 et seq. of the law, Data Subject Rights, Data Breach Reporting, among other topics.

Strategic Digital Transformation and the Internet of Things
In March 2018, the E-Digital Decree (9.319/2018 Decree) was published, in order to identify about 100 strategic actions to encourage competition and the country's level of online productivity, while increasing connectivity and digital inclusion levels. These actions seek to address the digital economy's main strategic questions, including connectivity infrastructure, data use and protection, the IoT and IT security.
The Decree on the National Plan for the Internet of Things (Decree 9.854/2019) was published in June 2019 to regulate and promote this technology in Brazil. The IoT is referred to as the "infrastructure integrating the provision of value-added services with the ability to physically or virtually connect things using devices based on existing information and communication technology and their evolution, with interoperability. The Decree lists the following topics, defining them as necessary to further support the National Plan for the Internet of Things: (i) science, technology and innovation; (ii) international integration; (iii) education and professional training; (iv) connectivity and interoperability infrastructure; (v) regulation, security and privacy; (vi) economic feasibility.
In order to develop an IoT environment in the country, Law 14.108/2020 was passed. This law exempts base stations and equipment that integrate machine-to-machine (M2M) ecosystems from FISTEL (an administrative tax collected by Anatel) for 5 years and, in addition, extinguishes the previous license. The definition and regulation of M2M communication systems are established by Anatel.

5G Auction
In February 2020, the ministry of science, technology, innovations and communications published ordinance No 418 with guidelines for the 5G auction, concerning radiofrequency bands of 700 MHz, 2,3 GHz, 3,5 GHz and 26 GHz, requiring ANATEL to define technical criteria for mobile operation on 3,5 GHz in order to avoid harm from a TVRO signal offered by satellite dishes in Band C. It also established that the auction should considered coverage commitments to (i) mobile service on 4G technology or higher to cities, small villages and isolated urban and rural areas with more than 600 habitants; (ii) mobile broadband on federal highways; and (iii) fiber to the city (FTTC) on municipalities without this backhaul.
Also in February 2020, ANATEL issued the public consultation No 9 in order to discuss the draft of the Public Notice for the 5G Auction. ANATEL proposes bidding for the 700 MHz, 2,3 GHz, 3,5 GHz and 26 GHz bands and includes another 100 MHz in the 3,5 GHz band. It also foresees investment commitments that will enable more infrastructure and a higher level of services to users, such as is outlined in the structural plan for telecommunications networks (PERT).
Regarding the possible interference caused by 5G in the reception of open satellite TV, the approved proposal addresses the solution through a model similar to that adopted for the 700 MHz band, with the creation of a group coordinated by ANATEL and an independent third party to operationalize the solution.
In February 2021, ANATEL's board of directors approved the public notice for the 5G Auction that is currently being evaluated by Brazilian federal court of auditors (TCU). The auction is expected to be held in the second half of 2021.

Events subsequent to June 30, 2021

Payment of Interest on Equity

In July 2021, TIM S.A paid Interest on Capital (IOC) related to the fiscal year ending on December 31, 2021 and approved on June 09, 2021 according to the following schedule:

Payment Date	Reais per share
20/07/2021	0,144654605

Partnership with AESAPART

On July 7th, 2021, TIM and Anhanguera Educacional Participações S.A. ("AESAPAR"), subsidiary of Cogna Educação S.A ("Cogna"), jointly referred to as "Partners", concluded negotiations regarding a strategic partnership ("Partnership") with the objective of developing offers combined with special benefits for the access to distance education through the Ampli1 platform.
The Partners highlight the innovative character of the agreement, by combining a digital learning platform developed in mobile-first concept, with the largest 4G infrastructure in Brazil. This is a powerful combination that will expand and encourage access to university courses and free courses for all TIM customers. This approach offers great potential to generate value for both companies through customer base growth and revenue growth.
The Partnership is aligned with the Customer Platform strategy that the Company has been working on since 2020. This strategy seeks to monetize the assets that TIM holds as a mobile operator through strategic partnerships that create value for our customers and for the company itself.
This agreement does not create a joint venture and, therefore, the Partners maintains the independence of their operations.
Through a compensation mechanism based on objectives and depending on the evolution of the results of the partnership, TIM will become a minority shareholder of AESAPAR in a new company to be created as a result of the separation of assets from the Ampli platform ("Ampli Co"). The formation and operation of Ampli Co will be submitted to the competent authorities, in particular the Ministry of Education (MEC).
This equity interest can reach up to 30% of the new company's capital and the subscription of shares must be previously approved by the Administrative Council for Economic Defense – CADE. In the defined plan, there is an expectation of seeking a future IPO (Initial Public Offering).

For others details of subsequent events, see the specific Note "Events Subsequent to June 30, 2021".

Business outlook for the 2nd Half 2021

In Brazil, the expectation for the year 2021 is for the recovery process to accelerate, both in terms of the economy in general and the results of the Group itself. We hope to increasingly capitalize on initiatives on the digital transformation and new business fronts that, combined with the evolution of the mobile segment consolidation process and definitions of 5G technology, will create great opportunities for TIM and the telecom industry.

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 Brazilian market, the expected results may be significantly affected by the macroeconomic and political situation.
After three years of modest growth, the decline in Brazilian Gross Domestic Product (GDP) of 4,1 % in 2020 has been deeply impacted by the Covid-19 pandemic emergency and the restrictions imposed to contain its spread, the lockdown and the distancing measures, which led to a general commercial and economic contraction, especially when compared with the growth of 1,1% in 2019.
However, after a devastating first semester, when the pandemic caused the closing of businesses, a strong reduction in mobility and large capital outflow, which had already begun in 2019, the scenario. Activity level did not resume to 2019 levels at year end, but the drop was lower than projected.
Recently, after the adoption of stringent mobility restrictions and distancing measures to reduce the transmission of Covid-19, the gradual easing of the restrictive measures and the return to economic life as well as the financial support of the government contributed to a slight recovery recorded in the second half of 2021.

However, it is not yet possible to predict whether the Brazilian economy and TIM Brazil results will return to pre-crisis levels.

Risks related to competition
Competitive risks in the Brazilian market lie in the rapid transition of the business model tied to traditional services and the potential consolidation of the sector. As the consumption patterns of consumers change (migration from voice to data services), service providers need to act swiftly in upgrading their infrastructure and modernizing their portfolios of products and services. In this context, the TIM Brasil group could be impacted by the need to upgrade its technologies and infrastructure rapidly and by greater competition, in the form of aggressive sales strategies and potential business combinations in the sector. In addition, the slow recovery from the country's major economic crisis, the delay in the necessary structural reforms, the Covid-19 pandemic and all the restrictions imposed to fight its spread, directly affected consumption, in particular in the prepaid segment

Operational risks

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

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

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

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

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

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

Risks related to disputes and litigation
TIF Group has to deal with disputes and litigation with tax authorities and government agencies, regulators, competition authorities, other telecommunications operators and other entities. The possible impacts of such proceedings are generally uncertain. In the event of unfavorable settlement for the Group, these issues may,

individually or as whole, have an adverse effect, which may even be significant, on its operating results, financial position and cash flows.

Financial risks

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

For further details of financial risks, see the specific Note "Financial risks management" of the December 31, 2020 Consolidate Financial Statements.

Regulatory and compliance risks

Regulatory risks

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

Compliance risks

The TIF Group may be exposed to risks of non-compliance due to non-observance/breach of internal (self-regulation, such as, for example, bylaws, code of ethics) and external rules (laws, regulations, new accounting standards and Authority orders), with consequent judicial or administrative penalties, financial losses or reputational damage.

The TIF Group aims to ensure that processes, and, therefore, the procedures and systems governing them, and corporate conduct comply with legal requirements. The risk is associated with potential time lags in making the processes compliant with regulatory changes or whenever non-conformities are identified.

Group internal control and risk management

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

Information for investors

Brazil – shares

Regarding the trading of shares issued by Group companies on regulated markets, the ordinary shares of TIM S.A. are listed in Brazil on B3 (formerly BM&F/Bovespa).

Ordinary shares of TIM S.A. were also listed on the NYSE (New York Stock Exchange); share prices are set through ADS (American Depositary Shares) representing 5 ordinary shares of TIM S.A.

Waiver of the obligation to present activities in one report only

The Board of Directors waived the provisions of art. 1720-1 (3) of the Luxembourg law dated as September 10, 2015, as modified by time to time, which allows the Board to present one report only where consolidated annual accounts are prepared.

Alternative Performance Measures

In this Directors’ Report and in the Consolidated Financial Statements of the Group for the year ended June 30, 2021, in addition to the conventional financial performance measures established by IFRS, certain alternative performance measures are presented for a better understanding of the trend of operations and financial condition. Such measures, which are also presented in interim financial reports, should, however, not be considered as a substitute for those required by IFRS.

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

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

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

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

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

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

Corporate Governance Statement

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

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Consolidated Statements of Financial Position
Assets

(millions of euros)	Note	30/06/2021	31/12/2020
Non-current assets			
Intangible assets		**1.596**	**1.732**
Goodwill	[4]	467	604
Intangible assets with a finite useful life	[5]	1.129	1.128
Tangible assets	[6]	**1.736**	**1.707**
Property, plant and equipment		1.736	1.707
Right of use assets	[7]	**1.246**	**1.180**
Other non-current assets		**2.518**	**2.520**
Other investments	[8]	53	48
Non-current financial receivables for lease contracts	[9]	35	25
Other non-current financial assets	[9]	1.853	1.883
Miscellaneous receivables and other non-current assets	[10]	425	479
Deferred tax assets		151	86
Total Non-current assets		**7.096**	**7.140**
Current assets			
Inventories		38	39
Trade and miscellaneous receivables and other current assets	[11]	857	807
Current income tax receivables		29	39
Current financial assets	[9]	**4.627**	**4.239**
Current financial receivables arising from lease contracts		5	1
Securities other than investments, financial receivables and other current financial assets		1.494	1.237
Cash and cash equivalents		3.127	3.001
Current assets sub-total		**5.550**	**5.123**
Discontinued operations/Non-current assets held for sale	[12]	**365**	**—**
of a financial nature		—	—
of a non-financial nature		365	—
Total Current Assets		**5.916**	**5.123**
TOTAL ASSETS		**13.012**	**12.263**

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

Equity and Liabilities

(million euros)	Note	30/06/2021	31/12/2020
Equity	[13]		
Share capital issued		1.819	1.819
Other reserves and retained earnings (accumulated losses), including profit (loss) for the year		4.492	4.252
Equity attributable to owners of the Parent		**6.310**	**6.070**
Non-controlling interests		**1.355**	**1.233**
TOTAL EQUITY		**7.666**	**7.303**
Non-current liabilities			
Non-current financial liabilities for financing contracts and others	[14]	2.209	1.889
Non-current financial liabilities for lease contracts	[14]	1.218	1.149
Provisions	[18]	167	144
Miscellaneous payables and other non-current liabilities	[19]	131	158
Total Non-current liabilities		**3.724**	**3.340**
Current liabilities			
Current financial liabilities for financing contracts and others	[14]	516	590
Current financial liabilities for lease contracts	[14]	200	166
Trade and miscellaneous payables and other current liabilities	[20]	825	845
Current income tax payables		12	18
Current Liabilities sub-total		**1.554**	**1.620**
Liabilities directly associated with Discontinued operations/Non-current assets held for sale	[12]	**68**	**—**
of a financial nature		—	—
of a non-financial nature		68	—
Total Current Liabilities		**1.621**	**1.620**
TOTAL LIABILITIES		**5.346**	**4.960**
TOTAL EQUITY AND LIABILITIES		**13.012**	**12.263**

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

Separate Consolidated Income Statements

(million euros)	Note	1st Half 2021	1st Half 2020
Revenues	[22]	1.348	1.517
Other operating income		7	6
Total operating revenues and other income		**1.355**	**1.522**
Purchase of goods and services		-503	-539
Employee benefits expenses		-111	-127
Other operating expenses		-145	-184
Change in inventories		-3	—
Internally generated assets		33	42
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		**627**	**715**
Depreciation and amortization		-440	-510
Gains/(losses) on disposals of non-current assets		3	3
Operating profit (loss) (EBIT)		**191**	**208**
Other income (expenses) from investments		1	1
Finance income	[23]	352	410
Finance expenses	[23]	-399	-491
Profit (loss) before tax from continuing operations		**145**	**128**
Income tax expenses		-13	-37
Profit (loss) from continuing operations		**133**	**91**
Profit (loss) from Discontinued operations/Non-current assets held for sale		**—**	**—**
PROFIT (LOSS) FOR THE PERIOD		**133**	**91**
Attributable to			
Owners of the Parent		84	65
Non-controlling interests		49	26

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

Consolidated Statements of Comprehensive Income

(millions of euros)		Note	1st Half 2021	1st Half 2020
Profit (loss) for the period	**(a)**		**133**	**91**
Other components that subsequently will not be reclassified to the Separate Consolidated Income Statements	**(b=c)**		**-26**	**-26**
Financial assets measured at fair value through other comprehensive income:	**(c)**		**-26**	**-26**
Profit (loss) from fair value adjustments		[8]	-26	-26
Other components that subsequently will be reclassified to the Separate Consolidated Income Statements	**(d=e+f+g)**		**326**	**-1.452**
Financial assets measured at fair value through other comprehensive income:	**(e)**		**26**	**-8**
Profit (loss) from fair value adjustments			29	-8
Loss (profit) transferred to the Separate Consolidated Income Statements			-3	—
Hedging derivative instruments:	**(f)**		**—**	**1**
Profit (loss) from fair value adjustments			—	1
Loss (profit) transferred to the Separate Consolidated Income Statements			—	—
Exchange rate differences on translating foreign operations:	**(g)**		**300**	**-1.445**
Profit (loss) on translating foreign operations			300	-1.445
Other components of the Consolidated Statements of Comprehensive Income	**(h=b+d)**		**300**	**-1.478**
Total comprehensive income (loss) for the period	**(i=a+h)**		**433**	**-1.387**
Attributable to				
Owners of the Parent			291	-970
Non-controlling interests			142	-417

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

Consolidated Statements of Changes in Equity

Changes from January 1, 2021 to June 30, 2021

(millions of euros)	Share capital	Additional paid in capital	Reserve for financial assets measured at fair value through other comprehensive income	Reserve for hedging instruments	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other profits (losses) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the period	**Total Equity attributable to owners of the Parent**	**Non-controlling interests**	**Total equity**
Balance at January 01, 2021	**1.819**	**3.148**	**-459**	**1**	**-2.549**	**-1**	**—**	**4.112**	**6.070**	**1.233**	**7.303**
Changes in equity during the period:											
Dividends approved	—	—	—	—	—	—	—	-52	-52	-18	**-70**
Total comprehensive income (loss) for the period	—	—	-1	—	208	—	—	84	291	142	**432**
Other changes	—	—	—	—	—	—	—	1	1	-1	**—**
Balance at June 30, 2021	**1.819**	**3.148**	**-460**	**1**	**-2.341**	**-1**	**—**	**4.145**	**6.310**	**1.355**	**7.666**

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 hedging instruments	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other profits (losses) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the period	**Total Equity attributable to owners of the Parent**	**Non-controlling interests**	**Total equity**
Balance at January 01, 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**

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

Consolidated Statements of Cash Flows

(million euros)	Note	1st Half 2021	1st Half 2020
Cash Flows from operating activities:			
Profit (loss) from continuing operations		133	91
Adjustments for:	[5],[6]		
Depreciation and amortisation		440	510
Impairment losses(reversals) of non-current assets (including investments)		-4	-1
Net change in deferred tax assets and liabilities		-8	28
Losses (gains) realised on disposal of non-current assets (including investments)		-3	-3
Change in inventories		1	12
Change in trade receivables and net amounts due from customers on construction contracts		8	230
Change in trade payables		-19	-220
Net change in current income tax receivables/payables		4	6
Net changes in miscellaneus receivables/payables and other assets/liabilities		30	-133
Cash flows from (used In) operating activities		**579**	**520**
Cash Flows from investing activities:			
Total purchase of intangible and tangible assets and right of use on a cash basis		-368	-623
Change in financial receivables and other financial assets		-276	32
Proceed from sale/repayment of intangible, tangible and other non-current assets		—	5
Cash flows from (used In) investing activities		**-643**	**-586**
Cash Flows from financing activities:			
Changes in current financial liabilities and other		-41	744
Proceeds from non-current financial liabilities (including current portion)		472	348
Repayments of non-current financial liabilities (including current portion)		-186	-220
Changes in hedging and non-hedging derivatives		19	-82
Dividends paid		-76	-117
Cash flows from (used In) financing activities		**188**	**673**
Aggregate Cash flows		**125**	**607**
Net foreign exchange differences on net cash and cash equivalents		**46**	**-150**
Net cash and cash equivalents at the beginning of the year	**[8]**	**2.995**	**2.649**
Net cash and cash equivalents at the end of the period	**[8]**	**3.120**	**3.256**

Additional Cash Flow Information

(million euros)	1st Half 2021	1st Half 2020
Income taxes (paid) received	-8	-17
Interest expense paid	-209	-163
Interest income received	73	70
Dividends received	1	1

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

Notes to the Consolidated Financial Statements

Note 1 - Form, content and other general information

FORM AND CONTENT

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

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

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

The Half-Year Condensed Consolidated Financial Statements at June 30, 2021 of the Group have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board as endorsed by EU ("IFRS") and were authorized for issue with a resolution of the Board of Directors on July 27, 2021. 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 2020 Telecom Italia Finance Group Consolidated Financial Statements.

In the first six months of 2021, 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, 2021. See the Note "Accounting policies" for more details.

The Half-Year Condensed Consolidated Financial Statements at June 30, 2021 have been prepared under the historical cost convention, except for financial assets, which are measured at the fair value recognized in the other components of the comprehensive income, financial assets measured at fair value through the income statement, and derivative financial instruments, which have been measured at fair value.
For the sake of comparison, data from the statement of financial position at December 31, 2020, the separate consolidated income statement and consolidated statement of comprehensive income, consolidated statement of cash flows and changes in consolidated shareholders' equity for the first half of 2020, are also presented.

The Half-Year Condensed Consolidated Financial Statements at June 30, 2021 have been prepared on a going concern basis (for further details see Note "Accounting policies").

The Half-Year Condensed Consolidated Financial Statements at June 30, 2021 are expressed in euro (rounded to the nearest million, unless otherwise indicated).

FINANCIAL STATEMENT FORMATS

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

- the Consolidated Statement of Financial Position has been prepared by classifying assets and liabilities according to the "current and non-current" criterion;
- the Separate Consolidated Income Statement has been prepared by classifying operating 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 changes in equity related to non-controlling interests;
- the Consolidated Statement of Cash Flows has been prepared by presenting cash flows from operating activities according to the "indirect method", as permitted by IAS 7 (Statement of Cash Flows).

Furthermore, according to IAS 1 (paragraphs 97 and 98), certain expense and income items that are material in terms of nature and amount are separately disclosed in the notes to the separate consolidated income statement. Specifically, such items include: 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, 2021 have been prepared on a going concern basis as there is the reasonable expectation that the Group will continue conducting its business in the foreseeable future (and in any event over a period of at least twelve months).
In particular, the following factors have been taken into consideration:

- the main risks and uncertainties (that are for the most part of an external nature) to which the Group and the various activities of the Group are exposed:
  - the changes in the general macroeconomic situation in the Italian, European and Brazilian market, including the effects deriving from the continued state of Covid-19 health emergency, as well as the volatility of financial markets in the Eurozone, partly following the UK’s Brexit;
  - variations in business conditions, also related to competition;
  - 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;;
  - financial risks (interest rate and/or exchange rate trends, changes in the Group's credit rating by rating agencies);
- the optimal mix between risk capital and debt capital;
- the policy for financial risk management (market risk, credit risk and liquidity risk), as described in the Note "Financial risk management" of the December 31, 2020 Consolidate Financial Statements.

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

ACCOUNTING POLICIES AND PRINCIPLES OF CONSOLIDATION

The accounting policies and principles of consolidation adopted in the preparation of the Half-Year Condensed Consolidated Financial Statements at June 30, 2021 have been applied on a basis consistent with those used for the Consolidated Financial Statements at December 31, 2020, to which reference should be made, except for:

- amendments to accounting standards issued by the IASB and in force from January 1, 2021 and subsequently described;
- the changes required because of the nature of interim financial reporting.

It is specified that starting January 1, 2021, the Telecom Italia Group has attracted, under the scope of application of IFRS 16, if the criteria and the requirements laid down by the standard are met, the new contract types concerning cloud software resources and the spectrum of transmission frequencies on optic fiber carriers.

This approach is functional to the very innovative specificity of these types of contract, concerning hardware infrastructure and optical transmission as well as technologically-advanced software services.

Furthermore, in the Half-Year Condensed Consolidated Financial Statements at June 30, 2021, income taxes for the period of the individual consolidated companies are calculated according to the best possible estimate based on available information and on a reasonable forecast of performance up to the end of the tax period. Conventionally, the income tax liabilities (current and deferred) on the profit for the interim period of the individual consolidated companies are recorded net of advances and tax receivables (excluding receivables for which refunds have been requested) as well as deferred tax assets, and classified as an adjustment to "Deferred tax liabilities"; if the balance between deferred tax assets and deferred tax liabilities is an asset it is conventionally recognized in "Deferred tax assets".

USE OF ESTIMATES

The preparation of the Half-Year Condensed Consolidated Financial Statements at June 30, 2021 and related disclosure in conformity with IFRS requires management to make estimates and assumptions based also on subjective judgments, past experience and hypotheses considered reasonable and realistic in relation to the information known at the time of the estimate. Such estimates have an effect on the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the amount of revenues and costs during the period. Actual results could differ, even significantly, from those estimates owing to possible changes in the factors considered in the determination of such estimates. Estimates are reviewed periodically.

As regard the most important accounting estimates, please refer to those illustrated in the Consolidated Financial Statements at December 31, 2020.

NEW STANDARDS AND INTERPRETATIONS ENDORSED BY THE EU AND IN FORCE FROM JANUARY 1, 2021

As required by IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the following is a brief description of the IFRS in force as from January 1, 2021.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Reform of the interest rates benchmark - Phase 2
On January 13, 2021, Regulation (EU) no. 2021/25 was issued, which incorporated a set of amendments to the IFRSs relating to the reform of the interbanking rates offered (IBOR) and other interest rate benchmarks. The amendments aim to help the entities to provide investors with useful information on the effects of the reform on the entities' financial statements.
The amendments integrate those issued in 2019 and focus on the effects of the financial statements when an entity replaces the old interest rate benchmark with an alternative benchmark rate following the reform. The changes during this final phase regard:

a. changes to contractual cash flows - an entity shall not eliminate or rectify the carrying amount of the financial instruments following the amendments required by the reform, but must instead add the effective interest rate to reflect the change in the alternative benchmark rate;
b. hedge accounting - an entity shall not stop booking the hedges only because the changes have been made to the hedging documentation as required by the reform, if the hedge continues to meet the other criteria for booking the hedge;
c. disclosure: an entity shall disclose information on the new risks deriving from the reform and on how it manages the transition to alternative benchmark rates.

The adoption of these amendments had no effect on the Consolidated Financial Statements at June 30, 2021.

NEW STANDARDS AND INTERPRETATIONS ISSUED BY IASB BUT NOT YET APPLICABLE

At the reporting date of these Consolidated Financial Statements, the IASB had issued the following new Standards and Interpretations which have not yet come into force and have not yet been endorsed by the EU.

	Mandatory application starting from
New Standards and Interpretations not yet endorsed by the EU	
Amendments to IAS 12 Income taxes: deferred tax related to assets and liabilities arising from a single transaction	1 January, 2023
Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors	1 January, 2023
Amendments to IAS 1 - Presentation of Financial Statements	1 January, 2023
Amendments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-current	1 January, 2023
Amendments to IFRS 16 Leases: COVID-19-related rent concessions beyond June 30, 2021	1 April, 2023
IFRS 17 (Insurance contracts), including amendments to IFRS 17	1 January, 2023
New Standards and Interpretations endorsed by the EU	
Amendments to: IFRS 3 Business combinations; IAS 16 Property, Plant and equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual cycle of improvements 2018-2020	1 January, 2022

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

Note 3 - Scope of Consolidation

SCOPE OF CONSOLIDATION

No changes occurred in the scope of consolidation at June 30, 2021 compared to December 31, 2020.

Further details are 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 2021 and 2020:

(million euros)	**31/12/2020**	Increase	Decrease	Impairments	Exchange differences	Held for sale	**30/06/2021**
Brazil	**604**	—	—	—	44	-181	**467**

(million euros)	**31/12/2019**	Increase	Decrease	Impairments	Exchange differences	**31/12/2020**
Brazil	**851**	—	—	—	-247	**604**

In the 1st Half 2021, 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 6,37680 at December 31, 2020 to 5,94461 at June 30, 2021. This led to the 44 million euro rise in the value of goodwill attributed to the Brazil Cash Generating Unit, expressed in euros.

At June 30, 2021, part of the goodwill attributed to the Brazil Cash Generating Unit (181 million euros) connected with the assets and liabilities resulting from the transfer of the majority of the share capital of FiberCo Soluções de Infraestrutura (FiberCo), for which the forthcoming completion is expected, has been reclassified as "Discontinued operations/Non-current assets held for sale". For more details on the transaction, see the note on "Discontinued operations/Non-current assets held for sale".

In accordance with IAS 36, goodwill is not subject to amortization, but is tested for impairment on an annual basis, when preparing the consolidated financial statements. If specific events or circumstances occur (trigger events) that may indicate an impairment of goodwill, impairment testing is also carried out when preparing the interim financial statements.
In accordance with the TIM Group procedures, in preparation of the half-year report at June 30, 2021, has been deemed it appropriate to carry out an impairment test on goodwill.

The results showed that the recoverable amount of the assets at June 30, 2021 was higher than the net carrying amount for the Brazil CGU (+126 million of euros).

The value used to measure the recoverable amount of the Cash Generating Unit to which goodwill has been allocated is the fair value, based on market capitalisation as of the end of the reporting period. The recoverable amount of the assets was denominated in the functional currency and subsequently translated at the spot exchange rate at the reporting date.

In estimating the recoverable amounts, simulations were conducted on the results with respect to changes in the relevant parameters. The result is that a 3% price per share reduction, compared to the reference quotation considered for the purposes of the financial statements, would make the fair value based on market capitalization equal to the carrying amount, consequently making it necessary to analyse the Value in Use of the CGU.

Note 5 - Intangible assets with a finite useful life

All intangible assets with a finite useful life in the 1st Half 2021 and 2020 are referred to Brazil Business Unit.

(millions of euros)	31/12/2020	Investments	Amortization	Disposals	Exchange differences	Other Changes	Held for sale	30/06/2021
Industrial patents and intellectual property rights	**429**	55	-91	—	30	25	-2	**445**
Concessions, licenses, trademarks and similar rights	**642**	3	-43	—	43	—	—	**646**
Other intangible assets	**2**	—	—	—	—	—	—	**1**
Work in progress and advance payments	**55**	3	—	—	2	-25	—	**36**
Total	**1.128**	**62**	**-134**	**—**	**75**	**—**	**-3**	**1.129**

(millions of euros)	31/12/2019	Investments	Amortization	Disposals	Exchange differences	Other Changes	31/12/2020
Industrial patents and intellectual property rights	**690**	151	-214	—	-195	-3	**429**
Concessions, licenses, trademarks and similar rights	**1.018**	6	-93	—	-288	—	**642**
Other intangible assets	**3**	—	-1	—	-1	—	**2**
Work in progress and advance payments	**31**	36	—	—	-12	—	**55**
Total	**1.742**	**193**	**-308**	**—**	**-496**	**-3**	**1.128**

The "**Held for sale**" column includes intangible assets at June 30, 2021 connected with the transfer of the majority of the share capital of FiberCo Soluções de Infraestrutura (FiberCo), for which the forthcoming completion is expected. For more details on the transaction, see the note on "Discontinued operations/Non-current assets held for sale".

Industrial patents and intellectual property rights at June 30, 2021 consisted mainly of software licenses.

Concessions, licenses, trademarks and similar rights at June 30, 2021 mainly related to the remaining cost of telephone licenses and similar rights (604 million of euros).

Note 6 - Tangible assets

All tangible assets in the 1st Half 2021 and 2020 are referred to Brazil Business Unit.

PROPERTY, PLANT AND EQUIPMENT OWNED

(million euros)	31/12/2020	Investments	Depreciation	Disposals	Exchange differences	Other Changes	Held for sale	30/06/2021
Land	**6**	—	—	—	—	—	—	**7**
Buildings (civil and industrial)	**11**	—	—	—	1	—	—	**11**
Plant and equipment	**1.546**	226	-187	-5	120	53	-176	**1.577**
Other	**90**	13	-19	—	7	6	-1	**95**
Construction in progress and advance payments	**54**	42	—	—	3	-53	-1	**45**
Total	**1.707**	**282**	**-206**	**-5**	**131**	**5**	**-178**	**1.736**

(million euros)	31/12/2019	Investments	Depreciation	Disposals	Exchange differences	Other Changes	31/12/2020
Land	**9**	—	—	—	-3	—	**6**
Buildings (civil and industrial)	**16**	—	-1	—	-5	—	**11**
Plant and equipment	**2.105**	364	-388	-2	-614	82	**1.546**
Other	**126**	34	-41	-1	-37	9	**90**
Construction in progress and advance payments	**121**	58	—	—	-32	-93	**54**
Total	**2.377**	**456**	**-430**	**-3**	**-691**	**-2**	**1.707**

The "**Held for sale**" column includes tangible assets at June 30, 2021 connected with the transfer of the majority of the share capital of FiberCo Soluções de Infraestrutura (FiberCo), for which the forthcoming completion is expected. For more details on the transaction, see the note on "Discontinued operations/Non-current assets held for sale".

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 functioning of voice and data telephone traffic.

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

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

Note 7 - Right of use assets

At June 30, 2021 right of use assets amounted to 1.246 million euros and are referred to Brazil Business Unit. The breakdown and movements during the 1st Half 2021 and 2020 are shown below.

(millions of euros)	31/12/2020	Investments	Increase in lease contracts	Depreciation and amortization	Disposals	Exchange differences	Other Changes	30/06/2021
Property	299	—	77	-24	-37	22	-8	**329**
Plant and equipment	880	—	116	-75	-53	62	-13	**917**
Other	2	—	—	-1	—	—	—	**1**
Total	**1.180**	**—**	**193**	**-99**	**-90**	**84**	**-21**	**1.246**

(millions of euros)	31/12/2019	Investments	Increase in lease contracts	Depreciation and amortization	Disposals	Exchange differences	Other Changes	31/12/2020
Property	446	—	152	-53	-85	-128	-34	**299**
Plant and equipment	1.118	12	355	-147	-109	-331	-17	**880**
Other	6	—	1	-2	—	-1	-1	**2**
Total	**1.570**	**12**	**508**	**-202**	**-194**	**-460**	**-53**	**1.180**

The increases in financial leasing contracts include the higher value of the rights of use recorded as a result of new leases, increases of lease payments and renegotiation of agreements existing both land and buildings for office use and industrial relationship over time, to infrastructure sites for the mobile telephone network infrastructure and network.

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

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

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

The item **Other** mainly comprises the leases on motor 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. that are associates to the Group, 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

(million euros)	30/06/2021	31/12/2020
TIM S.p.A.	53	48
Total	**53**	**48**

As permitted by IFRS 9, the Group measures 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)	30/06/2021	31/12/2020
Non-current financial assets	**1.889**	**1.907**
Financial receivables for lease contracts	35	25
Hedging derivatives relating to hedged items classified as non-current assets/ liabilities of a financial nature	1	1
Non-hedging derivatives	677	700
Loans and other financial receivables	1.175	1.182
Current financial assets	**4.627**	**4.239**
Securities other than investments	**1.311**	**1.092**
Fair value through other comprehensive income (FVTOCI)	736	768
Fair value through profit or loss (FVTPL)	575	325
Financial receivables and other current financial assets	**188**	**145**
Financial receivables arising from lease contracts	5	1
Non-hedging derivatives	60	68
Loans and other financial receivables	124	76
Cash and cash equivalents	**3.127**	**3.001**
Total non-current and current financial assets	**6.515**	**6.146**

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

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

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

Non-hedging derivatives relating to items classified as current and non-current financial assets totaled 737 million euros (768 million euros at December 31, 2020). These include the measurement of derivatives which, although put into place for hedging purposes, do not possess the formal requisites to be considered as such under IFRS and derivatives put in place in the framework of the activity of centralizing all the banking exposures of the TIM Group (further details are provided in the Note “Derivatives”). At June 30, 2021 the mark-to-market component of the non-hedging derivatives of the Brazil Business Unit is equal to 54 million euros in relation to the option to subscribe shares of C6 Bank with which TIM S.A. entertains commercial relations.

Loans and receivables both in current and non-current financial assets amounts to 1.298 million euros (1.258 million euros at December 31, 2020) 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 323 million euros of treasury bonds and 413 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 575 million euros in monetary funds.

On the basis of securities lending agreements signed with TIM S.p.A., Telecom Italia Finance S.A. lent on November 27, 2019 and thereafter renewed on April 28, 2020 and on February 2, 2021, 98 million euros (nominal) of BTP 01/03/2023 until February 15, 2023. On January 29, 2021, Telecom Italia Finance S.A. lent until October 5, 2023 (subject to renewal) futher 24 million euros (nominal) of BTP 10/15/2023 and 67,5 million euros (nominal) of BTP 2/1/2026. In addition, Telecom Italia Finance S.A. also has securities lending contracts with banking counterparties concerning securities worth (a nominal) 150 million euros.
As per IFRS9, the assets have not been derecognized, being Telecom Italia Finance S.A. the Company which retains the risks and benefits associated with the position.

Cash and cash equivalents:

(millions of euros)	30/06/2021	31/12/2020
Liquid assets with banks, financial institutions and post offices	2.396	2.510
Other financial receivables (due within 3 months)	114	95
Securities other than investments (due within 3 months)	618	395
Total	**3.127**	**3.001**

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

(millions of euros)	30/06/2021	31/12/2020
Liquid assets with banks, financial institutions and post offices	2.396	2.510
Other financial receivables (due within 3 months)	114	95
Securities other than investments (due within 3 months)	618	395
	3.127	**3.001**
Financial payables (due within 3 months)	-8	-6
Total	**3.120**	**2.995**

The different technical forms of investing available cash at June 30, 2021 had the following characteristics:

- maturities: all deposits have a maximum maturity date of three months;
- counterparty risk: deposits have been made with leading high-credit-quality banks and financial institutions with a rating 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.

Other financial receivables (due within 3 months) refers to loans granted by the Parent to TIM Group companies. All loans are considered fully recoverable by the management.

Securities other than investments (due within 3 months) included 618 million euros (395 million euros at December 31, 2020) 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)	30/06/2021	Of which Financial Instruments	31/12/2020	Of which Financial Instruments
Miscellaneous receivables	**411**	**137**	**467**	**132**
Other non-current assets	**14**	**—**	**12**	**—**
Prepaid expenses from customer contracts (contract assets)	4	—	3	—
Other prepaid expenses	10	—	8	—
Total	**425**	**137**	**479**	**132**

As at June 30, 2021 **Miscellaneous receivables** relate to the Brazil Business Unit for an amount of 411 million euros (467 million euros at December 31, 2020). They include receivables for court deposits of 98 million euros (126 million euros at December 31, 2020) and income tax receivables of 30 million euros (33 million euros at December 31, 2020). Furthermore, they included non-current receivables for indirect taxes totaling 239 million euros, including receivables arising from the favorable outcome of tax disputes related to the inclusion of ICMS indirect tax in the basis of the calculation of the PIS/COFINS contribution (for more details, see the note on "Pending disputes and legal action, other information, commitments and guarantees").

Other non-current assets include prepaid expenses related to the Brazil BU for 14 million euros (12 million euros at December 31, 2020) and is mainly represented by incremental costs related to sales commissions paid to partners for obtaining customer contracts arising from the adoption of IFRS 15, which are deferred to the result in accordance with the term of the contract and/or economic benefit, usually from 1 to 2 years.

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

Note 11 - Trade and miscellaneous receivables and other current assets

(million euros)	30/06/2021	Of which Financial Instruments	31/12/2020	Of which Financial Instruments
Trade receivables	**488**	**488**	**495**	**495**
Receivables from customers	444	444	452	452
Receivables from other telecommunications operators	44	44	44	44
Miscellaneous receivables	**310**	**—**	**285**	**2**
Other current assets	**59**	**2**	**26**	**2**
Prepaid expenses from customer contracts (contract assets)	21	2	19	2
Other prepaid expenses	38	—	7	—
Total	**857**	**490**	**807**	**499**

As at June 30, 2021 **Trade receivables** related to the Brazil Business Unit amounted to 488 million euros (495 million euros at December 31, 2020 and are stated net of the provision for expected credit losses of 125 million euros (102 million euros at December 31, 2020).

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

As at June 30, 2021 **Miscellaneous receivables** amounted to 310 million euros (285 million euros at December 31, 2020) and did not include provisions for bad debts (same as at December 31, 2020).

Details are as follows:

(million euros)	30/06/2021	31/12/2020
Advances to suppliers	22	16
Tax receivables	257	245
Sundry receivables	5	25
Total	**284**	**285**

As at June 30, 2021 **Tax receivables** included 257 million euros (245 million euros at December 31, 2020) relating to the Brazil Business Unit, related to local indirect taxes; specifically, they include the recognition, carried out in previous years, of current tax receivables resulting from the favorable outcome of tax disputes relating to the inclusion of the ICMS indirect tax (tax on the movement of goods and services) in the basis for calculating of the PIS/COFINS contribution.

Other prepaid expenses include for the Brazil BU the deferral of the expense connected with the contribution for the telecommunications business (FISTEL) for approximately 25 million euros and also for items relating to maintenance, insurance and marketing contracts, in total approximately 6 million euros.

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

Note 12 - Discontinued operations /Non-current assets held for sale

On May 5, 2021, the subsidiary TIM S.A. informed its shareholders and the market that, at a meeting of the company's Board of Directors held on that date, an agreement ("Agreement") was approved between TIM S.A. and IHS Fiber Brasil - Cessao de Infraestruturas Ltda. (“IHS”), in order to acquire an equity stake in FiberCo Soluções de Infraestrutura ("FiberCo"), a vehicle established by the Company for the segregation of network assets and the provision of infrastructure services.

In the Agreement, TIM S.A. will sell 51% of FiberCo's share capital to IHS, and the remaining 49% will remain under the Company's control. The relationship between the shareholders will be governed by a shareholders' agreement to be entered into upon closing of the transaction.

FiberCo's initial asset base will consist of TIM's secondary network infrastructure contribution covering approximately 6,4 million households, of which 3,5 million are FTTH and 3,5 million FTTC. In addition, other assets, contracts and employees will be transferred to FiberCo, all exclusively related to its activities. These transfers will only take place after the Agreement is approved by the competent Authorities.

In this context, the Enterprise Value of FiberCo was established at 2,6 billion reais. The transaction includes a primary component (609 million reais) going to FiberCo’s cash and secondary component (1,1 billion reais) to be paid to TIM S.A.

FiberCo's mission is to deploy, operate and maintain last-mile infrastructure for broadband access to be offered in the wholesale market. Nevertheless, the terms of the agreement define TIM as anchor customer, having the prerogative of a six months exclusivity period after the entrance in new areas.

The transaction is subject to the fulfillment of certain conditions, including, among others, the contribution of assets described above and the obtaining of authorizations from the competent Authorities, such as the Agência Nacional de Telecomunicações - ANATEL and the Conselho Administrativo de Defesa Econômica - CADE.

At June 30, 2021, considering the forthcoming completion of the transaction to be highly likely, the assets and liabilities connected with the transaction have been reclassified in the “Discontinued operations/Non-current assets held for sale” and “Liabilities directly associated with Discontinued operations/Non-current assets held for sale” items of the Consolidated Statements of Financial Position.

Below, the breakdown of Assets and liabilities held for sale:

(millions of euros)		30/06/2021	31/12/2020
Discontinued operations/Non-current assets held for sale	a)	**365**	**—**
of a financial nature		—	—
of a non-financial nature		365	—
Liabilities directly associated with Discontinued operations/Non-current assets held for sale	b)	**68**	**—**
of a financial nature		—	—
of a non-financial nature		68	—
Net value of assets held for sale	a) - b)	**298**	**—**

Non financial assets are broken down as follows:

(millions of euros)	30/06/2021	31/12/2020
Non current assets	**364**	**—**
Intangible assets	184	—
Tangible assets	178	—
Rights of use assets	—	—
Other non-current assets	2	—
Current assets	**2**	**—**
Total	**365**	**—**

Non financial liabilities are broken down as follows:

(millions of euros)	30/06/2021	31/12/2020
Non-current liabilities	62	—
Current liabilities	6	—
Total	**68**	**—**

Note 13 - Equity

As at June 30, 2021 the authorized, issued and fully paid capital of 1.818.691.978,50 euros (1.818.691.978,50 euros at December 31, 2020) is represented by 185.960.325 ordinary shares (185.960.325 at December 31, 2020) with a nominal value of EUR 9,78 per share.
As at June 30, 2021 and 2020 the Parent is 100% held by TIM S.p.A.
There has not been any movement in Share Capital in the 1st Half 2021.

Note 14 - Financial liabilities (non-current and current)

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

(million euros)	30/06/2021	31/12/2020
Non-current financial liabilities	**3.427**	**3.038**
Financial payables (medium/long-term):	**1.632**	**1.273**
Bonds	1.277	1.012
Amounts due to banks	203	103
Other financial payables	152	158
Finance lease liabilities (medium/long-term)	**1.218**	**1.149**
Other financial liabilities (medium/long-term):	**577**	**616**
Non-hedging derivatives	577	616
Current financial liabilities	**716**	**756**
Financial payables (short-term):	**471**	**572**
Bonds	34	74
Amounts due to banks	427	490
Other financial payables	10	8
Finance lease liabilities (short-term)	**200**	**166**
Other financial liabilities (short-term):	**46**	**18**
Hedging derivatives	1	—
Non-hedging derivatives	45	18
Total financial liabilities (gross financial debt)	**4.143**	**3.793**

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

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

(million euros)	30/06/2021	31/12/2020
Up to 2,5%	304	311
From 2,5% to 5%	246	286
From 5% to 7,5%	236	158
From 7,5% to 10%	1.276	1.012
Over 10%	1.416	1.313
Accruals/deferrals, MTM and derivatives	664	713
Total	**4.143**	**3.793**

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

(million euros)	30/06/2021	31/12/2020
Up to 2,5%	160	380
From 2,5% to 5%	394	375
From 5% to 7,5%	496	—
From 7,5% to 10%	1.012	1.012
Over 10%	1.416	1.313
Accruals/deferrals, MTM and derivatives	664	712
Total	**4.143**	**3.793**

Details of the maturities of financial liabilities – at nominal repayment amount as at June 30, 2021:

	maturing by 31/12 of the year						
(millions of euros)	2021	2022	2023	2024	2025	After 2025	Total
Bonds	—	—	—	—	—	1.279	1.279
Loans and other financial liabilities	227	—	180	17	20	152	596
Finance lease liabilities	—	—	234	—	—	1.183	1.417
Total	**227**	**—**	**414**	**17**	**20**	**2.614**	**3.292**
Current financial liabilities	190	—	—	—	—	—	190
Total	**417**	**—**	**414**	**17**	**20**	**2.614**	**3.482**

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, 2021:

Currency	Amount (millions)	Nominal repayment amount at 30/06/2021 (millions of euros)	Coupon	Issue date	Maturity date	Issue price (%)	Market price at 30/06/2021 (%)	Market value at 30/06/2021 (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[*]	146,950	1.492
Bonds issued by TIM S.A.								
BRL	1.600	269	IPCA+4,1682%	15/06/2021	15/06/2028	100	100,000	269
Total								**1.761**

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

The following table lists the changes in bonds during the 1st Half 2021:

New issues

(millions of original currency)	Currency	Amount	Issue date
TIM S.A. 1,600 million BRL IPCA+4,1682%	BRL	1.600	15/06/2021

Amounts due to banks (medium/long term) of 203 million euros (103 million euros at December 31, 2020) Increased by 100 million euros, mainly as net result of new loans and the transfer to the current portion.

As at June 30, 2021 **Other financial payables (medium/long-term)** amounted to 152 million euros (158 million euros at December 31, 2020) corresponding to Telecom Italia Finance loan of 20.000 million Japanese yens expiring in 2029.

Finance lease liabilities (medium/long-term) totalled 1.218 million euros at June 30, 2021 (1.149 million euros at December 31, 2020). With reference to the financial lease liabilities recognized, in the 1st Half 2021 and the 1st Half 2020 the following is noted:

(million euros)	30/06/2021	30/06/2020
Principal reimbursements	86	84
Cash out interest portion	62	12
Total	**148**	**96**

Non-hedging derivatives relating to items classified as current and non-current financial liabilities totaled 622 million euros (634 million euros at December 31, 2020). 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 427 million euros (490 million euros at December 31, 2020) and included 251 million euros of the current portion of medium/long-term amounts due to banks.

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

Note 15 - Net financial debt

The following table shows the net financial debt at June 30, 2021 and December 31, 2020, determined in accordance with the provisions of the "Guidelines on disclosure requirements under the Prospectus Regulation" issued by the ESMA (European Securities & Markets Authority) on March 4, 2021 (ESMA32-382-1138).

(million euros)		30/06/2021	31/12/2020
Liquid assets with banks, financial institutions and post offices	a)	2.396	2.510
Other cash and cash equivalents	b)	618	395
Securities other than investments	c)	1.311	1.092
Liquidity	**d=a+b+c**	**4.325**	**3.998**
Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	e)	192	231
Current portion of non-current financial debt	f)	465	456
Current financial debt	**g=e+f**	**656**	**687**
Net current financial debt	**h=g-d**	**-3.668**	**-3.311**
Non-current financial debt (excluding the current part and debt instruments)	i)	1.471	1.325
Debt instruments	j)	1.277	1.012
Trade payables and other non-current debt	k)	8	8
Non-current financial debt	**l=i+j+k**	**2.756**	**2.345**
Total net financial debt as per ESMA guidelines 32-382-1138	**m=h+l**	**-912**	**-966**
Trade payables and other non-current debt		-8	-8
Loans and other non-current financial receivables		-1.175	-1.182
Non-current financial receivables arising from lease contracts		-35	-25
Loans and other current financial receivables		-237	-171
Current financial receivables arising from lease contracts		**-5**	**-1**
Subtotal	**n)**	**-1.460**	**-1.387**
Net financial debt carrying amount[*]	**o=m+n**	**-2.372**	**-2.353**

[*] 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			
	31/12/2020	Receipts and/or issues	Payments and/ or reimbursements	Differences exchange rates	Fair value changes	Other changes	30/06/2021
Financial payables (medium/long-term):	**1.613**	**412**	**-100**	**29**	**—**	**-43**	**1.911**
Bonds	1.086	247	—	22	—	-44	1.311
Amounts due to banks	368	165	-100	12	—	1	447
Other financial payables	160	—	—	-6	—	—	154
of which short-term portion	*340*	—	*-100*	*10*	—	*29*	*279*
Finance lease liabilities (medium/long-term):	**1.315**	**61**	**-86**	**96**	**—**	**32**	**1.418**
of which short-term portion	*166*	—	*-86*	*14*	—	*106*	*200*
Other financial liabilities (medium/long-term):	**634**	**—**	**—**	**40**	**-67**	**10**	**617**
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature	—	—	—	—	—	1	1
Non-hedging derivatives	634	—	—	40	-67	9	616
of which short-term portion	*18*	—	—	*9*	*-2*	*15*	*40*
Financial payables (short-term):	**231**	**-64**	**24**	**6**	**—**	**—**	**197**
Amounts due to banks	225	-66	24	—	—	—	184
Non-hedging derivatives	—	—	—	5	—	—	5
Other financial payables	6	2	—	—	—	—	8
Total financial liabilities (gross financial debt)	**3.793**	**408**	**-161**	**170**	**-66**	**-1**	**4.143**
Positive hedging derivatives (current and non-current)	1	—	—	—	-1	—	1
Positive non-hedging derivatives	768	—	—	7	-42	4	737
Total	**3.024**	**408**	**-161**	**163**	**-24**	**-5**	**3.405**

(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	31/12/2020
Financial payables (medium/long-term):	**1.700**	**306**	**-307**	**-88**	**—**	**3**	**1.614**
Bonds	1.312	—	-170	-52	—	-4	1.086
Amounts due to banks	222	306	-137	-30	—	7	368
Other financial payables	166	—	—	-6	—	—	160
of which short-term portion	*382*	—	*-45*	*-96*	—	*100*	*341*
Finance lease liabilities (medium/long-term):	**1.719**	**241**	**-157**	**-506**	**—**	**18**	**1.315**
of which short-term portion	*193*	*187*	*-157*	*-58*	—	*1*	*166*
Other financial liabilities (medium/long-term):	**590**	**—**	**—**	**-40**	**80**	**4**	**634**
Non-hedging derivatives	590	—	—	-40	80	4	634
of which short-term portion	*17*	—	—	*1*	—	—	*18*
Financial payables (short-term):	**303**	**—**	**-72**	**-1**	**—**	**—**	**230**
Amounts due to banks	279	—	-54	—	—	—	225
Other financial payables	24	—	-18	-1	—	—	6
Total financial liabilities (gross financial debt)	**4.312**	**547**	**-536**	**-635**	**80**	**25**	**3.793**
Positive hedging derivatives (current and non-current)	1	—	—	—	-1	—	1
Positive non-hedging derivatives (current and non-current)	658	—	—	6	106	—	769
Total	**3.653**	**547**	**-536**	**-641**	**-25**	**25**	**3.023**

Note 16 - 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 at June 30, 2021 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.
IRSs transactions provide for or may entail, at specified maturity dates, the exchange of flows of interest, calculated on the notional amount, at the agreed fixed or variable rates.
The same also applies to CCIRSs transactions which, in addition to the settlement of periodic interest flows, may provide for the exchange of principal, in the respective currencies of denomination, at maturity and possibly spot.

In carrying out its role of providing financial assistance to TIM Group companies, Telecom Italia Finance aggregates all the exposure with some banking counterparties in just one entity. As a consequence, the Group has derivative contracts signed with banks and analogous intercompany derivative contracts with other TIM Group companies for a notional amount of 3.387 million euros (3.362 at December 31, 2020).
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, 2021 and December 31, 2020, by type:

Type(million euros)	Hedged risk	Notional amount at 30/06/2021	Notional amount at 31/12/2020	Spot Mark-to-Market (Clean Price) at 30/06/2021	Spot Mark-to-Market (Clean Price) at 31/12/2020
Cross Currency and Interest Rate Swap [*]	Interest rate risk and currency exchange rate risk	139	139	1	1
Total Cash Flow Hedge Derivative [**]		**139**	**139**	**1**	**1**
Total Non-Hedge Accounting Derivatives [***]		**4.548**	**4.125**	**118**	**107**
Total Telecom Italia Finance Group Derivatives		**4.686**	**4.264**	**119**	**108**

[*] For this instrument contracts no exchange of notional amounts has been agreed with the counterparties.
[**] On the liability expiring on 2029, derivatives are both accounted in CFH and non-hedge; accordingly, although it is a single issue, the notional amount of derivatives is included in both the CFH and non-hedging groupings.
[***] Telecom Italia Finance Group entered into some derivatives on other TIM Group companies request. Since TIF Group has a contract with an external counterparty and the opposite contract with an 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 17 - Supplementary disclosures on financial instruments

Measurement at fair value

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

The fair value measurement of the financial instruments of the Group is classified according to the three levels set out in IFRS 7. In particular, the fair value hierarchy introduces three levels of input:
- Level 1: quoted prices in active market;
- Level 2: prices calculated using observable market inputs;
- Level 3: prices calculated using inputs that are not based on observable market data.

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

The tables below provide additional information on the financial instruments, including the hierarchy level for each class of financial asset/liability measured at fair value at June 30, 2021.

The assets and liabilities at June 30, 2021 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, 2021:

(millions of euros)		IFRS 9 Categories	Note	Value at 30/06/2021	Levels of hierarchy Level1	Level2
ASSETS						
Non-current Assets	**a)**			**732**	**53**	**679**
Other investments		FVTOCI	[8]	53	53	—
Other non-current financial assets:						
Hedging derivatives		HD[*]	[9]	1	—	1
Non-hedging derivatives		FVTPL	[9]	677	—	677
Current Assets	**b)**			**1.371**	**1.311**	**60**
Securities other than investments, measured at:						
Fair value through other comprehensive income		FVTOCI	[9]	736	736	—
Fair value through profit or loss		FVTPL	[9]	575	575	—
Other current financial assets:						
Non-hedging derivatives		FVTPL	[9]	60	—	60
Total (a+b)				**2.102**	**1.364**	**739**
LIABILITIES						
Non-current liabilities	**c)**			**577**	**—**	**577**
Non-hedging derivatives		FVTPL	[14]	577	—	577
Current liabilities	**d)**			**46**	**—**	**46**
Hedging derivatives		HD[*]	[14]	1	—	1
Non-hedging derivatives		FVTPL	[14]	45	—	45
Total (c+d)				**623**	**—**	**623**

[*] 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, 2020:

					Levels of hierarchy	
(millions of euros)		IFRS 9 Categories	Note	Value at 31/12/2020	Level1	Level2
ASSETS						
Non-current Assets	**a)**			**749**	**48**	**701**
Other investments		FVTOCI	[8]	48	48	—
Other non-current financial assets:						
Hedging derivatives		HD[*]	[9]	1	—	1
Non-hedging derivatives		FVTPL	[9]	700	—	700
Current Assets	**b)**			**1.161**	**1.092**	**68**
Securities other than investments, measured at:						
Fair value through other comprehensive income		FVTOCI	[9]	768	768	—
Fair value through profit or loss		FVTPL	[9]	325	325	—
Other current financial assets:						
Non-hedging derivatives		FVTPL	[9]	68	—	68
Total (a+b)				**1.909**	**1.140**	**769**
LIABILITIES						
Non-current liabilities	**c)**			**616**	**—**	**616**
Non-hedging derivatives		FVTPL	[14]	616	—	616
Current liabilities	**d)**			**18**	**—**	**18**
Non-hedging derivatives		FVTPL	[14]	18	—	18
Total (c+d)				**634**	**—**	**634**

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

For financial assets measured at FVTOCI, the profit/(loss) recognized in Other components of the Consolidated Statements of Comprehensive Income were recognized within the scope of the Reserve for financial assets measured at fair value through other comprehensive income.

Carrying amount and fair value of financial instruments not measured at fair value as at June 30, 2021:

					Levels of hierarchy		
(millions of euros)	IFRS 9 Categories	Note	Value at 30/06/2021	Fair Value at 30/06/2021	Level1	Level3	Amounts recognized in the financial statements pursuant to IFRS 16
ASSETS							
Non-current Assets	**a)**		**1.347**	**1.347**	**—**	**1.312**	**35**
Other financial receivables	AC	[9]	1.175	1.175	—	1.175	—
Miscellaneous receivables	AC	[10]	137	137	—	137	—
Financial receivables for lease contracts	n/a	[9]	35	35		—	35
Current Assets	**b)**		**3.746**	**3.746**	**—**	**3.741**	**5**
Other short-term financial receivables	AC	[9]	124	124	—	124	—
Cash and cash equivalents	AC	[9]	3.127	3.127	—	3.127	—
Trade and miscellaneous receivables	AC	[11]	490	490	—	490	—
Financial receivables for lease contracts	n/a	[9]	5	5	—	—	5
Total (a+b)			**5.093**	**5.093**	**—**	**5.053**	**40**
LIABILITIES							
Non-current liabilities	**c)**		**2.850**	**2.979**	**1.492**	**269**	**1.218**
Financial payables	AC	[14]	1.632	1.761	1.492	269	—
Finance lease liabilities	n/a	[14]	1.218	1.218	—	—	1.218
Current liabilities	**d)**		**1.196**	**1.196**	**—**	**996**	**200**
Financial payables	AC	[14]	471	471	—	471	—
Trade and miscellaneous payables and other current liabilities	AC	[20]	525	525	—	525	—
Finance lease liabilities	n/a	[14]	200	200	—	—	200
Total (c+d)			**4.046**	**4.174**	**1.492**	**1.265**	**1.418**

Carrying amount and fair value of financial instruments not measured at fair value as at December 31, 2020:

					Levels of hierarchy		
(millions of euros)	IFRS 9 Categories	Note	Value at 31/12/2020	Fair Value at 31/12/2020	Level1	Level3	Amounts recognized in the financial statements pursuant to IFRS 16
ASSETS							
Non-current assets							
Other financial receivables	AC	[9]	1.182	1.182	—	1.182	—
Miscellaneous receivables	AC	[10]	132	132	—	132	—
Financial receivables for lease contracts	n/a	[9]	25	25	—	—	25
(a)			**1.339**	**1.339**	**—**	**1.314**	**25**
Current assets							
Other short-term financial receivables	AC	[9]	76	76	—	76	—
Cash and cash equivalents	AC	[9]	3.001	3.001	—	3.001	—
Trade and miscellaneous receivables	AC	[11]	499	499	—	499	—
Financial receivables for lease contracts	n/a	[9]	1	1	—	—	1
(b)			**3.577**	**3.577**	**—**	**3.577**	**1**
Total (a+b)			**4.916**	**4.916**	**—**	**4.891**	**25**
LIABILITIES							
Non-current liabilities							
Financial payables	AC	[14]	1.273	1.763	1.503	261	—
Finance lease liabilities	n/a	[14]	1.149	1.149	—	—	1.149
(c)			**2.422**	**2.912**	**1.503**	**261**	**1.149**
Current liabilities							
Financial payables	AC	[14]	572	572	—	572	—
Trade and miscellaneous payables and other current liabilities	AC	[20]	581	581	—	581	—
Finance lease liabilities	n/a	[14]	166	166	—	—	166
(d)			**1.319**	**1.319**	**—**	**1.153**	**166**
Total (c+d)			**3.741**	**4.231**	**1.503**	**1.414**	**1.315**

Note 18 - Provisions

(million euros)	31/12/2020	Increase	Taken to income	Used directly	Exchange differences and other changes	30/06/2021
Provision for taxation and tax risks	**63**	4	—	-1	8	**73**
Provision for restoration costs	**5**	1	—	—	—	**6**
Provision for legal disputes	**76**	15	—	-11	6	**87**
Other provisions	**1**	—	—	—	—	**1**
Total	**146**	**20**	**—**	**-12**	**14**	**168**
of which:						
non-current portion	**144**	20	—	-12	14	**167**
current portion	**1**	—	—	—	—	**1**

Provision for taxation and tax risks increased by 10 million euros compared to December 31, 2020, mainly due to the exchange rate effect of the period (+5 million euros).

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. The uses consisted of 11 million euros and resulted from settlement agreements reached.

Note 19 - Miscellaneous payables and other non-current liabilities

(million euros)	30/06/2021	31/12/2020
Other deferred income	121	118
Income tax payables	—	31
Other	9	9
Total	**131**	**158**

Other deferred income includes the non-current portion of approximately 119 million euros as at June 30, 2021 (115 million euros as at December 31, 2020) of deferred gain on the sale and lease back of the telecommunication towers of the Brazil Business Unit.

Note 20 - Trade and miscellaneous payables and other current liabilities

(million euros)	30/06/2021	Of which Financial Instruments	31/12/2020	Of which Financial Instruments
Trade payables	**496**	**496**	**546**	**546**
Payables to suppliers	473	473	523	523
Payables to other telecommunication operators	23	23	22	22
Tax payables	**93**	**—**	**103**	**—**
Miscellaneous payables	**201**	**26**	**154**	**33**
Payables for employee compensation	31		31	
Payables to social security agencies	14		10	
Payables for TLC operating fee	129		79	
Dividends approved, but not yet paid to shareholders	26	26	33	33
Provisions for risks and charges for the current portion expected to be settled within 1 year	1		1	
Other current liabilities	**35**	**3**	**43**	**3**
Deferred revenues from customer contracts (Contract liabilities)	4	3	4	3
Customer-related items	18	—	27	—
Other deferred income	11		11	
Advances received	1		1	
Other current liabilities	1	—	—	—
Total	**825**	**525**	**845**	**581**

Trade payables amounting to 496 million euros as at June 30, 2021 (546 million euros at December 31, 2020) are mainly referred to the Brazil Business Unit.

Tax payables amounting to 93 million euros as at June 30, 2021 are entirely referred to the Brazil Business Unit (103 million euros at December 31, 2020).

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 21 - 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, 2021, the companies belonging to the Brazil Business Unit were involved in tax or regulatory disputes, the outcome of which is estimated as a possible loss totalling around 15,5 billion reais (around 2,4 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 (198 million euros as at June 30, 2021) 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 summarized 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 April 20, 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.
On April 28, 2021, the company was notified of the decision passed at the second administrative level, which was partially favorable for the company and sanctioned the definitive cancellation of the tax claim for the amount of 1,4 billion reais, at updated values. The challenges canceled following the partial success of the company relate to: use of tax losses that can be carried forward, offsetting of negative base and regional tax incentive SUDENE and cancellation of part of the violations subject to “isolated sanction” and the disputes relating to the offsetting of tax credit.
The procedure for the decision on the remaining disputes will now continue before the Camera Alta (the Upper Chamber of the Administrative Council of Tax Appeals), where arguments can be submitted by both the company and the Brazilian financial administration.
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 disputed should also be noted:

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

Overall, the risk for these cases, considered to be possible, amounts to 3 billion reais (about 0,5 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 106 million euros; at the date of the assessment, including fines and interest). The first assessment (344 million reais or 54 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 53 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 (58 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 46 million euros).
Furthermore, 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 (57 million euros; at the date of the assessment, including fines and interest). The notice is based on two alleged infringements: (i) objection regarding 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). The decision at the first administrative level was partially favorable to the arguments presented by the company and TIM S.A. is awaiting the second administrative level decision, which will analyze both the company's appeals and those of the state financial administration.

Overall, the risk for these cases, considered to be possible, amounts to 8,8 billion reais (about 1,4 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).

FUST and FUNTTEL
The main challenges about contributions to the regulatory body (Anatel), and in particular in terms of FUST and FUNTTEL, concern whether or not interconnection revenues should be subject to these contributions.
Overall, the risk for these cases, considered to be possible, amounts to 3 billion reais (around 0,5 billion euros).

Exclusion of ICMS from the PIS/COFINS tax base
In March 2017, the Supreme Federal Court of Brazil recognized the inclusion of ICMS in the calculation of the PIS/COFINS contribution as unconstitutional. The companies of the TIM Brasil Group (formerly TIM Nordeste, TIM Celular and TIM S.A.) have been involved in legal proceedings since 2006, with reimbursement requests related - as allowed - to the previous five years, and therefore with effect from 2001.
During 2018, following a definitive and indisputable decision, the Company recognized a receivable of 353 million reais (around 0,1 billion euros), of which 159 million reais (around 0,02 billion euros) for tax and 194 million reais (around 0,03 billion euros) for legal revaluations (amounts relating to the then TIM Nordeste).
During 2019, as a result of two final decisions (TIM Celular S.A. and TIM S.A.), the company has posted an additional receivable of 3.024 million reais (around 0,5 billion euros), of which 1.795 million reais (around 0,3 billion euros) for tax and 1.229 million reais (around 0,2 billion euros) for statutory revaluation.
The use of recognized tax receivables started from the end of 2019 and continued in 2020, in compliance with the formal certification procedures established by the Brazilian tax authorities.

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.
Subsequently, the Board of Arbitration allowed the parties to exchange short arguments and the ICC Court extended the term for the filing of the award.
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 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 arbitration finding, 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 proceedings with the Paris Court of Appeal to be suspended, in the light of proceedings pending with the Court of Arbitration of the International Chamber of Commerce to review the same 2016 Arbitration Award. In November 2018, the Paris Court of Appeal suspended the proceedings until the decision is taken by the Court of Arbitration in the review proceedings.

As regards the proceedings to review the 2016 Arbitration Award, in October 2019 the ICC held the discussion hearing in Paris. In August 2020, the Arbitration Court issued the award rejecting the Request for Revision presented by the Opportunity Group (the "2020 Arbitration Award"). In December 2020, the Opportunity group filed an appeal against the 2020 Arbitration Award before the Paris Court of Appeal.
In May 2021 the Opportunity group asked the Paris Court of Appeal to summarize the proceedings brought against the 2016 Arbitration Award.

COMMITMENTS AND GUARANTEES

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

(million euros)	30/06/2021	31/12/2020
Guarantee on bonds and other debts issued by the Group	1.167	1.173
Guarantee on derivatives financial instruments	212	251
Total	**1.379**	**1.424**

There are also surety bonds on the telecommunication services in Brazil for 86 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.

Note 22 - Revenues

(million euros)	1st Half 2021	1st Half 2020
Equipment sales	39	34
Services	1.309	1.482
Total	**1.348**	**1.517**

Revenues only relates to the Brazil Business Unit.

Revenues from telecommunications services are presented gross of amounts due to other TLC operators, equal to 61 million euros in 2021 (71 million euros in 2020, -15% 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 23 - Finance income and expenses

FINANCE INCOME

(million euros)	1st Half 2021	1st Half 2020
Interest income and other finance income	**210**	**168**
Income from financial receivables, recorded in non-current assets	42	42
Interest income on bank and postal accounts	11	8
Interest income on trade accounts receivable	2	3
Income from securities other than investments measured at FVTOCI	2	2
Income other than the above:		
Interest income on financials leasing receivables	2	2
Exchange gains	58	31
Reversal of the Reserve for cash flow hedge derivatives to the income statement (interest rate component)	1	1
Income from non-hedging derivatives	68	70
Miscellaneous finance income	25	10
Positive fair value adjustments to non-hedging derivatives	**135**	**240**
Positive adjustments and reversal for impairment on financial assets	**7**	**2**
Total	**352**	**410**

FINANCE EXPENSES

(million euros)	1st Half 2021	1st Half 2020
Interest expenses and other finance expenses	**237**	**342**
Interest expenses and other costs relating to bonds	40	43
Interest expenses to banks	7	10
Interest expenses to others	5	6
Interest expenses on lease liabilities	63	75
Expenses other than the above:		
Financial commissions and fees	5	15
Exchange losses	22	104
Reversal of the Reserve for cash flow hedge derivatives to the income statement (interest rate component)	—	—
Charges from non-hedging derivatives	68	69
Miscellaneous finance expenses	28	20
Negative fair value adjustments to non-hedging derivatives	**159**	**148**
Negative adjustments for impairment on financial assets	**3**	**1**
Total	**399**	**491**

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

(million euros)	1st Half 2021	1st Half 2020
Exchange gains	58	31
Exchange losses	-22	-104
Net exchange gains and losses	**36**	**-73**
Positive Reversal of the Reserve for cash flow hedge derivatives	1	1
Negative Reversal of the Reserve for cash flow hedge derivatives	—	—
Net effect of the Reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)	**1**	**—**
Income from non-hedging derivatives	68	70
Charges from non-hedging derivatives	-68	-69
Net result from non-hedging derivatives	—	1
Net result from derivatives	**1**	**1**
Positive fair value to non-hedging derivatives	135	240
Negative fair value adjustments to non-hedging derivatives	-159	-148
Net fair value adjustments to non-hedging derivatives	**-24**	**92**
Positive adjustments and reversal for impairment on financial assets	7	2
Negative adjustments for impairment on financial assets	-3	-1
Net impairment on financial assets	**4**	**1**

Note 24 - Segment reporting

SEGMENT REPORTING

Segment reporting is based on the following operating segments:

- Telecommunications (Brazil)
- Other Operations

Separate Consolidated Income Statements by Operating Segment

(million euros)	Brazil		Other Operations		Consolidated Total	
	1st Half 2021	1st Half 2020	1st Half 2021	1st Half 2020	1st Half 2021	1st Half 2020
Third-party revenues	1.348	1.517	—	—	1.348	1.517
Revenues by operating segment	**1.348**	**1.517**	**—**	**—**	**1.348**	**1.517**
Other income	7	6	—	—	7	6
Total operating revenues and other income	**1.355**	**1.522**	**—**	**—**	**1.355**	**1.522**
Purchase of goods and services	-502	-538	—	-1	-503	-539
Employee benefits expenses	-110	-127	-1	-1	-111	-127
Other operating expenses	-143	-182	-2	-2	-145	-184
of which: write-downs and expenses in connection with credit management and provision charges	*-59*	*-86*	—	—	*-59*	*-86*
Change in inventories	-3	—	—	—	-3	—
Internally generated assets	33	42	—	—	33	42
EBITDA	**630**	**718**	**-3**	**-3**	**627**	**715**
Depreciation and amortization	-439	-510	—	—	-440	-510
Gains/(losses) on disposals of non-current assets	3	3	—	—	3	3
EBIT	**194**	**212**	**-3**	**-4**	**191**	**208**
Other income (expenses) from investments					1	1
Finance income					352	410
Finance expenses					-399	-491
Profit (loss) before tax					**145**	**128**
Income tax income (expense)					-13	-37
Profit (loss) for the year					**133**	**91**
Attributable to:						
Owners of the Parent					84	65
Non-controlling interests					49	26

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	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020	30/06/2021	31/12/2020
Non-current operating assets	5.003	5.098	1	1	5.003	5.098
Current operating assets	806	772	30	47	836	819
Total operating assets	**5.809**	**5.870**	**31**	**48**	**5.840**	**5.918**
Discontinued operations /Non-current assets held for sale					*365*	—
Unallocated assets					6.806	6.345
Total Assets					**13.012**	**12.263**
Total operating liabilities	**1.119**	**1.144**	**4**	**4**	**1.123**	**1.148**
Unallocated liabilities					*4.223*	*3.812*
Equity					7.666	7.303
Total Equity and Liabilities					**13.012**	**12.263**

Note 25 - Related party transactions

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

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

The effects on the individual line items of the Group's Separate Consolidated Income Statements for the 1st Half 2021 and the 1st Half 2020 are as follows:

Separate Consolidated Income Statement line items at 30/06/2021

(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	**1.348**	—	—		—	—	—
Other income	**7**	—	—		—	—	1,8
Purchase of goods and services	**503**	—	27		—	27	5,4
Employee benefits expenses	**111**	—	—	2	4	6	5,0
Other operating expenses	**145**	—	—	—	—	—	—
Finance income	**352**	—	106		—	106	30,1
Finance expenses	**399**	—	111	—	—	111	27,8

Separate Consolidated Income Statement line items 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**	—	—		—	—	—
Purchase of goods and services	**539**	—	31		—	31	5,8
Employee benefits expenses	**127**	—	—	2	3	5	4,1
Other operating expenses	**184**	—	—	—	—	—	—
Finance income	**410**	—	96		—	96	23,5
Finance expenses	**491**	—	164	—	—	164	33,3

The effects on the individual line items of the consolidated statements of financial position at June 30, 2021 and December 31, 2020 are as follows:

Consolidated Statement of Financial Position line items at 30/06/2021

(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	**-2.372**	—	**-1.289**	—	**-1.289**	**54,3**
Non-current financial assets	**-1.889**	—	**-1.425**	—	**-1.425**	**75,4**
Current financial assets	**-4.627**	—	**-248**	—	**-248**	**5,4**
Securities other than investments (current assets)	-1.311	—	—	—	—	**—**
Financial receivables and other current financial assets	-188	—	-135	—	-135	**71,4**
Cash and cash equivalents	-3.127	—	-114	—	-114	**3,6**
Non-current financial liabilities	**3.427**	—	**365**	—	**365**	**10,6**
Current financial liabilities	**716**	—	**19**	—	**19**	**2,7**
Other statement of financial position line items						
Trade and miscellaneous receivables and other current assets	**857**	—	3	—	3	**0,3**
Miscellaneous payables and other non-current liabilities	**131**	—	—	—	—	**—**
Trade and miscellaneous payables and other current liabilities	**825**	—	22	1	23	**2,8**

Consolidated Statement of Financial Position line items at 31/12/2020

(million euros)	Total	Associates and companies controlled by associates	Other related parties	Pension funds	Total related parties	% of financial statement item
Net financial debt	**-2.353**	**—**	**-1.273**	**—**	**-1.273**	**54,1**
Non-current financial assets	**-1.907**	**—**	**-1.475**	**—**	**-1.475**	**77,3**
Current financial assets	**-4.239**	**—**	**-179**	**—**	**-179**	**4,2**
Securities other than investments (current assets)	-1.092	—	—	—	**—**	—
Financial receivables and other current financial assets	-145	—	-84	—	**-84**	57,8
Cash and cash equivalents	-3.001	—	-95	—	**-95**	3,2
Non-current financial liabilities	**3.038**	**—**	**364**	**—**	**364**	**12,0**
Current financial liabilities	**756**	**—**	**17**	**—**	**17**	**2,2**
Other statement of financial position line items						
Trade and miscellaneous receivables and other current assets	**807**	—	1	—	1	0,1
Miscellaneous payables and other non-current liabilities	**157**	—	—	—	—	—
Trade and miscellaneous payables and other current liabilities	**845**	—	19	—	19	2,2

TRANSACTIONS WITH PENSION FUNDS

The most significant amounts are summarized as follows:

Separate Consolidated Income Statement line items

(million euros)	1st Half 2021	1st Half 2020	Type of contract
Other pension funds	2	2	
Total employee benefits expenses	**2**	**2**	Contributions to pension funds

Consolidated Statement of Financial Position line items

(million euros)	30/06/2021	31/12/2020	Type of contract
Other pension funds	1	0	
Total trade and miscellaneous payables and other current liabilities	**1**	**0**	Payables for contributions to pension funds

REMUNERATION TO KEY MANAGERS

The remuneration to key managers in 2021 amounted to 4 million euros (3 million euros in 2020). The compensation of key Management personnel for services rendered is shown below:

(million euros)	1st Half 2021	1st Half 2020
Short-term benefits	3	2
Long-term benefits	—	—
Share-based payments remuneration	1	1
Total remuneration to key managers	**4**	**3**

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

Note 26 - Equity compensation plans

The equity compensation plans in force at June 30, 2021 are used for 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, 2021.

A summary is provided below of the plans in place at June 30, 2021.

DESCRIPTION OF STOCK OPTION PLANS

TIM S.A. (formerly TIM Participações S.A.) Stock Option Plan

On April 10, 2014, the General Meeting of Shareholders of Tim Participações S.A. (now incorporated into TIM S.A.) approved the long-term incentive plan for managers in key positions in the company and its subsidiaries. Exercise of the options is not subject to the achievement of specific performance targets, but the strike price is adjusted upwards or downwards during each year for which the plan is in force, according to the ranking of the Total Shareholder Return of the Tim Participações S.A. shares with respect to a panel of peers (made up of companies in the Telecommunications, Information Technology and Media industry).

The vesting period is 3 years (a third per year), the options can be exercised 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. At June 30, 2021, there are no options that can be exercised. Out of the total attributed, 1.558.043 options have been canceled (due to withdrawal of the participants from the company or for expiry of the exercise period), and 129.643 options have been 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. At June 30, 2021, 100% of the options were considered as vested. Of the total options granted, 1.646.080 were canceled by participants leaving the company. Of the remaining balance (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, 2021, 100% of the options were considered as vested. Of the total options granted, 1.727.424 were canceled by participants leaving the company. Of the remaining balance (2.194.780 options), 2.082.228 options had been exercised and 112.552 could still be exercised.

TIM S.A. (formerly TIM Participações S.A.) 2018-2020 Long-Term Incentive Plan

On April 19, 2018, the General Meeting of Shareholders of Tim Participações S.A. (now incorporated into TIM S.A.) approved the long-term incentive plan for managers in key positions in the company. The plan aims to reward participants with shares issued by the company, subject to specific time and performance conditions (upon reaching specific targets). The vesting period is 3 years (annual measurement) and the company does not have the legal obligation to repurchase or liquidate the shares in cash or in any other form. The portion of shares linked to performance (70%) is granted 1/3 each year, if the performance target is achieved; the remaining portion of shares (30%) is granted 3 years after allocation (restricted share).
The plan – in addition to transferring shares to beneficiaries – also includes the possibility of rewarding participants through the settlement of the amount corresponding in cash.

- Year 2018

On April 20, 2018, plan beneficiaries were granted the right to receive a total of 849.932 shares, of which 594.954 performance shares restricted to performance conditions and with gradual vesting over 3 years and 254.978 restricted shares, with a total vesting period of 3 years.
At June 30, 2021, the first and second vesting periods of the program's performance shares, had ended:

- First vesting period: in compliance with the results approved on May 29, 2019, 115,949 shares were transferred to beneficiaries, of which 91,708 relating to the original volume accrued, 20,594 granted according to the degree to which objectives had been achieved and 3,647 shares as a result of the dividends distributed during the period. For participants transferred to other Group companies, as per the Plan rules, payment in cash was considered of the amount corresponding to 3,685 shares (2,915 relative to the original volume accrued, 654 acknowledged according to the degree to which the objectives had been achieved and 116 due to dividends distributed during the period).
- Second vesting period: in compliance with the results approved on June 17, 2020, 87,766 shares were transferred to beneficiaries, of which 83,181 relating to the original volume accrued, 70 discounted according to the degree to which objectives had been achieved and 4,655 shares for dividends distributed during the period. For participants transferred to other Group companies, as per the Plan rules, payment in cash was considered of the amount corresponding to 3,084 shares (2,915 relative to

the original volume accrued, 5 acknowledged according to the degree to which the objectives had been achieved and 164 due to dividends distributed during the period).

- Third vesting period: in compliance with the results approved on May 05, 2021, 252.143 shares were transferred to beneficiaries, of which 187.039 relating to the original volume accrued, 42.854 discounted according to the degree to which objectives had been achieved and 22.250 shares for dividends distributed during the period. For participants transferred to other Group companies, as per the Plan rules, payment in cash was considered of the amount corresponding to 12.378 shares (9.101 relative to the original volume accrued, 2.183 acknowledged according to the degree to which the objectives had been achieved and 1.094 due to dividends distributed during the period). The shares corresponding to the third vesting period are currently being transferred to beneficiaries.

At June 30, 2021, of the total assigned of 849.932 shares, 472.073 had been canceled due to the beneficiaries having left the participating company, 455.858 shares had been transferred to beneficiaries (361.928 relative to the original volume accrued, 63.378 from performance achieved and 30.552 for payment of dividends in shares) and 19.147 shares had been valued and paid in cash (14.931 relative to the original volume accrued, 2.842 from performance achieved and 1.374 for payment of dividends in shares), thereby completing the 2018 concession.

• Year 2019

On July 30, 2019, plan beneficiaries were granted the right to obtain a total of 930.662 shares, of which 651.462 performance shares restricted to performance conditions and with gradual vesting over 3 years and 279.200 restricted shares, obtain total vesting period of 3 years.
At June 30, 2021, of the total assigned of 930.662 shares, 33.418 had been canceled due to the beneficiaries having left the participating company and 309.557 shares had been transferred to beneficiaries (of which 209.349 for accrual, 83.672 from performance achieved and 16.536 for payment of dividends in shares), thereby leaving a balance of 687.895 shares that could be accrued at period end.

• Year 2020

On April 14, 2020, plan beneficiaries were granted the right to receive a total of 796.054 shares, of which 619.751 performance shares restricted to performance conditions and with gradual vesting over 3 years and 176.303 restricted shares, with a total vesting period of 3 years.
At June 30, 2021, the first vesting period of performance shares drew to a close in compliance with the results approved on May 05, 2021, 267.145 shares had accrued, of which 206.578 relating to the original volume, 51.634 acknowledged according to the degree to which objectives had been achieved and 8.933 shares as a result of the dividends distributed during the period. These shares are currently being transferred to beneficiaries.

Note 27 - Other information

EXCHANGE RATE USED TO TRANSLATE FOREIGN OPERATIONS

	Period-end exchange rates		Average exchange rates for the period	
	(statements of financial position)		(income statements and statements of cash flows)	
Local currency against 1 EUR	30/06/2021	31/12/2020	30/06/2021	30/06/2020
BRL (Brazilian real)	5,94461	6,37680	6,48919	5,40843
USD (U.S. dollar)	1,18840	1,22710	1,20504	1,10186
JPY (Japan Yen)	131,43000	126,49000	129,84442	119,24685
GBP (Pound sterling)	0,85805	0,89903	0,86800	0,87442
CHF (Swiss franc)	1,09800	1,08020	1,09469	1,06412

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:

(million euros)	1st Half 2021	1st Half 2020
Capitalized development costs	10	12
Total research and development costs (expensed and capitalized)	**10**	**12**

Note 28 - Events subsequent to June 30, 2021

Payment of Interest on Equity
In July 2021, TIM S.A paid Interest on Capital (IOC) related to the fiscal year ending on December 31, 2021 and approved on June 09, 2021 according to the following schedule:

Payment Date	Reais per share
20/07/2021	0,144654605

TIM S.A.: Partnership between TIM and Cogna
TIM S.A. and Anhanguera Educacional Participações S.A. (“AESAPAR”), subsidiary of Cogna Educação S.A (“Cogna”), concluded negotiations regarding a strategic partnership (“Partnership”) with the objective of developing offers combined with special benefits for the access to distance education through the Ampli platform.
Ampli is an Edtech platform created by Cogna approximately 1 year ago, with under graduation, graduation, and free courses related to the professions of the future. The platform allows weekly admission of students and offers courses of shorter duration, between 18 months and 36 months, with a 30-day free trial. The Partners highlight the innovative character of the agreement, by combining a digital learning platform developed in mobile-first concept, with the largest 4G infrastructure in Brazil. the agreement, by combining a digital learning platform developed in mobile-first concept, with the largest 4G infrastructure in Brazil. This is a powerful combination that will expand and encourage access to university courses and free courses for all TIM customers. This approach offers great potential to generate value for both companies through customer base growth and revenue growth.
The Partnership is aligned with the Customer Platform strategy that the Company has been working on since 2020. This strategy seeks to monetize the assets that TIM holds as a mobile operator through strategic partnerships that create value for our customers and for the company itself.
This agreement does not create a joint venture and, therefore, the Partners maintains the independence of their operations. Through a compensation mechanism based on objectives and depending on the evolution of the results of the partnership, TIM will become a minority shareholder of AESAPAR in a new company to be created as a result of the separation of assets from the Ampli platform (“Ampli Co”). The formation and operation of Ampli Co will be submitted to the competent authorities, in particular the Ministry of Education (Ministério da Educação - MEC).
This equity interest can reach up to 30% of the new company’s capital and the subscription of shares must be previously approved by the Administrative Council for Economic Defense (Conselho Administrativo de Defesa Econômica – CADE). In the defined plan, there is an expectation of seeking a future IPO (Initial Public Offering).
The Company will keep its shareholders and the market in general informed, in accordance with the regulations in force.

Note 29 - List of companies of the Telecom Italia Finance Group

Company name	Head office	Currency	Share Capital	% Ownership	% of voting	Held by
PARENT COMPANY						
Telecom Italia Finance	Luxembourg	EUR	1.818.691.979			
SUBSIDIARIES CONSOLIDATED LINE-BY-LINE						
Brazil Business Unit						
• TIM Brasil Serviços & Participações S.A.	Rio de Janeiro	BRL	7.169.029.859	99,9999 0,0001		Telecom Italia Finance TIM S.p.A.
• TIM S.A.	Rio de Janeiro	BRL	13.476.171.765	66,5882 0,0164	66,5991	TIM Brasil Serviços & Participações S.A. TIM S.A.
SUBSIDIARIES HELD FOR SALE						
• Fiberco Soluções de infraestrutura Sa	Rio de Janeiro	BRL	1.000	100,0000		TIM S.A.
ASSOCIATES 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 & Participações S.A.
OTHER RELEVANT SHAREHOLDING						
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