HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2021

This document has been translated into English for the convenience of the readers.
In the event of discrepancy, the Italian language version prevails.

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INTERIM REPORT ON OPERATIONS AT JUNE 30, 2021

BOARD OF DIRECTORS

Chairman	Salvatore Rossi (independent)
Chief Executive Officer and General Manager	Luigi Gubitosi
Directors	Paolo Boccardelli (independent)
	Paola Bonomo (independent)
	Franck Cadoret
	Paola Camagni (independent)
	Maurizio Carli (independent)
	Luca De Meo (independent)
	Cristiana Falcone (independent)
	Federico Ferro Luzzi (independent)
	Giovanni Gorno Tempini
	Marella Moretti (independent)
	Ilaria Romagnoli (independent)
	Arnaud Roy de Puyfontaine
	Paola Sapienza (independent)
Secretary to the Board	Agostino Nuzzolo

BOARD OF STATUTORY AUDITORS

Chairman	Francesco Fallacara
Standing Auditors	Angelo Rocco Bonissoni
	Francesca di Donato
	Anna Doro
	Massimo Gambini
Alternate Auditors	Ilaria Antonella Belluco
	Laura Fiordelisi
	Franco Maurizio Lagro
	Paolo Prandi

Independent Auditors	EY S.p.A.

HIGHLIGHTS

In the second quarter stabilization continued along with the relaunch of the domestic business and opening of a new growth phase linked to the adjacent markets, in particular those of content and innovative services for business customers. In terms of content, TIM has finalised and made operative the agreements with DAZN and Mediaset Infinity to extend the TimVision offer. It is an important step in the execution of the "Beyond connectivity" plan, with the achievement of a leadership position in the consumer market, which comes in addition to the one that the company is consolidating in the business market, thanks to the activities of the Group factories - Noovle, Olivetti, Sparkle and Telsy - and the extension of the portfolio of innovative services for enterprises and public administration.

Net financial debt at June 30, 2021 fell by 3.9 billion euros YoY, (3.7 billion euros on an After Lease basis) to 22.1 billion euros, (17.4 billion euros on an After Lease basis).

Further significant progress was recorded in the implementation of strategic initiatives:

- Development of the convergent offer and TimVision: in July, the new TimVision offer was launched to watch the best of national and international football, together with the very best of cinema and entertainment. The "TIMVISION Calcio e Sport" offer brings together, in a single package, DAZN with the entire Serie A TIM and Mediaset Infinity with 104 UEFA Champions League matches, along with a wide range of the very best content - films, TV series, entertainment programs and original productions - available from the TimVision catalog, also thanks to the agreements already in place with important partners (Netflix, Discovery, Disney+ and others). The football offer is intended for a potential viewer basin of approximately 5 million families, today mainly on satellite, with the aim of speeding up the switch to ultrabroadband and, accordingly, the digitization of the country.
- Fiber network: deployment of the FTTH networks of the newco FiberCop is fully underway, with more than 310 thousand new property units (Istat) covered in June alone, overall increasing the FTTH property units by 15% in six months. At June 30, more than 93% of fixed lines were reached by ultrabroadband.
- Noovle: the development of the cloud and data centers business is in line with the plan targets (Q2 revenues +20% YoY) thanks to Noovle's action and the partnership with Google Cloud, which make it possible to acquire growing market shares.
- Dialog with CDP continues to define joint strategic initiatives aiming to speed up the country's digitizationon on various issues, including the network, also to optimize the resources made available by the National Recovery and Resilience Plan approved over the last few weeks by the European Union.

Performance in the second quarter of 2021

Implementation of the commercial strategy continued, allowing, starting from Q4 2020, for the stabilization of revenues in the fixed segment and a greater customer loyalty in the mobile market: during the second quarter, the churn rate in the mobile segment came in at the lowest levels seen in the last 14 years, (3.7%) and has improved further in the fixed segment (3.4%).

The total number of TIM mobile lines was 30.3 million, up by 95 thousand lines QoQ. In a market that is still competitive in the low end (low-spending customers), the stabilization trend of the customer base continued: in terms of 'mobile number portability' (i.e. the flow to other operators, amounting to 103 thousand lines) for the fourth consecutive quarter TIM posted the best result among infrastructured operators. At the same time the sector saw the portability flows reduce overall by 2% YoY, demonstration of the cooling of the competitive intensity in the high end of the market (high-spending customers).

In the fixed line segment, line stabilization is confirmed for the third consecutive quarter, fostered by the return to growth of the Italian fixed line market, which in the first quarter of 2021 rose by 450 thousand lines YoY (source: AGCOM) and FTTH connections continue growing, with TIM showing the greatest acceleration of all the operators during the period March 2020 to March 2021.

During the quarter, migration of customers towards TIM's ultra-broadband services was +231 thousand retail lines, also thanks to the increasingly rich and convergence-oriented offer portfolio and the acceleration of fiber coverage: over 93% of Italian households now have a fixed line reached by ultrabroadband.

In Q2 2021, 366 thousand new retail and wholesale ultrabroadband lines were activated, reaching 9.4 million units – up 20% YoY.

Group revenues in the quarter stood at 3.8 billion euros, growing one percentage point on the second quarter of 2020. Domestic fixed line revenues also increased (+0.2% YoY).

Group service revenues in the quarter were 3.5 billion euros, with year on year performance (-1.7%) improving compared to the previous quarter (-2.5% YoY).

In the Business segment, revenue growth associated with innovative services continued (+28.5% YoY ICT revenues), also thanks to the positive contribution of Noovle and the partnership with Google Cloud.

In Wholesale (international and domestic) fixed service revenues in Q2 2021 were stable overall (+0.3% YoY).

In Brazil, service revenues accelerated (+8.7% YoY), benefiting from the strategy focused on value that has brought about an important increase in average revenues per user (ARPU).

The Group's organic EBITDA in the quarter was 1.6 billion euros (-5.8% YoY) and that of the Domestic Business Unit 1.3 billion euros (-8.4% YoY).

After Lease EBITDA was 1.4 billion euros (-7.4% YoY): 1.2 billion euros for the Domestic Business Unit (-9.5% YoY) and 252 million euros for TIM Brasil (+4.9% YoY). Net of discontinuities affecting labor costs and those linked to the startup of the football offer and TIM's factories, domestic EBITDA after lease was -2.5% YoY.

At Group level, investments were 1.1 billion euros (0.9 billion excluding licenses), in line with the updated plan objectives and with an increase (+34% YoY excluding licenses) linked to the slowdown attributable to COVID-19 in the second quarter of 2020. The mix of investments now mainly dedicated to growth both in Italy (fiber networks, cloud & data centers, partnership with DAZN) and Brazil has changed.

The net profit attributable to the Owners of the Parent Company stood at 0.1 billion euros in the quarter.

Equity free cash flow (363 million euros in the first half, 89 million euros on an after lease basis) was impacted by the extraordinary payments in the second quarter: 231 million euros for substitute tax for the goodwill realignment leading to 5.9 billion euros tax asset from which the company will benefit for the next 18 years, and 148 million euros mainly related to litigations already provided for in previous years. Comparison with the previous year is also affected by 2020 measures to deal with the pandemic emergency, like the shift of Fistel payment to the second half and the slowdown in investments, and by the actions to optimize working capital, thanks to TimFin kick-off.

Financial highlights

(million euros)		2nd Quarter 2021 (a)	2nd Quarter 2020 (b)	% Change (a-b)	1st Half 2021 (a)	1st Half 2020 (b)	% Change (a-b)
Revenues		3,815	3,795	0.5	7,567	7,759	(2.5)
EBITDA	(1)	1,593	1,663	(4.2)	2,770	3,398	(18.5)
EBITDA Margin	(1)	*41.8 %*	*43.8 %*	*(2.0) pp*	*36.6 %*	*43.8 %*	*(7.2) pp*
EBIT	(1)	456	509	(10.4)	501	1,042	(51.9)
EBIT Margin	(1)	*12.0 %*	*13.4 %*	*(1.4)pp*	*6.6 %*	*13.4 %*	*(6.8) pp*
Profit (loss) for the period attributable to owners of the Parent		79	118	—	(137)	678	
Capital Expenditures & spectrum		1,117	655	70.5	1,808	1,254	44.2
					6/30/2021 (a)	12/31/2020 (b)	Change Amount (a-b)
Adjusted net financial debt	(1)				22,072	23,326	(1,254)

(1) Details are provided under "Alternative Performance Measures".

Organic results [(1)]

(million euros)	2nd Quarter 2021 (a)	2nd Quarter 2020 comparable (b)	% Change	1st Half 2021 (a)	1st Half 2020 comparable (b)	% Change
TOTAL REVENUES	3,815	3,779	1.0	7,567	7,531	0.5
Domestic	3,132	3,163	(1.0)	6,233	6,284	(0.8)
Brazil	690	625	10.5	1,348	1,264	6.6
Other activities, adjustments and eliminations	(7)	(9)	—	(14)	(17)	—
SERVICE REVENUES	3,459	3,520	(1.7)	6,846	6,996	(2.1)
Domestic	2,798	2,914	(4.0)	5,551	5,778	(3.9)
o/w Wireline	*2,157*	*2,208*	*(2.3)*	*4,294*	*4,357*	*(1.4)*
o/w Mobile	*783*	*843*	*(7.1)*	*1,540*	*1,696*	*(9.2)*
Brazil	668	615	8.7	1,309	1,235	6.0
Other activities, adjustments and eliminations	(7)	(9)	—	(14)	(17)	—
EBITDA	1,639	1,740	(5.8)	3,217	3,339	(3.7)
Domestic	1,315	1,435	(8.4)	2,591	2,745	(5.6)
Brazil	328	308	6.4	632	598	5.6
Other activities, adjustments and eliminations	(4)	(3)	—	(6)	(4)	—
EBITDA After Lease	1,433	1,547	(7.4)	2,816	2,954	(4.7)
Domestic	1,185	1,310	(9.5)	2,336	2,492	(6.3)
Brazil	252	240	4.9	486	465	4.4
Other activities, adjustments and eliminations	(4)	(3)	—	(6)	(3)	—
CAPEX (net of TLC licenses)	877	655	33.9	1,568	1,200	30.7
Domestic	735	549	33.9	1,225	957	28.0
Brazil	142	106	34.6	343	243	41.4

(1) The organic results exclude non-recurring items and the comparable base is calculated net of the foreign currency translation and the change in the scope of consolidation.

(million euros)	2nd Quarter 2021 (a)	2nd Quarter 2020 (b)	% Change	1st Half 2021 (a)	1st Half 2020 (b)	% Change
Equity Free Cash Flow	(106)	512	—	363	978	(62.9)
Equity Free Cash Flow After Lease	(218)	336	—	89	531	(83.2)
Net financial debt [(2)]				22,072	25,971	(15.0)
Net Financial Debt After Lease[(2)]				17,415	21,095	(17.4)

(2) Adjusted net financial debt. The change in the fair value of derivatives and related financial liabilities/assets is adjusted by the booked Net Financial Debt with no monetary effect.

TIM's initiatives for the digitization of the country and support following the COVID-19 emergency

With a view to addressing social distancing requirements, the interruption of in-person services, the block on mobility and the interruption to school and education services, TIM has moved forward with its country-wide digitization plan, pursuing initiatives to support citizens, companies and institutions.

The main actions that were pursued during the first half of this year are set out below.

Fiber coverage interventions

- In H1 2021, 2,582 cabinets were implemented taking the total number of municipalities that have benefited from fiber coverage interventions since March 2020 to more than 4,000.

School and digital skills

- The work of the "**Operazione Risorgimento Digitale**" also continues, this great alliance promoted by TIM and **more than 40** excellent partners in the public, private and non-profit sector, to reduce the digital divide and overcome the gap in respect of other European countries in the use of new technologies. To date, more than **51,000 people** have been trained, **60,000 requests for support** in using technology handled and awareness-raising initiatives carried out that have involved **more than 1 million people.**
- To allow the schools to continue to provide teaching, with a social open innovation approach, TIM has indicated the WeSchool community to the table of educational emergencies of the Ministry of Education and teamed up with Cisco, Google, IBM, and WeSchool to launch the #LaScuolaContinua project, making IT support available to guarantee distance education. TIM's commitment with the Ministry of Education also continues with **New Digital Teachers**, an initiative that stems from the collaboration of "Operazione Risorgimento Digitale" with WeSchool. It is a training course devoted to first, middle and secondary school teachers about new teaching methods enhanced by digital technologies, to put the students at the heart of learning and create participation and interaction while developing collaborative, responsible dynamics.

Customers

- **E-learning card** continues, the offer available to all prepaid TIM mobile telephony customers that allows them to browse the main e-learning platforms, without limits or costs. In all, **225,000** e-learning cards were activated between May 15, 2020 (when the initiative was launched) and June 30, 2021, ad **34,500** new registrations during the period **January-June 2021**.

Employees

- Under the scope of health welfare initiatives for employees, a screening campaign has been promoted to prevent the spread of COVID-19 through rapid antigen and blood tests (between June 2020 and March 2021), mainly for personnel who continued to operate from the field during the emergency and that involved around **12,000 employees**. In 2021, the campaign was extended to include all TIM employees, with the collaboration of Assilt.
- **Again with a view to fighting the spread of the virus, from late 2020 to early 2021, a broad-reaching flu vaccine campaign was run, to which approximately 5,000 employees** adhered.
- Specific procedures have been drawn up for handling any cases of ascertained or suspected positivity to COVID-19, as well as specific insurance cover for employees in the event of hospitalization following contagion with COVID-19.
- Smart working continues for more than **33,000 employees** at June 30, 2021. Activities have been planned for the **completely safe return to the office**, including through specific agreements stipulated with Trade Unions.

TIM Brasil (selection of main initiatives)

- **75% of employees**, including call center workers, **have been assigned to work from home**. The program has proved to be a winning one and will continue to operate in this way even after the pandemic ends.
- **Monitoring and statistical control** by the Health and Safety Department of ascertained cases of COVID-19 amongst employees and third parties allocated to TIM proprietary stores.
- Extension of the validity of credits up to **20 reais for 60 days** in support of low-income prepaid customers.
- Access **to the SUS health system Coronavirus application and the Ministry of Health website** without consuming Internet data.
- The first operator in Brazil to establish a technological partnership in support of the fight against COVID-19 for the application of aggregated anonymous data analysis.
- The company has made the needs of corporate subscribers of the government area a priority, seeking to guarantee the greatest possible level of resource availability, in particular for health institutions and hospitals.
- Partnerships between Brazilian operators to create an Internet plan at reduced costs for governments (federal, state and municipal), with the aim of offering **free Internet access to public school students** on e-learning platforms.
- Participation in the Salvando Vidas match-funding campaign of Banca Nazionale per lo Sviluppo Economico e Sociale (BNDES), with the **donation of 500,000 reais** for the purchase of medical and hospital materials, equipment and other supplies necessary in the fight against COVID-19.

- Instituto TIM has renewed its support of the Gesto Solidário, campaign promoted by Instituto Biomob, for another six months, donating more than **1,700 basic food baskets to 600 families** in socially vulnerable positions in the various communities of the state of Rio de Janeiro.

Non-financial performance

During the first half of the year, the social commitments, included in the 2021-2023 Strategic Plan, were strengthened with the initiatives carried out to counter the COVID-19 emergency that affected Italy and all the other countries in which we operate. Today more than ever, TIM's infrastructure and the work of its people have been confirmed as fundamental in overcoming the difficulties caused by physical separation and more generally to speed up achievement of the objectives of the 2030 Agenda.

At the beginning of January 2021, the Group aligned its funding sources with the Strategic Plan which places ESG objectives at the centre of its development strategy, very successfully placing TIM's first Sustainability Bond for a billion euros. During the period, TIM maintained its presence on the main sustainability indexes and ratings.

Sustainability governance was also further strengthened by setting up a Board Sustainability Committee chaired by the Chairman of the TIM Group and assigned the task, amongst others, of speeding up implementation of environmental, social and governance (ESG) commitments, included in the Strategic Plan.

INTRODUCTION

The Half-Year Financial Report at June 30, 2021 of the TIM Group was prepared in compliance with Article 154–ter (Financial Reports) of Legislative Decree no. 58/1998 (Consolidated Law on Finance – CLF) as amended, and in accordance with IAS 34 (Interim Financial Reporting) and in compliance with the recognition and measurement criteria of the international accounting standards issued by the International Accounting Standards Board and endorsed by the European Union ("IFRS"), and with rulings issued under Article 9, Legislative Decree no. 38/2005.

The Half-Year Financial Report includes:

- *the Interim Report on Operations;*
- *the Half-Year Condensed Consolidated Financial Statements;*
- *the certification of the Half-Year Condensed Consolidated Financial Statements pursuant to Article 81-ter of Consob Regulation 11971 dated May 14, 1999, as amended.*

The Half-Year Condensed Consolidated Financial Statements at June 30, 2021 have undergone a limited scope audit.

The accounting policies and consolidation principles adopted are consistent with those applied for the TIM Group Consolidated Financial Statements at December 31, 2020, to which reference should be made, except for the changes to the accounting standards issued by the IASB and in force as of January 1, 2021.

TIM Group, in addition to the conventional financial performance measures established by the IFRS, uses certain alternative performance measures in order to present a better understanding of the trend of operations and financial condition. Specifically, these alternative performance measures refer to: EBITDA; EBIT; organic change and impact of non-recurring items on revenues, EBITDA and EBIT; EBITDA margin and EBIT margin; and net financial debt carrying amount and adjusted net financial debt; Equity Free Cash Flow. Following the adoption of IFRS 16, the TIM Group also presents the following additional alternative performance measures:

- ***EBITDA adjusted After Lease ("EBITDA-AL"), calculated by adjusting the Organic EBITDA, net of the non-recurring items, from the amounts connected with the accounting treatment of lease contracts according to IFRS 16;***
- ***Adjusted net financial debt After Lease, calculated by excluding from the adjusted net financial debt the liabilities related to the accounting treatment of lease contracts according to IFRS 16;***
- ***Equity Free Cash Flow After Lease, calculated by excluding from the Equity Free Cash Flow the amounts related to lease payments.***

In line with the ESMA guidance on alternative performance measures (Guidelines ESMA/2015/1415), the meaning and contents of such are explained in the Chapter on "Alternative performance measures" and the analytical detail of the amounts of the reclassifications introduced and of the methods for determining indicators is provided.

Lastly, the section entitled "Business Outlook for the year 2021" contains forward-looking statements in relation to the Group's intentions, beliefs or current expectations regarding financial performance and other aspects of the Group's operations and strategies. Readers of this Half-Year Financial Report are reminded not to place undue reliance on forward-looking statements; in fact, actual results may differ significantly from forecasts owing to risks and uncertainties depending on numerous factors, the majority of which are beyond the scope of the Group's control. Please refer to the "Main risks and uncertainties" section for more information. It provides a detailed description of the major risks pertaining to the TIM Group business activity which can, even considerably, affect its ability to meet the set goals.

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION OF THE TIM GROUP

The following were the main corporate transactions implemented during the first half of 2021:

- *Noovle S.p.A. (Domestic Business Unit)*: starting January 1, 2021, the conferral is effective to Noovle S.p.A. of the TIM S.p.A. business unit comprising the assets and liabilities and employees involved in the supply of services for the Cloud and Edge Computing and the rent of spaces, including virtual, also offered through a dedicated network of data centers;

- *FiberCop S.p.A.; Flash Fiber S.r.l. (Business Unit Domestic)*: starting March 31, 2021, the conferral is effective to FiberCop S.p.A. of the TIM S.p.A. business unit comprising the goods, assets and liabilities and legal relations organized functionally for the supply of passive fiber or copper access services, used by TIM, and at the service of other authorized operators (OAOs), by means of the secondary network (the “last mile”). At the same time, the purchase was completed by Teemo Bidco, an indirect subsidiary of KKR Global Infrastructure Investors III L.P., of 37.5% of FiberCop from TIM and Fastweb has subscribed FiberCop shares corresponding to 4.5% of the company’s capital, through the conferral of the stake held in Flash Fiber, which was simultaneously incorporated into FiberCop;

- *TIM Tank S.r.l. (Other activities)*: on April 1, 2021, it was merged into Telecom Italia Ventures S.r.l. with accounting and tax effects backdated to January 1, 2021;

- *Telecom Italia Trust Technologies S.r.l. (Business Unit Domestic)*: starting April 1, 2021, the investment in the company was conferred by TIM S.p.A. to Olivetti S.p.A.;

- *TIM S.p.A. (Domestic Business Unit):* on June 30, 2021, the purchase of the BT Italia Business Unit was completed, offering services to public administration customers and small and medium business/enterprise (SMB/SME) customers. The purchase also includes support for customers of the SMB Business Unit, supplied by Atlanet, the BT Contact Center of Palermo.

The following should also be noted:

- *TIMFin S.p.A.*: on January 14, 2021, it was registered with the Register of Financial Intermediaries pursuant to Art. 106 of the CLB.

During the first half of 2020, the main changes in the scope of consolidation were as follows:

- *Infrastrutture Wireless Italiane S.p.A. (INWIT) (Domestic Business Unit):* on March 31, 2020 the merger by incorporation of Vodafone Towers S.r.l. into INWIT S.p.A. was completed. The transaction, which enabled the creation of Italy's leading tower operator, entailed the dilution of the TIM Group's stake in the capital of INWIT from 60% to 37.5%; therefore, as of March 31, 2020, the equity investment in INWIT S.p.A. is accounted for using the equity method. Starting from the Consolidated Financial Statements as at December 31, 2019 and until the completion of the aforementioned merger INWIT S.p.A. was presented as an "Asset held for sale"; therefore, TIM Group consolidated economic data and cash flows for the first half of 2020 include data of INWIT S.p.a. for the first quarter of 2020, net of amortization and depreciation for the period, as required by IFRS 5; Also note that during FY 2020, additional stock packets were transferred, corresponding to 7.3% of INWIT share capital. At June 30, 2021, TIM Group’s investment held in INWIT was 30.2%.

- *Noovle S.r.l. (Domestic Business Unit)*: on May 21, 2020, TIM S.p.A. finalized the acquisition of 100% of the quotas in Noovle S.r.l., an Italian ICT consulting and system integration company, specialized in supplying cloud solutions and projects and one of Google Cloud's leading partners on the Italian market.

CONSOLIDATED OPERATING PERFORMANCE

Revenues

Total TIM Group revenues for the first half of 2021, amounted to **7,567 million euros,** -2.5% compared to the first half of 2020 (7,759 million euros); in organic terms, total revenues grew by 0.5%.

The breakdown of total revenues for the first half of 2021, by operating segment in comparison with the first half of 2020 is as follows:

(million euros)	1st Half 2021		1st Half 2020		Changes		
		% weight		% weight	absolute	%	% organic excluding non-recurring
Domestic	6,233	82.4	6,259	80.7	(26)	(0.4)	(0.8)
Brazil	1,348	17.8	1,517	19.6	(169)	(11.1)	6.6
Other Operations	—	—	—	—	—		
Adjustments and eliminations	*(14)*	*(0.2)*	*(17)*	*(0.3)*	*3*		
Consolidated Total	**7,567**	**100.0**	**7,759**	**100.0**	**(192)**	**(2.5)**	**0.5**

The organic change in the Group's consolidated revenues is calculated by excluding the negative effect of exchange rate changes[1] (-262 million euros), the changes in the scope of consolidation (INWIT) (-3 million euros) as well as non-recurring items. In particular, the first half of 2020 was affected by adjustments of non-recurring revenues for -37 million euros, connected with the commercial initiatives of TIM S.p.A. to support customers in dealing with the COVID-19 emergencies.

Revenues for the second quarter of 2021 totaled 3,815 million euros (3,795 million euros in the second quarter of 2020).

EBITDA

TIM Group EBITDA for the first half of 2021 came to **2,770 million euros** (3,398 million euros in the first half of 2020, -3.7% in organic terms).

The breakdown of EBITDA and the EBITDA margin broken down by operating segment for the first half of 2021 compared with the first half of 2020, are as follows:

(million euros)	1st Half 2021		1st Half 2020		Changes		
		% weight		% weight	absolute	%	% organic excluding non-recurring
Domestic	2,146	77.5	2,684	79.0	(538)	(20.0)	(5.6)
% of Revenues	*34.4*		*42.9*			*(8.5)pp*	*(2.1)pp*
Brazil	630	22.7	718	21.1	(88)	(12.3)	5.6
% of Revenues	*46.7*		*47.3*			*(0.6)pp*	*(0.4)pp*
Other Operations	(4)	(0.1)	(5)	(0.1)	1		
Adjustments and eliminations	*(2)*	(0.1)	*1*	—	*(3)*		
Consolidated Total	**2,770**	**100.0**	**3,398**	**100.0**	**(628)**	**(18.5)**	**(3.7)**

Organic EBITDA - net of the non-recurring items amounted to **3,217 million euros**; the EBITDA margin was 42.5% (3,339 million euros in the first half of 2020, with an EBITDA margin of 44.3%).

H1 2021 **EBITDA** suffered non-recurring charges for a total of 447 million euros mainly relating to employee benefits expenses, also connected with the application of Art. 4 of Italian Law 92 of June 28, 2012, as defined by the Trade Union Agreements signed by various Group companies, including the Parent Company TIM S.p.A. and the Trade Union Organizations. Non-recurring charges also include provisions for disputes, transactions, regulatory sanctions and potential liabilities related to them, as well as expenses connected with agreements and the development of non-recurring projects as well as expenses connected with the COVID-19 emergency (18 million euros), mainly for provisions made for credit management and the expected worsening of expected credit loss of some customers.

In the first half of 2020, the TIM Group recorded non-recurring charges for a total of 132 million euros (net of the change in scope for 5 million euros), of which 69 million euros were attributable to the COVID-19 emergency in Italy. The first half of 2020, also suffered non-recurring charges connected mainly to corporate reorganization/restructuring processes and provisions for disputes, regulatory sanctions and potential liabilities related to them.

[1] The average exchange rates used for the translation into euro (expressed in terms of units of local currency per 1 euro) were 6.48919 for the Brazilian real in the first half of 2021 and 5.40843 in the first half of 2020; for the US dollar, the average exchange rates used were 1.20504 in the first half of 2021 and 1.10186 in the first half of 2020. The effect of the change in exchange rates is calculated by applying the foreign currency translation rates used for the current period to the period under comparison.

Organic EBITDA, net of the non-recurring component, is calculated as follows:

(million euros)	1st Half 2021	1st Half 2020	Changes	
			absolute	%
EBITDA	**2,770**	**3,398**	**(628)**	**(18.5)**
Foreign currency financial statements translation effect		(122)	122	
Changes in the scope of consolidation		(69)	69	
Non-recurring expenses/(income)	447	132	315	
ORGANIC EBITDA - excluding non-recurring items	**3,217**	**3,339**	**(122)**	**(3.7)**
% of Revenues	*42.5*	*44.3*		*(1.8) pp*

The EBITDA of the second quarter of 2021 totaled 1,593 million euros (1,663 million euros in the second quarter of 2020).

Organic EBITDA net of the non-recurring component in the second quarter of 2021 totaled 1,639 million euros (1,740 million euros in the second quarter of 2020).

EBITDA was particularly impacted by the change in the line items analyzed below:

- **Acquisition of goods and services (3,120 million euros; 2,840 million euros in the first half of 2020):**

(million euros)	1st Half 2021	1st Half 2020	Change
Acquisition of goods	660	480	180
Revenues due to other TLC operators and costs for telecommunications network access services	642	617	25
Commercial and advertising costs	533	555	(22)
Professional services and consultancy	113	107	6
Power, maintenance and outsourced services	379	536	(157)
Lease and rental costs	274	211	63
Other	519	334	185
Total acquisition of goods and services	**3,120**	**2,840**	**280**
% of Revenues	*41.2*	*36.6*	*4.6*

The increase mainly refers to the Domestic Business Unit for 312 million euros and is due to the greater purchases of goods for resale, sales expenses taking into account the improvement of deferred contract costs linked to the reduction of churn, leased asset costs, particularly for software license rental and greater hosting charges on non-strategic sites connected with the Master Service Agreement (MSA) stipulated between TIM S.p.A. and INWIT, with effect from March 31, 2020.

- **Employee benefits expenses (1,715 million euros; 1,372 million euros in the first half of 2020):**

(million euros)	1st Half 2021	1st Half 2020	Change
Employee benefits expenses - Italy	**1,592**	**1,232**	**360**
Ordinary employee expenses and costs	1,257	1,196	61
Restructuring and other expenses	335	36	299
Employee benefits expenses – Outside Italy	**123**	**140**	**(17)**
Ordinary employee expenses and costs	123	140	(17)
Restructuring and other expenses	—	—	—
Total employee benefits expenses	**1,715**	**1,372**	**343**
% of Revenues	*22.7*	*17.7*	*5,0pp*

The net increase of 343 million euros was mainly driven by:

- the increase of 61 million euros of the Italian component of ordinary employee costs, essentially deriving from the balance of savings due to the reduction in the average salaried workforce (equal to a total of -2,007 average units) and expenses related to the renewal of the National Collective Labor Agreement and the difference between the benefits deriving from the Expansion Contract for the Parent Company booked in 2020 and that in progress in 2021 (equal to +2,456 average units);
- the increase of 299 million euros of the Italian component of “restructuring and other expenses”, mainly correlated with the H1 2021 provision for expenses for the application of Art. 4 of Italian Law no. 92 of June 28, 2012, following the trade union agreement stipulated between the Parent Company and the Trade Unions on March 8, 2021 and the agreements stipulated respectively on May 6, 2021 by the company TI Sparkle, on April 27, 2021 by the company Noovle S.p.A. and on March 15, 2021 by the company Olivetti;
- for 17 million euros, the decrease in the foreign component mainly related to the impact of the exchange rate change of the Brazil Business Unit.

- **Other operating income (169 million euros; 90 million euros in the first half of 2020):**

(million euros)	1st Half 2021	1st Half 2020	Change
Late payment fees charged for telephone services	20	22	(2)
Recovery of employee benefit expenses, purchases and services rendered	6	8	(2)
Capital and operating grants	17	15	2
Damages, penalties and recoveries connected with litigation	6	7	(1)
Estimate revisions and other adjustments	44	25	19
Special training income	63	—	63
Other	13	13	—
Total	**169**	**90**	**79**

During the first half of 2021, "Special training income" included 60 million euros in reimbursements valued for the hours of training delivered during the first half of 2021 (more than 3 million hours, involving approximately 37,000 employees); these reimbursements are correlated with the activities tied to the training project financed through the Fondo Nuove Competenze (New Skills Fund - the Ministerial fund aimed at increasing innovative skills in companies), which started in December 2020 and drew to a close in May 2021. At December 31, 2020, reimbursements totaled approximately 13 million euros.

- **Other operating expenses (424 million euros; 502 million euros in the first half of 2020):**

(million euros)	1st Half 2021	1st Half 2020	Change
Write-downs and expenses in connection with credit management	144	256	(112)
Provision charges	24	43	(19)
TLC operating fees and charges	92	104	(12)
Indirect duties and taxes	51	47	4
Penalties, settlement compensation and administrative fines	80	14	66
Association dues and fees, donations, scholarships and traineeships	6	7	(1)
Other	27	31	(4)
Total	**424**	**502**	**(78)**

The decrease is mainly attributable to the Domestic Business Unit (39 million euros) and to the Brazil Business Unit (39 million euros, of which approximately 30 million euros linked to exchange rate dynamics).

Other operating expenses for the first half of 2021 include a non-recurring item of 86 million euros, mainly referring to disputes, transactions, expenses connected with regulatory sanctions and expenses related to agreements and the development of non-recurring projects, as well as provisions and expenses connected with credit management in connection with the COVID-19 emergency (15 million euros) following the worsening of the expected credit loss of some customers.

With reference to the impairment and expenses connected with credit management, we note that the reduction is the consequence of a program to optimize processes started in 2020, aimed at increasing the efficiency of credit management, all round, intervening on the whole process involving the customer. More specifically, reference is made to the acceptance, management and collection of debt through to the assessment model of the new commercial offers.

The non-recurring component of the first half of 2020 of 39 million euros relating to provisions and charges of the Domestic Business Unit related to credit management in relation to the COVID-19 emergency (21 million euros) as well as disputes and regulatory fines and potential liabilities related to them.

Depreciation and amortization

Amounts to 2,268 million euros (2,348 million euros in the first half of 2020) and breaks down as follows:

(million euros)	1st Half 2021	1st Half 2020	Change
Amortization of intangible assets with a finite useful life	804	824	(20)
Depreciation of tangible assets	1,125	1,171	(46)
Depreciation of rights of use assets	339	353	(14)
Total	**2,268**	**2,348**	**(80)**

Net impairment losses on non-current assets

This item was equal to zero in the first half of 2021 (zero in the first half of 2020).

In accordance with IAS 36, goodwill is not subject to amortization, but is tested for impairment on an annual basis, when preparing the company's separate and 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 corporate procedures, in preparation of the half-year report at June 30, 2021, the company deemed it appropriate to carry out an impairment test on goodwill.

The impairment test did not result in write-downs on the goodwill attributed to both the Domestic Cash Generating Unit and the Brazil Cash Generating Unit, confirming the goodwill values recognized in the financial statements in June 2021.

Further details are provided in the Note "Goodwill" to the Half-Year Condensed Consolidated Financial Statements at June 30, 2021 of the TIM Group.

EBIT

TIM Group EBIT for the first half of 2021 was **501 million euros** (1,042 million euros in the first half of 2020).

Organic EBIT, net of the non-recurring component, amounted to **948 million euros** (1,065 million euros for the first half of 2020), with an EBIT margin of 12.5% (14.1% for the first half of 2020).

Organic EBIT, net of the non-recurring component, is calculated as follows:

(million euros)	1st Half 2021	1st Half 2020	Changes	
			absolute	%
EBIT	**501**	**1,042**	**(541)**	**(51.9)**
Foreign currency financial statements translation effect		(36)	36	
Changes in the scope of consolidation		(73)	73	
Non-recurring expenses/(income)	447	132	315	
ORGANIC EBIT - excluding non-recurring items	**948**	**1,065**	**(117)**	**(11.0)**

Exchange rate fluctuations mainly related to the Brazil Business Unit.

The EBIT of the second quarter of 2021 totaled 456 million euros (509 million euros in the second quarter of 2020).

Organic EBIT net of the non-recurring component in the second quarter of 2021 totaled 502 million euros (598 million euros in the second quarter of 2020).

Finance income (expenses), net

Finance income (expenses), net was negative and amounted to 582 million euros (negative 603 million euros in H1 2020): the improvement was mainly driven by lower finance expenses, connected to the reduction in the Group's average debt exposure and a drop in interest rates, only partly offset by the positive effects of the change of some non-monetary items, of a currency and accounting nature.

Income tax expense

During the first half of 2021, the item is positive for 2 million euros (-166 million euros in the first half of 2020) and benefits in particular from the lesser tax expense of the Parent Company.

Profit (loss) for the period

This item breaks down as follows:

(million euros)	1st Half 2021	1st Half 2020
Profit (loss) for the period	**(45)**	**723**
Attributable to:		
Shareholders of the Parent Company:		
Profit (loss) from continuing operations	(137)	678
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit (loss) for the period attributable to owners of the Parent	**(137)**	**678**
Non-controlling interests:		
Profit (loss) from continuing operations	92	45
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit (loss) for the period attributable to Non-controlling interests	**92**	**45**

Net profit attributable to Owners of the Parent for the first half of 2021, was -137 million euros (+678 million euros in the first half of 2020), excluding the impact of non-recurring items, the net profit for the first half of 2021 is 207 million euros (336 million euros in the first half of 2020).

FINANCIAL AND OPERATING HIGHLIGHTS OF THE BUSINESS UNITS OF THE TIM GROUP

Domestic

(million euros)	1st Half 2021 (a)	1st Half 2020 (b)	Changes (a-b) absolute	%	organic % excluding non-recurring
Revenues	6,233	6,259	(26)	(0.4)	(0.8)
EBITDA	2,146	2,684	(538)	(20.0)	(5.6)
% of Revenues	*34.4*	*42.9*		*(8.5)pp*	*(2.1) pp*
EBIT	313	833	(520)	(62.4)	(15.0)
% of Revenues	*5.0*	*13.3*		*(8.3)pp*	*(2.0) pp*
Headcount at period-end (number) (°)	43,157	(*) 42,925	232	0.5	

(°) Includes agency contract workers: 12 employees at June 30, 2021 (14 employees at December 31, 2020)
(*) Headcount at December 31, 2020

(million euros)	2nd Quarter 2021 (a)	2nd Quarter 2020 (b)	Changes (a-b) absolute	%	organic % excluding non-recurring
Revenues	3,132	3,146	(14)	(0.4)	(1.0)
EBITDA	1,271	1,338	(67)	(5.0)	(8.4)
% of Revenues	*40.6*	*42.5*		*(1.9)pp*	*(3.4) pp*
EBIT	356	403	(47)	(11.7)	(20.2)
% of Revenues	*11.4*	*12.8*		*(1.4) pp*	*(3.0)pp*

Fixed

	6/30/2021	12/31/2020	6/30/2020
Total TIM Retail accesses (thousands	8,765	8,791	8,943
of which NGN [(1)]	*4,926*	*4,432*	*4,031*
Total TIM Wholesale accesses (thousands)	7,822	7,974	8,083
of which NGN	*4,516*	*4,220*	*3,862*
Active Broadband accesses of TIM Retail (thousands)	7,783	7,635	7,523
Consumer ARPU (€/month) [(2)]	31.1	33.0	33.6
Broadband ARPU (€/month) [(3)]	32.6	31.3	29.8

(1) UltraBroadband access in FTTx and FWA mode, also including "data only" lines and GBE (Gigabit Ethernet).
(2) Revenues from organic Consumer retail services in proportion to the average Consumer accesses.
(3) Revenues from organic broadband and ICT services in proportion to the average TIM retail accesses.

Mobile

	6/30/2021	12/31/2020	6/30/2020
Lines at period end (thousands)	30,317	30,170	30,502
of which Human	*19,306*	*19,795*	*20,155*
Churn rate (%) [(4)]	7.5	18.6	9.2
Broadband users (thousands) [(5)]	12,853	12,818	12,875
Retail ARPU (€/month) [(6)]	7.5	8.0	8.3
Human ARPU (€/month) [(7)]	11.6	12.1	12.3

(4) Percentage of total lines that ceased in the period compared to the average number of total lines.
(5) Mobile lines using data services.
(6) Revenues from organic retail services (visitors and MVNO not included) compared to the total average number of lines.
(7) Revenues from organic retail services (visitors and MVNO not included) compared to the average number of human lines.

Revenues

Domestic Business Unit revenues amounted to 6,233 million euros, changing by -26 million euros (-0.4%) compared to the first half of 2020. In organic terms, they reduce by 51 million euros (-0.8% on H1 2020); in particular, revenues for the first half of 2020 were affected by non-recurring items for 37 million euros mainly referring to adjustments of revenues connected to TIM S.p.A.'s commercial initiatives to support customers in facing the COVID-19 emergency.

Revenues from stand-alone services come to 5,551 million euros (-207 million euros compared to the first half of 2020, -3.6%) and suffer the impact of the competition on the customer base, as well as a reduction in ARPU levels; in organic terms, net of the above-specified non-recurring item, they drop by 227 million euros compared to the first half of 2020 (-3.9%).

In detail:

- **revenues from stand-alone Fixed market services** amounted to 4,294 million euros in organic terms, with a change compared to H1 2020 of -1.4% mainly due to the decrease in accesses and ARPU levels in the Consumer segment, which is also reflected in the trend of revenues from broadband services (-41 million euros compared to H1 2020, -3.6%), partly offset by the growth in revenues from ICT solutions (+136 million euros compared to H1 2020, +29.7%);
- **revenues from stand-alone Mobile market services** came to 1,540 million euros in organic terms (-156 million euros on H1 2020, -9.2%), mainly due to ARPU levels and the reduction in the customer base.

Revenues for Handset and Bundle & Handset, including the change in work in progress, are equal, in organic terms, to 682 million euros for the first half of 2021, with an increase of 176 million euros compared to the first half of 2020, for the most part attributable to the Fixed segment.

Key results for the first half of 2021 for the Domestic Business Unit are presented in the following table, broken down by customer/business segment and compared to the first half of 2020.

(million euros)	2nd Quarter 2021	2nd Quarter 2020	1st Half 2021	1st Half 2020	% Change			
	(a)	(b)	(c)	(d)	(a/b)	(c/d)	organic excluding non-recurring (a/b)	organic excluding non-recurring (c/d)
Revenues	**3,132**	**3,144**	**6,233**	**6,259**	**(0.4)**	**(0.4)**	**(1.0)**	**(0.8)**
Consumer	1,327	1,432	2,735	2,904	(7.3)	(5.8)	(7.7)	(6.1)
Business	1,016	994	1,999	1,980	2.2	1.0	0.4	(0.5)
National Wholesale Market	534	496	1,029	931	7.7	10.5	7.5	10.5
International Wholesale Market	250	224	468	445	11.6	5.2	14.2	7.3
Other	5	(2)	2	(1)				

The performance of the individual market segments of the Domestic Business Unit compared to the first half of 2020 was as follows:

- **Consumer**: the segment consists of all Fixed and Mobile voice and Internet services and products managed and developed for individuals and families and of public telephony; customer care, operating credit support, loyalty and retention activities, sales within its remit, and administrative management of customers; includes the company TIM Retail, which coordinates the activities of flagship stores. In **organic terms, net of the** aforesaid **non-recurring component**, the revenues of the Consumer segment totaled 2,735 million euros (-179 million euros, -6.1%) and show a trend, compared to H1 2020, affected by the challenging competition and greater discipline in commercial processes. The trend seen in total revenues also applied to revenues from stand-alone services, which amounted to 2,369 million euros, changing by -255 million euros compared to the first half of 2020 (-9.7%). In particular:
  - **revenues from Mobile stand-alone services** totaled, in organic terms, 1,045 million euros (-121 million euros, -10.4% compared to the first half of 2020). The impact of the competitive dynamic remains, albeit with a lesser reduction of the customer base calling; revenues from roaming and incoming traffic are down due to the progressive reduction of interconnection tariffs;
  - **revenues from Fixed stand-alone services** totaled, in organic terms, 1,343 million euros (-131 million euros, -8.9% compared to the first half of 2020), primarily due to lower ARPU levels and the smaller Customer Base, which declined gradually during the first half of 2021. The growth of Broadband customers is highlighted, in particular Ultra Broadband.

Revenues for Handsets and Bundles & Handsets in the Consumer segment amounted to 366 million euros, +77 million euros compared to the first half of 2020 (+26.5%). The increase is mainly due to the sales of the PC program voucher on the fixed amounts and the lesser impact of restrictions for the COVID-19 health emergency as compared with the 2020 lock-down.

- **Business**: the segment consists of voice, data, and Internet services and products, and ICT solutions managed and developed for small and medium-size enterprises (SMEs), Small Offices/Home Offices (SOHOs), Top customers, the Public Sector, Large Accounts, and Enterprises in the Fixed and Mobile telecommunications markets. The following companies are included: Olivetti, TI Trust Technologies, Telsy and the Noovle Group. In organic terms, net of the aforesaid non-recurring component, revenues for the Business segment amounted to 1,999 million euros (-9 million euros compared to the first half of 2020, -0.5%, of which -1.9% for revenues from the stand-alone services component). In particular:

- **total Mobile market revenues** showed a negative organic performance compared to H1 2020 (-5.2%), linked to the revenues from stand-alone services component (-9.6%) and the ARPU trend;
- **total Fixed revenues** in organic terms changed by +16 million euros compared to H1 2020 (+1.0), also thanks to revenues from services component (+0.7%) mainly driven by the increase in revenues from ICT services.

- **National Wholesale Market**: the segment consists of the management and development of the portfolio of regulated and unregulated wholesale services for Fixed-line and Mobile telecommunications operators in the domestic market. The following companies are included: TI San Marino and Telefonia Mobile Sammarinese. The National Wholesale Market segment revenues in the first half of 2021, reached 1,029 million euros, up by +98 million euros (+10.5%) compared to the first half of 2020, with a positive performance mainly driven by the growth in accesses in the Ultra Broadband segment.
- **International Wholesale Market**: includes the activities of the Telecom Italia Sparkle group, which operates in the market for international voice, data and Internet services for fixed and mobile telecommunications operators, ISPs/ASPs (Wholesale market) and multinational companies through its own networks in the European, Mediterranean and South American markets. Revenues for H1 2021 in the International Wholesale Market segment came to 468 million euros, up 23 million euros (+5.2%) on H1 2020.
- **Other:** includes:
  - **Other Operations units**: covering technological innovation and development, engineering, construction and operating processes for network infrastructures, IT, systems and properties; and the company FiberCop Spa;
  - **Staff & Other**: services provided by the Staff Departments and other support activities carried out by minor companies.

EBITDA

EBITDA for the first half of 2021 of the Domestic Business Unit amounted to 2,146 million euros (-538 million euros for the first half of 2020, -20.0%).

Organic EBITDA, net of the non-recurring component, amounted to 2,591 million euros (-154 million euros compared to the first half of 2020, -5.6%), with a margin of -41.6% (-2.1 percentage points compared to the same period of 2020). In particular, EBITDA for H1 2021 reflected a total impact of -445 million euros referring to non-recurring items, of which -18 million euros related to the COVID-19 emergency in Italy. Moreover, non-recurring expenses include charges connected with corporate reorganization/restructuring processes, provisions for disputes, regulatory sanctions and potential liabilities and expenses connected with agreements and the development of non-recurring projects.

Organic EBITDA, net of the non-recurring component, is calculated as follows:

(million euros)	1st Half 2021	1st Half 2020	Changes	
			absolute	%
EBITDA	**2,146**	**2,684**	**(538)**	**(20.0)**
Foreign currency financial statements translation effect	—	(2)	2	
Changes in the scope of consolidation	—	(69)	69	
Non-recurring expenses (Income)	445	132	313	
ORGANIC EBITDA - excluding non-recurring items	**2,591**	**2,745**	**(154)**	**(5.6)**

EBITDA in Q2 2021 was 1,271 million euros, (-67 million euros compared with 2020, -5.0%).

Regarding the dynamics for the main items, the following are worthy of note:

(million euros)	1st Half 2021	1st Half 2020	Change
Acquisition of goods and services	2,627	2,315	312
Employee benefits expenses	1,604	1,244	360
Other operating expenses	279	318	(39)

In particular:

- **Other operating income** amounted to 162 million euros with an increase of 77 million euros compared to the first half of 2020:

(million euros)	1st Half 2021	1st Half 2020	Change
Late payment fees charged for telephone services	15	19	(4)
Recovery of employee benefit expenses, purchases and services rendered	6	8	(2)
Capital and operating grants	16	14	2
Damages, penalties and recoveries connected with litigation	6	7	(1)
Estimate revisions and other adjustments	44	25	19
Special training income	63	—	63
Other income	12	12	—
Total	**162**	**85**	**77**

- **Acquisition of goods and services** amounted to 2,627 million euros with an increase of 312 million euros compared to the first half of 2020:

(million euros)	1st Half 2021	1st Half 2020	Change
Acquisition of goods	611	434	177
Revenues due to other TLC operators and interconnection costs	584	549	35
Commercial and advertising costs	369	388	(19)
Professional services and consultancy	71	62	9
Power, maintenance and outsourced services	296	438	(142)
Lease and rental costs	203	144	59
Other	493	300	193
Total acquisition of goods and services	**2,627**	**2,315**	**312**
% of Revenues	*42.1*	*37.0*	*5.2*

The increase of 312 million euros is mainly due to the greater purchases of goods for resale, sales expenses, taking into account the improvement in deferred contract costs linked to the reduction of the churn rate, leased asset costs, particularly for software license rental and greater hosting charges on non-strategic sites connected with the MSA Inwit contract, which started in April 2020.

- **Employee benefits expenses** amounted to 1,604 million euros with an increase of 360 million euros compared to the first half of 2020.
- **Other operating expenses** amounted to 279 million euros with a decrease of 39 million euros compared to the first half of 2020:

(million euros)	1st Half 2021	1st Half 2020	Change
Write-downs and expenses in connection with credit management	101	192	(91)
Provision charges	9	22	(13)
TLC operating fees and charges	21	22	(1)
Indirect duties and taxes	42	39	3
Penalties, settlement compensation and administrative fines	80	14	66
Association dues and fees, donations, scholarships and traineeships	5	6	(1)
Sundry expenses	21	23	(2)
Total	**279**	**318**	**(39)**

Other operating expenses for the first half of 2021 include a non-recurring item of 86 million euros, referring to provisions and expenses connected with credit management in connection with the COVID-19 emergency (15 million euros), charges for regulatory sanctions and expenses related to agreements and the development of non-recurring projects. In particular, in relation to credit management, it is noted that the scenario caused by the pandemic worsened the Expected Credit Loss of some of the customers. Consequently, the provision for bad debt was adjusted according to the expected loss differential. With reference to the impairment and expenses connected with credit management, we note that the reduction is the consequence of a program to optimize processes started in 2020, aimed at increasing the efficiency of credit management, all round, intervening on the whole process involving the customer. More specifically, reference is made to the acceptance, management and collection of debt through to the assessment model of the new commercial offers.
The non-recurring component of the first half of 2020, amounting to 39 million euros, mainly referred to regulatory disputes and related liabilities and to liabilities with customers and/or suppliers.

EBIT

Domestic Business Unit EBIT for H1 2021 totaled 313 million euros (-520 million euros compared to the first half of 2020), with a margin of -5.0% (-8.3 percentage points compared to the first half of 2020).

Organic EBIT, net of the non-recurring component, amounted to 758 million euros (-134 million euros compared to the first half of 2020, -15.0%), with an EBIT margin of 12.2% (14.2% for the first half of 2020). Organic EBIT, net of the non-recurring component, is calculated as follows:

(million euros)	1st Half 2021	1st Half 2020	Changes	
			absolute	%
EBIT	**313**	**833**	**(520)**	**(62.4)**
Changes in the scope of consolidation	—	(73)	73	
Non-recurring expenses (Income)	445	132	313	
ORGANIC EBIT - excluding non-recurring items	**758**	**892**	**(134)**	**(15.0)**

EBIT in Q2 2021 was 356 million euros, (-47 million euros compared with 2020, -11.7%).

Brazil

	(million euros)		(million Brazilian reais)		Changes		
	1st Half 2021	1st Half 2020	1st Half 2021	1st Half 2020	absolute	%	% organic excluding non-recurring
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d	
Revenues	1,348	1,517	8,747	8,202	545	6.6	6.6
EBITDA	630	718	4,086	3,883	203	5.2	5.6
% of Revenues	*46.7*	*47.3*	*46.7*	*47.3*		*(0.6) pp*	*(0.4) pp*
EBIT	194	212	1,256	1,144	112	9.8	11.0
% of Revenues	*14.4*	*13.9*	*14.4*	*13.9*		*0,5pp*	*0,6pp*
Headcount at period-end (number)			9,234	(*)9,409	(175)	(1.9)	

(*) Headcount at 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 in the first half of 2021 and 5.40843 in the first half of 2020.

	(million euros)		(million Brazilian reais)		Changes		
	2nd Quarter 2021	2nd Quarter 2020	2nd Quarter 2021	2nd Quarter 2020	absolute	%	% organic excluding non-recurring
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d	
Revenues	690	658	4,407	3,987	420	10.5	10.5
EBITDA	326	328	2,078	1,967	111	5.6	6.4
% of Revenues	*47.2*	*49.3*	*47.2*	*49.3*		*(2.1)pp*	*(1.8) pp*
EBIT	104	107	664	629	35	5.6	7.8
% of Revenues	*15.1*	*15.8*	*15.1*	*15.8*		*(0.7)pp*	*(0.4) pp*

	1st Half 2021	1st Half 2020
Lines at period end (thousands) (*)	51,341	(1) 51,433
MOU (minutes/month) (**)	111.3	121.6
ARPU (reais)	25.6	23.6

(1) Number at December 31, 2020.
(*) Includes corporate lines.
(**) Net of visitors.

The **Brazil Business Unit (TIM Brasil group)** provides mobile telephony 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.

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 certain 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 shareholding in FiberCo

On May 5, 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 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 Ltda. ("FiberCo"), a vehicle established by the Company for the segregation of network assets and the provision of infrastructure services.
In the Agreement, TIM 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 (609,000,000 reais) going to FiberCo's cash and secondary component (1,027,590,000 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 conditions precedent, 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.

Revenues

Revenues for the first half of 2021 **of the Brazil Business Unit (TIM Brasil group)** amounted to 8,747 million reais (8,202 million reais on the first half of 2020, +6,6%), speeding up on the levels recorded from the third quarter of 2020.

The acceleration has been driven by **service revenues** (8,495 million reais vs 8,017 million reais for the first half of 2020, +6.0%) with mobile telephony service revenues growing +5.6% on the first half of 2020. This performance is mainly related to the continuous recovery of the pre-paid and post-paid segments. Revenues from fixed telephony services have grown by 11.9% on the first half of 2020, determined above all by the growth rate of TIM Live.

Revenues from product sales totaled 252 million reais (185 million reais for the first half of 2020, +36.2).

Revenues in Q2 2021 totaled 4,407 million reais, increased by 10.5% on the second quarter of 2020 (3,987 million reais).

The **mobile ARPU** for the first half of 2021 was 25.6 reais, up from the figure recorded in the first half of 2020 (23.6 reais) thanks to general repositioning in the post-paid segment and new commercial initiatives intended to promote the use of data and average expenditure per customer.

Total mobile lines in place at June 30, 2021 amounted to 51.3 million, -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. Post-paid customers represented 43.1% of the customer base as of June 30, 2021, 0.7 percentage points higher than at December 2020 (42.4%).

The TIM Live BroadBand business recorded net positive growth in the first half in the customer base of 21.3 thousand users, +3.3% on December 31, 2020. In addition, the customer base continues to be concentrated on high speed connections, with more than 50% exceeding 100Mbps.

EBITDA

EBITDA in the first half of 2021 was 4,086 million reais (3,883 million reais in the first half of 2020, +5.2%) and the margin on revenues was 46.7% (47.3% in the first half of 2020).

EBITDA in the first half of 2021 reflects the non-recurring charges of 14 million reais mainly related to the development of non-recurring projects.

Organic EBITDA, net of the non-recurring component, increased by 5.6% and was calculated as follows:

(million Brazilian reais)	1st Half 2021	1st Half 2020	Changes	
			absolute	%
EBITDA	4,086	3,883	203	5.2
Non-recurring expenses/(income)	14	—	14	
ORGANIC EBITDA - excluding non-recurring items	4,100	3,883	217	5.6

The increase of EBITDA is due to the increase in revenue and cost control efficiency.
The relative margin on revenues, in organic terms, comes to 46.9% (47.3% during the first half of 2020).

EBITDA for the second quarter of 2021, amounted to 2,078 million reais, up 5.6% compared to the second quarter of 2020 (1,967 million reais).

Net of non-recurring charges, the margin on revenues for the second quarter of 2021 was 47.5% (49.3% in the second quarter of 2020).

The changes in the main cost items are shown below:

	(million euros)		(million Brazilian reais)		
	1st Half 2021 (a)	1st Half 2020 (b)	1st Half 2021 (c)	1st Half 2020 (d)	Change (c-d)
Acquisition 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 for the first half of 2021 amounted to 1,256 million reais (1,144 million reais for the first half of 2020, +9.8%).

Organic EBIT, net of the non-recurring component, in the first half of 2021 amounted to 1,270 million reais (1,144 million reais in the first half of 2020), with a margin on revenues of 14.5% (13.9% in the first half of 2020).

Organic EBIT, net of the non-recurring component, is calculated as follows:

(million Brazilian reais)	1st Half 2021	1st Half 2020	Changes	
			absolute	%
EBIT	1,256	1,144	112	9.8
Non-recurring expenses/(income)	14	—	14	
ORGANIC EBIT - excluding non-recurring items	1,270	1,144	126	11.0

The EBIT of the second quarter of 2021 totaled 664 million reais (629 million reais in the second quarter of 2020).

Net of non-recurring charges, the EBIT margin for the second quarter of 2021 was 15.4% (15.8% in the second quarter of 2020).

CONSOLIDATED FINANCIAL POSITION AND CASH FLOWS PERFORMANCE

Non-current assets

- **Goodwill**: this reduced by 137 million euros, from 22,847 million euros at December 31, 2020 to 22,710 million euros at June 30, 2021, mainly due to the reclassification under the scope of "Discontinued operations/Non-current assets held for sale" of part of the goodwill attributed to the Brazil Cash Generating Unit (-181 million euros) and connected with the expected transfer of control of FiberCo Soluções de Infraestrutura, the company established to separate the assets of the TIM Brasil group and the connected supply of infrastructure services. The exchange difference of the first half of 2021 is positive for 44 million euros and this too relates to the goodwill attributed to the Brazil Cash Generating Unit[1].

  Further details are provided in the Note "Goodwill" to the Half-Year Condensed Consolidated Financial Statements at June 30, 2021 of the TIM Group.

- **Intangible assets with a finite useful life**: these fell by 55 million euros, from 6,740 million euros at the end of 2020 to 6,685 million euros at June 30, 2021, representing the balance of the following items:
  - capex (+ 661 million euros);
  - amortization for the period (- 804 million euros);
  - other disposals, exchange differences and other changes (for a net positive balance of 88 million euro, of which 74 million euro of positive exchange differences essentially relating to the Brazil Business Unit).

- **Tangible assets**: these fell by 92 million euros, from 13,141 million euros at the end of 2020 to 13,049 million euros at June 30, 2021, representing the balance of the following items:
  - capex (+1,113 million euros);
  - amortization for the period (- 1,125 million euros);
  - reclassification of the tangible assets relating to the Fiberco transfer agreement within "Discontinued operations/Non-current assets held for sale" (-178 million euros);
  - other disposals, exchange differences and other changes (for a net positive balance of 98 million euro, including 135 million euros of exchange gains essentially relating to the Brazil Business Unit).

- **Rights of use assets**: these fell by 94 million euros, from 4,992 million euros at the end of 2020 to 4,898 million euros at June 30, 2021, representing the balance of the following items:
  - investments (+34 million euros) and increases in lease contracts (+253 million euros);
  - amortization for the period (- 339 million euros);
  - disposals, exchange differences and other changes (for a net negative balance of 42 million euros). Exchange differences are positive for 86 million euros and mainly relate to the Brazil Business Unit. Other changes included the lower value of the rights of use recorded as a result of contractual changes during the period.

- **Other non-current assets**: these came to 14,876 million euros mainly including deferred tax assets for 7,592 million euros, of which 7,382 million euros relating to the Parent Company TIM S.p.A., primarily entered following the tax recognition of higher values booked in accordance with Decree Law 104/2020, Art. 110, paragraph 8 and 8 bis. Other non-current assets also include the value of the equity investment held in the INWIT joint venture (at June 30, 2021 this came to 2,650 million euros).

[1]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) was 5.94461 at June 30, 2021 and 6.37680 at December 31, 2020.

Consolidated equity

Consolidated equity amounted to 30,598 million euros (28,840 million euros at December 31, 2020), of which 26,006 million euros attributable to Owners of the Parent (26,215 million euros at December 31, 2020) and 4,592 million euros attributable to non-controlling interests (2,625 million euros at December 31, 2020). In greater detail, the changes in consolidated equity were the following:

(million euros)	6/30/2021	12/31/2020
Start of period	**28,840**	**22,626**
Total comprehensive income (loss) for the period	375	5,836
Dividends approved by:	(336)	(378)
TIM S.p.A.	*(318)*	*(316)*
Other Group companies	*(18)*	*(62)*
FiberCop - capital increase	1,750	—
INWIT - deconsolidation	—	*(644)*
Daphne 3 - capital increase	—	1,334
Issue of equity instruments	13	43
Daphne 3 - distribution of additional paid-in capital	(42)	—
Other changes	(2)	23
End of period	**30,598**	**28,840**

Cash flows

The Net financial debt carrying amount amounted to 22,072 million euros, down by 1,254 million euros compared to December 31, 2020 (23,326 million euros).

The Group's **Operating Free Cash Flow** for H1 2021 is positive for 819 million euros (1,545 million euros in H1 2020), i.e. 1,059 million euros net of 240 million euros paid for the extension of rights of use relative to the 2100 MHz frequencies in Italy.

Moreover, the main transactions that had an impact on the change in adjusted net financial debt are as follows:

Change in adjusted net financial debt

(million euros)	1st Half 2021 (a)	1st Half 2020 (b)	Change (a-b)
EBITDA	2,770	3,398	(628)
Capital expenditures on an accrual basis	(1,808)	(1,254)	(554)
Change in net operating working capital:	(113)	(53)	(60)
Change in inventories	*(52)*	*14*	*(66)*
Change in trade receivables	*108*	*321*	*(213)*
Change in trade payables	*(384)*	*(1,293)*	*909*
Other changes in operating receivables/payables	*215*	*905*	*(690)*
Change in provisions for employee benefits	256	(435)	691
Change in operating provisions and Other changes	(286)	(111)	(175)
Net operating free cash flow	**819**	**1,545**	**(726)**
% of Revenues	*10.8*	*19.9*	*(9.1) pp*
Sale of investments and other disposals flow	1,766	1,018	748
Share capital increases/reimbursements, including incidental expenses	—	8	(8)
Financial investments	(66)	(20)	(46)
Dividends payment	(336)	(356)	20
Increases in lease contracts	(253)	(637)	384
Finance expenses, income taxes and other net non-operating requirements flow	(676)	139	(815)
Reduction/(Increase) in adjusted net financial debt from continuing operations	**1,254**	**1,697**	**(443)**
Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale	—	—	—
Reduction/(Increase) in adjusted net financial debt	**1,254**	**1,697**	**(443)**

Equity Free Cash Flow

(million euros)	1st Half 2021	1st Half 2020	Change
Net operating free cash flow	**819**	**1,545**	(726)
Mobile licenses acquisition/spectrum	240	—	240
Financial management	(587)	(604)	17
Income taxes and other	(109)	37	(146)
Equity Free Cash Flow	**363**	**978**	(615)

In addition to what has already been described with reference to EBITDA, the change in adjusted net financial debt for the first half of 2021 was particularly impacted by the following:

Capital expenditures and for mobile telephone licenses/spectrum

Capital expenditures and expenses for mobile telephone licenses/spectrum for the first half of 2021, were 1,808 million euros (1,254 million euros in the first half of 2020).

Capex is broken down as follows by operating segment:

(million euros)	1st Half 2021		1st Half 2020		Change
		% weight		% weight	
Domestic	1,465	81.0	963	*76.8*	502
Brazil	343	19.0	291	*23.2*	52
Other Operations	—	—	—	—	—
Adjustments and eliminations	—	—	—	—	—
Consolidated Total	**1,808**	**100.0**	**1,254**	**100.0**	**554**
% of Revenues	*23.9*		*16.2*		*7,7pp*

In particular:

- the **Domestic Business Unit** records capital expenditure for 1,465 million euros, +502 million euros on the first half of 2020, an increase mainly due to the development of the FTTC/FTTH networks and payment of licenses (240 million euros) to the Italian Ministry of Economic Development (MISE) for the extension of rights of use relative to frequencies (2100 MHz);
- the **Brazil Business Unit** posted capital expenditures in the first half of 2021 of 343 million euros (291 million euros for the first half of 2020). Excluding the impact of changes in exchange rates (-48 million euros), capex grew by 100 million euros, mainly to strengthen the mobile UltraBroadBand infrastructure and the development of the fixed broadband business of TIM Live.

Change in net operating working capital

The change in net operating working capital in the first half of 2021 reflects an absorption of 113 million euros (-53 million euros in the first half of 2020) mainly due to the negative change in trade payables (-384 million euros), offset by the positive change in trade receivables (+108 million euros) and other operating receivables and payables (+215 million euros).

Change in provisions for employee benefits

During the first half of 2021 these increase by a total of 256 million euros, essentially due to the provisions made for expenses for the application of Art. 4 of Italian Law no. 92 of June 28, 2012, following the trade union agreement stipulated between the Parent Company and the trade unions and the agreements stipulated by the companies TI Sparkle, Noovle, and Olivetti.

Sale of investments and other disposals flow

This is positive for 1,766 million euros and mainly refers to the sale of 37.5% of FiberCop S.p.A. to the indirect subsidiary of KKR Global Infrastructure Investors III L.P. and the sale of tangible and intangible assets.
During H1 2020, it was positive for 1,018 million euros, and referred nearly entirely to the deconsolidation of INWIT S.p.A., as well as the inflow from the TIM Group's disposal of 4.3% of INWIT, in an accelerated book-building procedure reserved for institutional investors.

Increases in lease contracts

During the first half of 2021, the item came to 253 million euros (637 million euros during the first half of 2020) and includes the greater value of rights of use entered following new passive lease contracts, increases in lease charges and the renegotiation of existing lease contracts.

In the first half of 2020 this included 368 million euros, related to the recognition of new rights of use of INWIT S.p.A. assets, following the new Master Service Agreement (MSA) between TIM S.p.A. and INWIT S.p.A. coming into effect on March 31, 2020.

Financial expenses, income taxes and other net non-operating requirements flow

In the first half of 2021 the item was negative for a total of 676 million euros. It mainly includes outflows relative to financial management components, as well as the payment of income taxes and changes in non-operating payables and receivables.

Sales of receivables to factoring companies

It should be noted that sales without recourse of trade receivables to factoring companies completed during the first half of 2021 resulted in a positive effect on the adjusted net financial debt at June 30, 2021, amounting to 1,367 million euros (1,970 million euros at December 31, 2020); 1,573 million euros at June 30, 2020).

Net financial debt

Net financial debt is composed as follows:

(million euros)	6/30/2021 (a)	12/31/2020 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	17,159	18,856	(1,697)
Amounts due to banks, other financial payables and liabilities	4,553	4,799	(246)
Non-current financial liabilities for lease contracts	4,106	4,199	(93)
	25,818	**27,854**	**(2,036)**
Current financial liabilities (*)			
Bonds	3,347	988	2,359
Amounts due to banks, other financial payables and liabilities	1,235	2,689	(1,454)
Current financial liabilities for lease contracts	660	631	29
	5,242	**4,308**	**934**
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	—	—	—
Total Gross financial debt	**31,060**	**32,162**	**(1,102)**
Non-current financial assets			
Securities other than investments	—	—	—
Non-current financial receivables arising from lease contracts	(49)	(43)	(6)
Financial receivables and other current financial assets	(2,194)	(2,267)	73
	(2,243)	**(2,310)**	**67**
Current financial assets			
Securities other than investments	(1,311)	(1,092)	(219)
Current financial receivables arising from lease contracts	(60)	(55)	(5)
Financial receivables and other current financial assets	(150)	(162)	12
Cash and cash equivalents	(4,969)	(4,829)	(140)
	(6,490)	**(6,138)**	**(352)**
Financial assets relating to Discontinued operations/Non-current assets held for sale	—	—	—
Total financial assets	**(8,733)**	**(8,448)**	**(285)**
Net financial debt carrying amount	**22,327**	**23,714**	**(1,387)**
Reversal of fair value measurement of derivatives and related financial liabilities/assets	*(255)*	*(388)*	*133*
Adjusted net financial debt	**22,072**	**23,326**	**(1,254)**
Breakdown as follows:			
Total adjusted gross financial debt	**29,395**	**30,193**	**(798)**
Total adjusted financial assets	**(7,323)**	**(6,867)**	**(456)**
(*) of which current portion of medium/long-term debt:			
Bonds	*3,347*	*988*	*2,359*
Amounts due to banks, other financial payables and liabilities	*924*	*1,541*	*(617)*
Current financial liabilities for lease contracts	*657*	*628*	*29*

The financial risk management policies of the TIM Group are aimed at minimizing market risks, fully hedging exchange rate risk, and optimizing interest rate exposure through appropriate diversification of the portfolio, which is also achieved by using carefully selected derivative financial instruments. Such instruments, it should be stressed, are not used for speculative purposes and all have an underlying, which is hedged.

In addition, to determine its exposure to interest rates, the Group sets an optimum composition for the fixed-rate and variable-rate debt structure and uses derivative financial instruments to achieve that composition. Taking into account the Group's operating activities, the optimum mix of medium/long-term non-current financial liabilities has been established, on the basis of the nominal amount, at a range of 65%–75% for the fixed-rate component and 25%–35% for the variable-rate component.

In managing market risks, the Group has adopted Guidelines for the "Management and control of financial risk" and mainly uses IRS and CCIRS derivative financial instruments.

To provide a better representation of the true performance of Net Financial Debt, in addition to the usual indicator (renamed "Net financial debt carrying amount"), the TIM Group reports a measure called "Adjusted net financial debt", which neutralizes the effects caused by the volatility of financial markets. Given that some components of the fair value measurement of derivatives (contracts for setting the exchange and interest rate for contractual flows) and of derivatives embedded in other financial instruments do not result in actual monetary settlement, the Adjusted net financial debt excludes these purely accounting and non-monetary effects (including the effects of IFRS 13 – Fair Value Measurement) from the measurement of derivatives and related financial assets/liabilities.

For further details, see the "Alternative performance indicators" chapter.

Adjusted net financial debt amounted to 22,072 million euros at June 30, 2021, **a decrease of 1,254 million euros compared to December 31, 2020** (23,326 million euros). The reduction brought about by the generation of operating cash, obtained also through the optimization of working capital and the completion of the purchase by KKR Infrastructure of 37.5% of FiberCop from TIM for an equivalent value of 1,758 million euros, has been partially limited by the payments of dividends (336 million euros), the sanction (116 million euros) connected with the Antitrust Case A514 (alleged abuse of a dominant market position on the wholesale access services market and for retail services of the BB and UBB fixed network), substitute tax on the aligned value of assets (231 million euros) and the extension of the rights of use of frequencies on the 2100 MHz bandwidth (240 million euros).
For a better understanding of the information, the table below shows the various ways by which the Net Financial Debt can be shown:

(million euros)	6/30/2021 (a)	12/31/2020 (b)	Change (a-b)
Net financial debt carrying amount	**22,327**	**23,714**	**(1,387)**
Reversal of fair value measurement of derivatives and related financial liabilities/assets	*(255)*	*(388)*	*133*
Adjusted net financial debt	**22,072**	**23,326**	**(1,254)**
Leasing	*(4,657)*	*(4,732)*	*75*
Adjusted net financial debt - After Lease	**17,415**	**18,594**	**(1,179)**

Net financial debt carrying amount amounted to 22,327 million euros at June 30, 2021, a decrease of 1,387 million euros compared to December 31, 2020 (23,714 million euros). Reversal of the fair value measurement of derivatives and related financial liabilities/assets recorded a change of 133 million euros compared to December 31, 2020 substantially following the fall in US dollar interest rates and the relevant revaluation of hedging on US currency bonds. This change is adjusted by the booked Financial Debt with no monetary effect.

Adjusted Net Financial Debt – After Lease (net of the impact of all leases), which is a parameter adopted by main European peers, was equal to 17,415 million euros at June 30, 2021, down by 1,179 million euros compared to December 31, 2020 (18,594 million euros).

Gross financial debt

Bonds

Bonds at June 30, 2021 totaled 20,506 million euros (19,844 million euros at December 31, 2020). Repayments totaled a nominal 20,125 million euros (19,249 million euros at December 31, 2020).

The change in bonds in the first half of 2021 was as follows:

(millions of original currency)	Currency	Amount	Issue date
New issues			
Telecom Italia S.p.A. 1,000 million euros 1.625%	Euro	1,000	1/18/2021
TIM S.A. 1,600 million BRL IPCA+4.1682%	BRL	1,600	6/15/2021

(millions of original currency)	Currency	Amount	Repayment date
Repayments			
Telecom Italia S.p.A. 564 million euros 4.500% (1)	Euro	564	1/25/2021

(1) Net of buy-backs totaling 436 million euros made by the company in 2015.

With reference to Telecom Italia S.p.A. 2002–2022 bonds, reserved for subscription by employees of the Group, the nominal amount at June 30, 2021 was 222 million euros, up by 5 million euros compared to December 31, 2020 (217 million euros).

Revolving Credit Facility and Term Loan

The following table shows committed credit lines available at June 30, 2021.

(billion euros)	6/30/2021		12/31/2020	
	Agreed	Drawn down	Agreed	Drawn down
Sustainability-linked RCF - maturing May 2026	4.0	–	—	—
Revolving Credit Facility – maturing January 2023	—	–	5.0	—
Bridge to Bond Facility – maturing May 2021	—	–	1.7	—
Total	**4.0**	–	**6.7**	**—**

At June 30, 2021, TIM had bilateral Term Loans for 965 million euros with various banking counterparties

On January 18, 2021, TIM issued its first 8-year Sustainability Bond for an amount of 1 billion euros, coupon 1.625%.

On January 19, 2021, TIM entirely canceled the credit line for 1.7 billion euros, which was not used, stipulated on May 18, 2020 as bridge to bond for subsequent issues on the bond market and an initial maturity of 12 months with an option of extension for another 12 months.

On May 13, 2021, TIM extended the Revolving Credit Facility by 5 years, reducing the amount to 4 billion euros and making it the Group's first ever ESG-linked credit facility.

Maturities of financial liabilities and average cost of debt

The average maturity of non-current financial liabilities (including the current portion of medium/long-term financial liabilities due within 12 months) was 6.91 years.

The average cost of the Group's debt, considered as the cost for the year calculated on an annual basis and resulting from the ratio of debt-related expenses to average exposure, stood at approximately 3.6%, while the average cost of the Group's debt "After Lease" was equal to approximately 3.3%.

For details on the maturities of financial liabilities in terms of expected nominal repayment amounts, as contractually agreed, see the Notes "Financial liabilities (non-current and current)" in the Half-Year Condensed Consolidated Financial Statements at June 30, 2021 of the TIM Group.

Current financial assets and liquidity margin

The TIM Group's available **liquidity margin** amounted to 10,280 million euros, equal to the sum of:

- "Cash and cash equivalents" and "Current securities other than investments" for a total of 6,280 million euros (5,921 million euros at December 31, 2020);
- Sustainability-linked Revolving Credit Facility amounting to 4,000 million euros, totally available.

This margin is sufficient to cover Group financial liabilities (current and otherwise) falling due over the next 30 months.

In particular:

Cash and cash equivalents amounted to 4,969 million euros (4,829 million euros at December 31, 2020). The different technical forms of investing available cash can be analyzed as follows:

- **maturities**: investments have a maximum maturity of three months;
- **counterparty risk**: investments by the European companies are made with leading banking, financial and industrial institutions with high credit quality. Investments by the companies in South America are made with leading local counterparties;
- **Country risk**: deposits have been made mainly in major European financial markets.

Current securities other than investments amounted to 1,311 million euros (1,092 million euros at December 31, 2020): These forms of investment represent alternatives to the investment of liquidity with the aim of improving returns. They included a total of 323 million euros of Italian and European treasury bonds held by Telecom Italia Finance S.A., 413 million euros of bonds purchased by Telecom Italia Finance S.A. with different maturities, all with an active market and consequently readily convertible into cash, and 575 million euros of investments in monetary funds by the Brazil Business Unit. The purchases of the above government bonds, which, pursuant to Consob Communication no. DEM/11070007 of August 5, 2011, represent investments in "Sovereign debt securities", have been made in accordance with the Guidelines for the "Management and control of financial risk" adopted by the TIM Group.

During the second quarter of 2021, **adjusted net financial debt** came to 22,072 million euros, an increase of 917 million euros compared to March 31, 2021 (21,155 million euros): this increase is due to payments of dividends (312 million euros), the sanction (116 million euros) connected with the Antitrust Case A514 (alleged abuse of a dominant market position on the wholesale access services market and for retail services of the BB and UBB fixed network), substitute tax on the aligned value of assets (231 million euros) and the extension of the rights of use of frequencies on the 2100 MHz bandwidth (240 million euros).

(million euros)	6/30/2021 (a)	3/31/2021 (b)	Change (a-b)
Net financial debt carrying amount	22,327	21,672	655
Reversal of fair value measurement of derivatives and related financial liabilities/assets	*(255)*	*(517)*	*262*
Adjusted net financial debt	22,072	21,155	917
Breakdown as follows:			
Total adjusted gross financial debt	29,395	29,442	(47)
Total adjusted financial assets	(7,323)	(8,287)	964

CONSOLIDATED DATA – TABLES OF DETAIL

To follow, the Separate Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows as well as Other Information of the TIM Group.

Separate Consolidated Income Statement

(million euros)	1st Half 2021	1st Half 2020	Changes (a-b)	
	(a)	(b)	absolute	%
Revenues	**7,567**	**7,759**	**(192)**	**(2.5)**
Other income	169	90	79	87.8
Total operating revenues and other income	**7,736**	**7,849**	**(113)**	**(1.4)**
Acquisition of goods and services	(3,120)	(2,840)	(280)	(9.9)
Employee benefits expenses	(1,715)	(1,372)	(343)	(25.0)
Other operating expenses	(424)	(502)	78	15.5
Change in inventories	49	6	43	—
Internally generated assets	244	257	(13)	(5.1)
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**2,770**	**3,398**	**(628)**	**(18.5)**
Depreciation and amortization	(2,268)	(2,348)	80	3.4
Gains/(losses) on disposals of non-current assets	(1)	(8)	7	87.5
Impairment reversals (losses) on non-current assets	—	—	—	—
Operating profit (loss) (EBIT)	**501**	**1,042**	**(541)**	**(51.9)**
Share of profits (losses) of associates and joint ventures accounted for using the equity method	22	2	20	—
Other income (expenses) from investments	12	448	(436)	—
Finance income	546	501	45	9.0
Finance expenses	(1,128)	(1,104)	(24)	(2.2)
Profit (loss) before tax from continuing operations	**(47)**	**889**	**(936)**	**—**
Income tax expense	2	(166)	168	—
Profit (loss) from continuing operations	**(45)**	**723**	**(768)**	**—**
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—	—	—
Profit (loss) for the period	**(45)**	**723**	**(768)**	**—**
Attributable to:				
Owners of the Parent	**(137)**	**678**	**(815)**	**—**
Non-controlling interests	92	45	47	—

Consolidated Statement of Comprehensive Income

In accordance with IAS 1 (Presentation of Financial Statements) here below are presented the Consolidated Statement of Comprehensive Income, including the Profit (loss) for the period, as shown in the Separate Consolidated Income Statement, and all non-owner changes in equity.

(million euros)		1st Half 2021	1st Half 2020
Profit (loss) for the period	**(a)**	**(45)**	**723**
Other components of the Consolidated Statement of Comprehensive Income			
Other components that will not be reclassified subsequently to Separate Consolidated Income Statement			
Financial assets measured at fair value through other comprehensive income:			
Profit (loss) from fair value adjustments		5	(7)
Income tax effect		—	—
	(b)	**5**	**(7)**
Remeasurements of employee defined benefit plans (IAS19):			
Actuarial gains (losses)		22	(3)
Income tax effect		(5)	1
	(c)	**17**	**(2)**
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		—	—
Income tax effect		—	—
	(d)	**—**	**—**
Total other components that will not be reclassified subsequently to Separate Consolidated Income Statement	**(e=b+c+d)**	**22**	**(9)**
Other components that will be reclassified subsequently to Separate Consolidated Income Statement			
Financial assets measured at fair value through other comprehensive income:			
Profit (loss) from fair value adjustments		(12)	(3)
Loss (profit) transferred to Separate Consolidated Income Statement		(3)	—
Income tax effect		1	(1)
	(f)	**(14)**	**(4)**
Hedging instruments:			
Profit (loss) from fair value adjustments		565	610
Loss (profit) transferred to Separate Consolidated Income Statement		(427)	(29)
Income tax effect		(33)	(142)
	(g)	**105**	**439**
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		307	(1,443)
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement		—	—
Income tax effect		—	—
	(h)	**307**	**(1,443)**
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		—	—
Loss (profit) transferred to Separate Consolidated Income Statement		—	—
Income tax effect		—	—
	(i)	**—**	**—**
Total other components that will be reclassified subsequently to Separate Consolidated Income Statement	**(k=f+g+h+i)**	**398**	**(1,008)**
Total other components of the Consolidated Statement of Comprehensive Income	**(m=e+k)**	**420**	**(1,017)**
Total comprehensive income (loss) for the period	**(a+m)**	**375**	**(294)**
Attributable to:			
Owners of the Parent		**187**	**104**
Non-controlling interests		188	(398)

Consolidated Statement of Financial Position

(million euros)		6/30/2021 (a)	12/31/2020 (b)	Changes (a-b)
Assets				
Non-current assets				
Intangible assets				
Goodwill		22,710	22,847	(137)
Intangible assets with a finite useful life		6,685	6,740	(55)
		29,395	**29,587**	**(192)**
Tangible assets				
Property, plant and equipment owned		**13,049**	**13,141**	**(92)**
Rights of use assets		**4,898**	**4,992**	**(94)**
Other non-current assets				
Investments in associates and joint ventures accounted for using the equity method		2,699	2,728	(29)
Other investments		82	54	28
Non-current financial receivables arising from lease contracts		49	43	6
Other non-current financial assets		2,194	2,267	(73)
Miscellaneous receivables and other non-current assets		2,260	2,114	146
Deferred tax assets		7,592	7,496	96
		14,876	**14,702**	**174**
Total Non-current assets	**(a)**	**62,218**	**62,422**	**(204)**
Current assets				
Inventories		340	287	53
Trade and miscellaneous receivables and other current assets		4,349	4,280	69
Current income tax receivables		42	86	(44)
Current financial assets				
Current financial receivables arising from lease contracts		*60*	*55*	*5*
Securities other than investments, other financial receivables and other current financial assets		*1,461*	*1,254*	*207*
Cash and cash equivalents		*4,969*	*4,829*	*140*
		6,490	**6,138**	**352**
Current assets sub-total		**11,221**	**10,791**	**430**
Discontinued operations /Non-current assets held for sale				
of a financial nature		—	—	—
of a non-financial nature		365	—	365
		365	**—**	**365**
Total Current assets	**(b)**	**11,586**	**10,791**	**795**
Total Assets	**(a+b)**	**73,804**	**73,213**	**591**

Starting January 1, 2021, in order to assure greater clarity of presentation, amounts due from customers on construction contracts net of the related advances paid are entered under Inventories. The comparison period has been reclassified accordingly.

(million euros)		6/30/2021 (a)	12/31/2020 (b)	Changes (a-b)
Equity and Liabilities				
Equity				
Equity attributable to owners of the Parent		26,006	26,215	(209)
Non-controlling interests		4,592	2,625	1,967
Total Equity	**(c)**	**30,598**	**28,840**	**1,758**
Non-current liabilities				
Non-current financial liabilities for financing contracts and others		21,712	23,655	(1,943)
Non-current financial liabilities for lease contracts		4,106	4,199	(93)
Employee benefits		888	724	164
Deferred tax liabilities		293	277	16
Provisions		689	770	(81)
Miscellaneous payables and other non-current liabilities		3,157	3,602	(445)
Total Non-current liabilities	**(d)**	**30,845**	**33,227**	**(2,382)**
Current liabilities				
Current financial liabilities for financing contracts and others		4,582	3,677	905
Current financial liabilities for lease contracts		660	631	29
Trade and miscellaneous payables and other current liabilities		6,803	6,567	236
Current income tax payables		248	271	(23)
Current liabilities sub-total		**12,293**	**11,146**	**1,147**
Liabilities directly associated with Discontinued operations/Non-current assets held for sale				
of a financial nature		—	—	—
of a non-financial nature		68	—	68
		68	**—**	**68**
Total Current Liabilities	**(e)**	**12,361**	**11,146**	**1,215**
Total Liabilities	**(f=d+e)**	**43,206**	**44,373**	**(1,167)**
Total Equity and Liabilities	**(c+f)**	**73,804**	**73,213**	**591**

Starting January 1, 2021, in order to assure greater clarity of presentation, amounts due from customers on construction contracts net of the related advances paid are entered under Inventories. The comparison period has been reclassified accordingly.

Consolidated Statements of Cash Flows

(million euros)		1st Half 2021	1st Half 2020
Cash flows from operating activities:			
Profit (loss) from continuing operations		(45)	723
Adjustments for:			
Depreciation and amortization		2,268	2,348
Impairment losses (reversals) on non-current assets (including investments)		(9)	22
Net change in deferred tax assets and liabilities		(49)	87
Losses (gains) realized on disposals of non-current assets (including investments)		1	(439)
Share of losses (profits) of associates and joint ventures accounted for using the equity method		(22)	(2)
Change in provisions for employee benefits		256	(435)
Change in inventories		(52)	14
Change in trade receivables		108	321
Change in trade payables		(230)	(574)
Net change in income tax receivables/payables		(235)	68
Net change in miscellaneous receivables/payables and other assets/liabilities		(66)	1,897
Cash flows from (used in) operating activities	**(a)**	**1,925**	**4,030**
Cash flows from investing activities:			
Purchases of intangible, tangible and rights of use assets on a cash basis		(1,960)	(1,974)
Capital grants received		—	23
Acquisition of control of companies or other businesses, net of cash acquired		—	(7)
Acquisitions/disposals of other investments		(66)	(7)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)		(204)	(20)
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		—	(33)
Proceeds from sale/repayments of intangible, tangible and other non-current assets		9	402
Cash flows from (used in) investing activities	**(b)**	**(2,221)**	**(1,616)**
Cash flows from financing activities:			
Change in current financial liabilities and other		(480)	(646)
Proceeds from non-current financial liabilities (including current portion)		1,912	1,097
Repayments of non-current financial liabilities (including current portion)		(2,108)	(1,450)
Changes in hedging and non-hedging derivatives		(38)	(516)
Share capital proceeds/reimbursements (including subsidiaries)		—	8
Dividends paid		(336)	(356)
Changes in ownership interests in consolidated subsidiaries		1,758	(1)
Cash flows from (used in) financing activities	**(c)**	**708**	**(1,864)**
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	**(d)**	**—**	**—**
Aggregate cash flows	**(e=a+b+c+d)**	**412**	**550**
Net cash and cash equivalents at beginning of the period	**(f)**	**4,508**	**3,202**
Net foreign exchange differences on net cash and cash equivalents	**(g)**	48	(150)
Net cash and cash equivalents at end of the period	**(h=e+f+g)**	**4,968**	**3,602**

Purchases of intangible, tangible and rights of use assets

(million euros)	1st Half 2021	1st Half 2020
Purchase of intangible assets	(661)	(474)
Purchase of tangible assets	(1,113)	(771)
Purchase of rights of use assets	(287)	(646)
Total purchase of intangible, tangible and rights of use assets on an accrual basis	(2,061)	(1,891)
Change in payables arising from purchase of intangible, tangible and rights of use assets	101	(83)
Total purchases of intangible, tangible and rights of use assets on a cash basis	(1,960)	(1,974)

Additional Cash Flow information

(million euros)	1st Half 2021	1st Half 2020
Income taxes (paid) received	(254)	(27)
Interest expense paid	(863)	(917)
Interest income received	229	223
Dividends received	86	256

Analysis of Net Cash and Cash Equivalents

(million euros)	1st Half 2021	1st Half 2020
Net cash and cash equivalents at beginning of the period:		
Cash and cash equivalents - from continuing operations	4,829	3,138
Bank overdrafts repayable on demand – from continuing operations	(321)	(1)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	—	65
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	—	—
	4,508	**3,202**
Net cash and cash equivalents at end of the period:		
Cash and cash equivalents - from continuing operations	4,969	3,603
Bank overdrafts repayable on demand – from continuing operations	(1)	(1)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	—	—
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	—	—
	4,968	**3,602**

The additional disclosures required by IAS 7 are provided in the Note “Net Financial Debt” to the TIM Group Half-year Condensed Consolidated Financial Statements at June 30, 2021.

Other information

Average salaried workforce

(equivalent number)	1st Half 2021 (a)	Operation 2020 (b)	1st Half 2020 (c)	Change (a-c)
Average salaried workforce – Italy	39,951	40,140	39,501	450
Average salaried workforce – Outside Italy	9,069	8,959	8,927	142
Total average salaried workforce [1]	**49,020**	**49,099**	**48,428**	**592**

(1) Includes agency contract workers: 12 average employees in Italy in the first half of 2021; 9 average employees in Italy in 2020; 5 average employees in Italy in the first half of 2020.

Headcount at period end

(number)	6/30/2021 (a)	12/31/2020 (b)	6/30/2020 (c)	Change (a-b)
Headcount – Italy	42,910	42,680	45,236	230
Headcount – Outside Italy	9,494	9,667	9,847	(173)
Total headcount at period end [1]	**52,404**	**52,347**	**55,083**	**57**

(1) Includes agency contract workers: 12 employees in Italy at 6/30/2021; 14 employees in Italy at 12/31/2020; 7 employees in Italy at 6/30/2020.

Headcount at period end – Breakdown by Business Unit

(number)	6/30/2021 (a)	12/31/2020 (b)	6/30/2020 (c)	Change (a-b)
Domestic	43,157	42,925	45,473	232
Brazil	9,234	9,409	9,596	(175)
Other Operations	13	13	14	—
Total	**52,404**	**52,347**	**55,083**	**57**

AFTER LEASE INDICATORS

TIM Group, in addition to the conventional financial performance measures established by the IFRS, uses certain alternative performance measures in order to present a better understanding of the trend of operations and financial condition. Specifically, following the adoption of IFRS 16, the TIM Group presents the following additional alternative performance measures:

EBITDA ADJUSTED AFTER LEASE - TIM GROUP

(million euros)	1st Half 2021	1st Half 2020	Changes	
			absolute	%
ORGANIC EBITDA excluding non-recurring items	**3,217**	**3,339**	**(122)**	**(3.7)**
Lease payments	(401)	(385)	(16)	(4.0)
EBITDA adjusted After Lease (EBITDA-AL)	**2,816**	**2,954**	**(138)**	**(4.7)**

EBITDA ADJUSTED AFTER LEASE - DOMESTIC

(million euros)	1st Half 2021	1st Half 2020	Changes	
			absolute	%
ORGANIC EBITDA excluding non-recurring items	**2,591**	**2,745**	**(154)**	**(5.6)**
Lease payments	(255)	(253)	(2)	(0.8)
EBITDA adjusted After Lease (EBITDA-AL)	**2,336**	**2,492**	**(156)**	**(6.3)**

EBITDA ADJUSTED AFTER LEASE - BRAZIL

(million euros)	1st Half 2021	1st Half 2020	Changes	
			absolute	%
ORGANIC EBITDA excluding non-recurring items	**632**	**598**	**34**	**5.6**
Lease payments	(146)	(133)	(13)	(10.2)
EBITDA adjusted After Lease (EBITDA-AL)	**486**	**465**	**21**	**4.4**

ADJUSTED NET FINANCIAL DEBT AFTER LEASE - TIM GROUP

(million euros)	6/30/2021	12/31/2020	Change
Adjusted net financial debt	**22,072**	**23,326**	**(1,254)**
Leasing	(4,657)	(4,732)	75
Adjusted net financial debt - After Lease	**17,415**	**18,594**	**(1,179)**

EQUITY FREE CASH FLOW AFTER LEASE - TIM GROUP

(million euros)	1st Half 2021	1st Half 2020	Change
Equity Free Cash Flow	**363**	**978**	**(615)**
Leases	(274)	(447)	173
Equity Free Cash Flow After Lease	**89**	**531**	**(442)**

EVENTS SUBSEQUENT TO JUNE 30, 2021

See the Note "Events Subsequent to June 30, 2021" in the Half-Year Condensed Consolidated Financial Statements of the TIM Group.

BUSINESS OUTLOOK FOR THE YEAR 2021

Financial targets of the 2021-2023 plan (IFRS 16/After Lease) net of the acquisition of Oi's mobile assets with Vivo and Claro and of the expected benefits from the Recovery Plan as updated on July 19, 2021:

- Cumulated Equity Free Cash Flow during the three-year Plan of around 4 billion euros, net of 0.7 billion euros of substitute tax pursuant to Decree Law 104/2020;
- Reduction of the Group's After Lease debt to around 16.8 billion euros by the end of 2021 and a Net Debt After Lease/EBITDA After Lease ratio of 2.6x by 2023;
- The Group's Organic Revenues from services are expected to see stable to low single-digit growth in 2021 and low to mid single-digit growth in 2022-2023;
- The Group's Organic EBITDA After Lease is expected to be slightly lower (low to mid single-digit decrease) in 2021 and higher (mid single-digit growth) in 2022-2023;
- Revenues from Domestic services are expected to be stable in 2021 and see low to mid single-digit growth in 2022-2023;
- The domestic Organic EBITDA After Lease is expected to be lower (mid single-digit decrease) in 2021 and higher (mid single-digit growth) in 2022-2023;
- Domestic Capex is expected to be approximately 3.0-3.1 billion euros per year, according to the growth of subscribers to the football service;
- Dividend policy: minimum 1 eurocent for ordinary shares and 2.75 eurocents for savings shares in the period 2021-2023;
- ESG guidance: 100% renewable electricity by 2025 and -100% reduction of indirect emissions by 2025.

MAIN RISKS AND UNCERTAINTIES

Risk governance is a strategic tool for value creation.

The TIM Group has adopted a Risk Management model that is constantly evolving, aligned with international regulations and standards, to allow the identification, assessment and management of risks in a uniform way within Group companies, highlighting potential synergies between the actors involved in the assessment of the internal control and risk management system.

The Risk Management process is designed to identify potential events that may affect the business, to manage risk within acceptable limits and to provide reasonable assurance regarding the achievement of corporate objectives.

The Risk Management Model adopted by the TIM Group

- classifies risks based on their impact into Strategic (resulting from the evolution of factors underpinning the main assumptions used for the development of the Strategic Plan) and Operational (resulting from the evolution of risk factors, both endogenous and exogenous, which can compromise the achievement of business objectives);
- assesses the risks not just individually but also in terms of the risk portfolio (correlation analyses);
- identifies and updates the overall set of risks to which the Group is exposed through the analysis of the Business Plan, the monitoring of the reference context (macroeconomic, regulatory, etc.), cyclical monitoring with the Risk Owners, in order to intercept any changes and/or new risk scenarios, specific analyses on the risks to which the corporate assets may be exposed.

The business outlook for 2021 could be affected by risks and uncertainties caused by a multitude of factors, the majority of which are beyond the Group's control.

In this context, we highlight the health emergency due to the spread of COVID-19. In addition, non-exhaustively, the following additional factors are mentioned: a change in market context, entry of new potential competitors in the fixed-line and mobile sphere, the initiation of procedures by Authorities and consequent delays in the implementation of new strategies, any constraints connected to the exercise of the Golden Power by the Government with effects – currently not foreseeable – in terms of strategic choices and progress of the already announced three-year objectives which may entail, for some, different timing than that initially scheduled or relative achievement with new and more articulated paths.

Risks related to the business and industry

Risks related to competition

The telecommunications market is characterized by strong competition that may reduce market share in the geographical areas where the TIM Group is engaged as well as erode prices and margins. Competition is focused on innovative products and services and on the capacity to move towards higher levels of convergence in service and expand it to the content offering, but also on the price competition in both traditional and other services. The use of new technologies (IoT) and new knowledge and customer management tools (Big Data) represent enabling factors in the mitigation of competition risks, however failure to exploit these opportunities could become an additional element of risk.

In terms of infrastructural competition, also considering the agreement for the establishment of the company FiberCop, which aims to speed up the country's fiber coverage, the development of alternative operators could represent a threat for TIM, also beyond the Plan period.

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.

Risks related to the development of fixed and mobile networks

To maintain and expand our customer portfolio in each of the markets in which the TIM Group operates, 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 Company's revenues from erosion.

The maintenance and improvement of existing installations depend on the Group's 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;
- increase the geographical coverage of innovative services;
- upgrade the structure of the systems and the networks to adapt it to new technologies;
- sustaining the necessary level of capital expenditure in the long term.

Cyber security risks

Cyber risk is on the increase worldwide and as such requires continual monitoring by TIM, given the sheer amount of IT assets the company manages 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.), TIM 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 for the company.

As regards prevention, TIM 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.

As for its response to cyber attacks, the Security Operation Center (SOC), operates 24/7, 365 days a year, in order to manage IT security incidents and help limit their impacts. TIM has also implemented an insurance program to cover cyber risks.

Business Continuity Risks

The TIM Group's success depends heavily on the ability to ensure the continuous and uninterrupted delivery of the products and services we provide through the availability of processes and the relating supporting assets, which are sensitive to various internal and external threats. TIM has adopted a "Business Continuity Model System" framework in line with international standards, to analyze and prevent these risks.

TIM considers Business Continuity a fundamental factor for the protection of the Group's Value and Reputation, in the provision of its services and in full compliance with what is defined in customer contracts, in sector regulations and, more generally, in consistency with reference methodologies and best practice.

TIM implements an ongoing management and governance process which, supported by the Company Management, ensures that the necessary steps are taken to identify the impact of potential losses, that recovery plans and strategies are practical and that continuity of services is guaranteed through training programs, tests, exercises and periodic updating and revision activities.

TIM also carries out period risk assessments of the corporate assets with a view to assessing and mitigating the risks of possible direct damages and/or interruptions of business, equally implementing specific insurance programs to cover these risks.

Already from February 2020, the BCMS model and in particular the Business Continuity Plans were also used as tools to ensure maximum operating conditions in the face of the COVID-19 health emergency. The timely adoption by all corporate Departments of the continuity measures defined has made it possible to adopt suitable strategies to continue operating from both a remote position and in on-field operations, always guaranteeing the health and safety of employees.

Fraud risks

Technological progress means that increasingly sophisticated tools and techniques, which are quick acting and have a considerable economic impact are available for fraudulent activity.

"Conventional" phenomena such as subscription, interconnection, and commercial fraud currently generate the highest part of revenue loss and will continue to be significant in the near future, however new types of Internet-style fraud will gradually gain more ground (Internet spamming/phishing, service reselling, VoIP bypass, etc.). Furthermore, some specific types of provided services (e.g. wholesale interconnection, voice or data services) are potentially at risk of third party use for the construction of fictitious transaction schemes, tax avoidance offenses and/or international money laundering.

The TIM Group has an established organizational model based on the governance of fraud and a separate operational governance system for managing and combating fraud.

The procedure to combat external fraud, drawing on company processes at risk of the offenses contemplated in Italian Legislative Decree no. 231/2001 being committed, sets out internal control mechanisms, including instructions on how employees and Company staff/partners (including suppliers) must behave (Prevention). In the Detection stage, potential cases of fraud are identified and after a preliminary check of the possible grounds the cases may be subject to Investigation and Tackling. To complete the fraud management end-to-end cycle, the results of actions taken are assessed with monitoring and any actions to improve the fraud management process are identified.

The fight against internal fraud, implemented in compliance with the limits imposed by the recently updated trade union agreements prohibiting distance monitoring of staff at work, is carried out through the detection of information relating to the concentration of anomalous operations that flag-up possible cases of serious wrongdoing.

Risks linked to the main sustainability topics

For many years now, the Group has been actively involving and systematically consulting with its stakeholders with a view to improving the company's environmental, social and governance (ESG) performances. The results of engagement activities, as seen from the materiality matrix, are reflected in the Sustainability Plan, the heart of the Group's three-year Strategic Plan.

The plan of action in support of the ESG strategy aims to assure a concrete, significant impact on business development, which has upheld goals of environmental protection and social inclusion.

Reducing energy consumption and combating climate change

TIM and ERG signed an agreement in Italy for the supply of electricity produced from renewable sources.

Through this agreement, over the next few years, TIM will be covering approximately 20% of its corporate energy consumption through renewable sources, strengthening the commitment to the pursuit of eco-efficiency objectives and the use of renewable sources on which the Group's strategy is hinged.

The operation is also an important contribution towards the development of the clean energy sector, in line with the CO2 emissions reduction and decarbonisation objectives established by the European Union.

More specifically, the Group has set itself the goal of becoming carbon neutral by 2030, with an increasing focus on energy consumption, failure to limit such will not only have a negative impact on the climate, but may result in failure to make savings on costs.

The measures adopted by TIM include:

- initiatives and projects aimed at minimizing the environmental impact of the corporate business, of customers using ICT products and the supply chain;
- energy efficiency improvements under the scope of the plants and CED;
- increased use of energy from renewable sources in the corporate processes.

The continuous increase in global average temperatures is having a significant impact on natural events/disasters.

The negative consequences linked to climate change (e.g. floods, wind storms, etc.) can also impact the corporate assets (tangible damages) and Business Continuity (Business Interruption). To this end, TIM has specifically assessed, mitigated and monitored risks deriving from such events, as well as taken out suitable insurance cover.

Social inclusion

The digital divide is a huge obstacle to the dissemination of digitization and the correlated connectivity services, with the risk of commercial repercussions. The “Operazione Risorgimento Digitale”, which began in 2019, is the first major free school for the spread of digital skills in Italy and the main project for inclusion that seeks to bridge the digital divide involving the country’s less urbanized areas.

Personnel competences and engagement

The capacity to attract and retain qualified, specialized, motivated personnel is key to the success in pursuing the strategic goals and achieving a suitable level of customer experience.

TIM has launched a hiring program, searching out professional profiles that are compatible with the company reindustrialization/reorganization plan and a program for all personnel for the adjustment of competences in support of requalification, reskilling and upskilling processes, also regarding important insourcing of evolved and traditional, technical-specialized core activities.

Following the 2020 Engagement Survey, the plan for TIM personnel has been prepared, with the aim of increasing engagement over a 3-year period.

The plan includes a series of actions, of those already in progress, those concerned by revision and those introduced ex-novo, which look to personal well-being, organization and personal support, to ensure a better time working in the company and, in turn, comes under the scope of the broader TIM Sustainability Plan.

Financial risks

The TIM 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 the TIM Group companies. These risks may adversely impact the earnings and the financial structure of the Group. Accordingly, to manage those risks, the TIM Group has established guidelines, at central level, 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.

The potential impact of Brexit in terms of financial risk is not considered significant for the TIM Group. In addition, the financial risk management policies adopted provide for the full hedging of exchange rate risk and the minimization of exposure to interest rate and counterparty risk and are also effective in the Brexit context.

Risks related to macroeconomic conditions

COVID-19

The continued health emergency for the spread of COVID-19 and the restrictive orders issued by national and foreign Authorities, coupled with the worsening of the global macroeconomic scenario and the risk of deterioration of the credit profile of certain customer segments, could lead to slowdowns in business activities, deriving from the limitation of certain types of technical and commercial interventions, difficulties encountered by customers and discontinuity in the supply chain, with negative impacts on the overall results of the Group.

Also in consideration of the public service provided, the management of this emergency requires all possible actions to be taken relating to the operational continuity of business processes with the aim of ensuring the functionality of the services provided and the protection of employees’ health.

The evolution of the world health care situation linked to the COVID-19 and the completion of the vaccine campaign are essential to the national and international social and economic recovery.

Risks related to macro-economic factors

The TIM Group's economic and financial situation depends on the influence of numerous macroeconomic factors such as economic growth, consumer confidence, interest rates and exchange rates in the markets where it operates.

The last quarter of 2021 recorded a slight increase (0.1%) in the GDP on Q4 2020 (-0.8% on Q1 2020). The positive contribution to growth comes above all from fixed investments (+3.7% on the previous quarter). Instead, the recovery of consumption by families and the public administration is slow (-1% on the previous quarter). More specifically, purchases of durable goods have reduced (-0.9%), as have services (-4.2%) and semi-durable goods (-3.6%), while purchases of non-durable goods have increased (+1.9%). Export volumes grow by 0.5% on the previous quarter and by 1.2% on Q1 2020.

In general, in 2020 the Italian economy suffered more than other Eurozone countries in respect of the COVID-19 emergency (Italy's GDP estimate is -8.9% vs 2019; Eurozone GDP is -6.2% vs 2019). The global context is characterized by a clear recovery in world trade and a progressive improvement in production, albeit at different times and rates in the different countries. For Italy, solid GDP growth is expected in both 2021 (+4.7%) and 2022 (+4.4%). These scenarios incorporate the effects of the progressive introduction of the interventions envisaged by the National Recovery and Resilience Plan (PNRR). The effective capacity to implement the measures planned, the evolution of the health emergency and the completion of the vaccine campaign are the main elements for the social and economic recovery. The risks associated with the scenarios are tied to the effective capacity to implement the measures planned as well as to the evolution of the health emergency and vaccine campaign.

Consumption has contracted significantly, especially in the services sector, as a result of the measures adopted to limit contagion and a greater caution by consumers in spending during the pandemic. The Italian government's measures to limit the contagion and support household incomes will have a positive impact on demand, and have also led to a severe increase in public debt, which came to 157% of the GDP in 2020, up 21 p.p. on 2019. Forecasts expect to see a slight reduction in the debt/GDP by 2023 of around 6 p.p. In 2021 too, public accounts will be impacted by major budget allocations (approximately 100 billion euros) destined to fight the recession effects of the crisis. Various measures have already been launched, including the Support Decree for a total of 32 billion euros, dedicated above all to businesses.

The increase in unemployment rates has also been blocked by the public support measures and by the block to dismissals, however the labor markets will need time to recover. Inflation will change considerably during the year, as the hypotheses surrounding energy prices and changes in VAT rates result in significant fluctuations in price levels than in the same period of last year. For the European Union, current forecasts suggest inflation of 1.9% in 2021 and 1.5% in 2022. For the Eurozone, the figures are 1.7% in 2021 and 1.3% in 2022.

Recovery of economic growth will go hand-in-hand with the increase in vaccinations and a relieving of restrictions. The growth starting the second quarter will be driven by private consumption, investments and the growing demand for EU exports by a world economy that is strengthening.

In Brazil, after three years of modest growth, the 4.1% decline of the GDP in 2020 was influenced significantly by the COVID-19 pandemic emergency and the restrictions imposed to limit its spread, the lock-downs and social distancing measures that have brought about a general commercial and economic contraction, particularly if compared with the 1.1% growth seen in 2019.

After a devastating first half of 2020, when the pandemic led to the closure of commercial activities, major restrictions in travel and a considerable outflow of capital, which had already begun in 2019, the scenario in the second half of the year changed and the third quarter recorded strong GDP growth. 2020 has not recovered the level of activities at end 2019, but the impact was less than initially expected.

Recently, following the adoption of strict measures restricting travel and calling for social distancing, in a bid to reduce the transmission of COVID-19, the gradual relaxation of restrictions and return to economic activities, coupled with the financial support offered by the government have helped assure a slight recovery in the second half of 2020. It is not yet possible, however, to predict if the Brazilian economy and the results of TIM Brasil will return to pre-crisis levels.

Risks relating to the legislative and regulatory context

Regulatory risks

The electronic communications industry is highly regulated. As such, new decisions by the Italian Communications Authority (AGCom) may lead to changes in the regulatory framework that may affect the expected results of the Group and the guidance announced to the market. In addition, the position of significant market power held by TIM In the fixed-line access markets and the structure of the mobile markets results in high levels of scrutiny from the Italian Competition Authority (AGCM) over competition in the sector.

The main elements that introduce uncertainty are:

- lack of predictability in start-up timing and consequent final decisions in new proceedings by AGCom and AGCM (the Italian Competition Authority);
- AGCom decisions with retroactive effect (for example, the revision of prices applicable to past years and the effectiveness and actual implementation of repricing policies, also following administrative rulings);
- AGCom decisions that can influence the technological choices, with potential impact on the timing of return on infrastructure investment;
- any AGCM (the Italian Competition Authority) decisions that can limit TIM's competitive capacity (for example, in terms of minimum retail prices to guarantee replicability);

- any inadequacy in the implementation of processes and systems for the management of regulated services, identified by AGCom or AGCM (the Italian Competition Authority);
- any AGCom or AGCM (the Italian Competition Authority) decisions that impose constraints on the pricing of fixed-line and mobile offers on the basis of consumer protection legislation.

Compliance risks

The TIM 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 TIM 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-conformances are identified and is monitored by the dedicated internal control system.

General Data Protection Regulation (GDPR)

Compliance with Commission Regulation (EU) 2016/679 (General Data Protection Regulation, GDPR), directly applicable as from May 25, 2018 and enacted in Italy by Legislative Decree no. 101/2018 is particularly important. This Regulation has increased administrative fines considerably compared to the Data Protection Act previously in effect, and in some cases fines of up to 20 million euros may be administered, or in the case of companies, of up to 4% of their global annual turnover of the previous year, if this amount is higher than 20 million euros. Starting from the operating model already in use with pre-existing Privacy regulations, the TIM Group extended the tools necessary to ensure compliance with the GDPR, also activating specific organizational oversights. In particular, a steering committee was established on compliance with the GDPR, overseen by the company's senior management and that provides guidance in pursuing the conformity objectives. The conformity assessments have been submitted to the committee, along with the results of the *ex ante* and *ex post* controls carried out by the Compliance Department in accordance with the Group Data Protection Officer, who operate autonomously, in accordance with segregation of duties and who take part in the Company's Internal Control System. The Company's operative processes have been adapted according to the principle of privacy-by-design, with special attention paid to the commercial, relations with customers and technological processes, adopting the methods defined by corporate regulations dedicated to the application of the GDPR and which incorporates the directives of the Data Protection Authority. Personal data processing is subject to preventive assessment according to the indications of the European Data Protection Board (EDPB), it is censused and the related responsibilities are attributed to the suitable managerial level of the Company's organization, as envisaged by the Privacy Code in application of the accountability principle laid down by the GDPR.

Health and Safety at Work

Compliance with safety at work requirements is assured in TIM through the application of current applicable legislation starting from when the risk assessment is performed and updated from time to time, along with the relevant document.

As regards the management of the impacts of the COVID-19 pandemic, TIM immediately took all steps necessary to fully implement the emergency provisions issued by the government and regional authorities, in multiple tranches, to limit the virus contagion.

Weekly smart working has been extended to all professional figures able to do so, including call center operators, and specific prevention and protection protocols defined, modulated taking into account the specific nature of the work at hand, for all those needing to continue to work on-field (technicians, store operators and data center operators), equipping them with suitable Personal Protection Equipment and, in line with the legal guidance and taking into account government and health authority guidelines, in accordance with Italian Legislative Decree no. 81/2008, a specific document has been formalized dedicated to COVID-19 and setting out all personnel protection measures aimed at preventing contagion.

In addition, TIM has supported employees with dedicated initiatives, such as:

- a continuous information and awareness-raising campaign intended for all personnel;
- a health welfare campaign, of voluntary adhesion, based on serological and rapid antigen tests aiming to verify the degree of immunity to COVID-19 by means of antibody response, intended mainly for personnel who have continued to work in the field during the emergency;
- a flu vaccine campaign, again voluntary, for all TIM Group personnel;
- dedicated insurance coverage to protect the company population;
- psychological support from external professionals;
- specific procedures for handling any cases of ascertained or suspected positivity to COVID-19, as well as specific insurance cover for employees in the event of hospitalization following contagion with COVID-19;
- criteria for interregional and international mobility for proven working needs, always within the limits set by the schemes defined by the competent health authorities;
- the stipulation of the agreement with the trade unions for the management of a safe return to work.

Golden Power

The "Golden Power" Decrees that give the government special powers over corporate structures in the defense and national security sectors, as well as for activities of strategic importance in the telecommunications sector, affect the public-private relationship, also adding value to the technological assets and services included in the Golden Power perimeter, with content derived from the pursued institutional purpose.

In summary, the Prime Minister established that the Company is subject to the obligations pursuant to Legislative Decree no. 21/2012 (special powers rules) on September 28, 2017, as a business that:

- carries out “activities of strategic importance for the defense and national security system” (as per article 1 of the Decree Law) and
- possesses networks and systems “necessary to ensure the minimum supply and operation of essential public services” and goods and relationships “of strategic importance for the national interest” in the communications sector (as per article 2 of the same Decree Law).

The regulatory architecture relating to TIM, consequently, involved a first phase in 2017 on the issue of the Prime Ministerial Decrees of October 16 and November 2.

The government’s ruling was subsequently integrated with the Law of May 20, 2019, no. 41 which included measures relating to electronic broadband communication services based on 5G technology within a wider framework of urgent measures”.

With the aforementioned ruling of October 16, 2017, the Prime Minister exercised the special powers provided for in article 1 of the Golden Power Decree by imposing specific provisions and conditions on TIM and the Sparkle and Telsy subsidiaries. The measures concern corporate and organizational governance; in particular, the Prime Minister requires the presence on the respective Boards of Directors of a Security Chief Executive Officer - currently coinciding with the Chief Executive Officer - (who has Italian citizenship and security authorization) and the establishment of a Security Organization unit.

With a ruling on November 2, 2017, the Prime Minister’s Office also exercised the special powers provided for in article 2 of the Golden Power Decree, through the imposition of further requirements and conditions.

With the subsequent implementing decrees of September 5, 2019 and July 6 and August 7, 2020, the Legislator imposed the exercise of special powers in relation to the supply of 5G technology produced outside the EU, stating that these communication services constitute activities of strategic importance for the National Defense and Security system.

Risks relating to legal proceedings and the Regulatory Authorities

The TIM 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 settlement unfavorable to 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.

MAIN CHANGES IN THE REGULATORY FRAMEWORK

Domestic

In this section we report the main changes in the regulatory framework in the first half of 2021 in the Domestic region.

As regards the Antitrust proceedings, as well as the proceedings regarding the 28-day invoicing, see the Note “Disputes and pending legal actions, other information, commitments and guarantees” in the TIM Group Half-year Condensed Consolidated Financial Statements at June 30, 2021.

New EU Electronic Communications Code

The (EU) 2018/1972 Directive, which establishes the new European Electronic Communications Code (Code), will be applicable in Member States after its transposition into national laws, which was to take place by December 21, 2020. Italian Law no. 53 of April 22, 2021 has been approved (European Delegation Law 2019-2020) that, under Article 4, identifies the management principles and criteria for the implementation of Directive (EU) 2018/1972. Transposition of the Code is expected over the next few months.

The Code reviews and replaces the previous European regulatory framework made up of the Access Directive, Framework Directive, Authorization Directive and the Universal Service Directive.
The main changes concern the regulation of access/interconnection, spectrum management and Universal Service obligations.

Access and interconnection regulation

The new rules aim to stimulate investment in very high capacity networks while continuing to protect competition and the interests of end users.

The new European Electronic Communications Code promotes co-investment as a model for developing Very High Capacity Networks – VHCNs, providing for the possibility of not imposing ex-ante regulatory obligations on new VHCNs set up in co-investment in the face of specific binding commitments for operators with Significant Market Power (SMP) on the conditions of access and the opening up of the co-investment offer.

The new Code also provides for a lighter regulatory regime for SMP companies that have developed a the “wholesale only” model, where the National Regulatory Authority (NRA) may exempt SMP operators who offer communication services from certain obligations, including cost orientation electronics exclusively in wholesale markets, imposing only the obligations of access, non-discrimination and fair and reasonable pricing on them.

Finally, the Code also privileges the obligation of accessing infrastructures over other *ex ante* obligations and extends the possibility of imposing symmetric obligations of access to essential network infrastructures beyond the first distribution/concentration point. Longer market review periods (five years instead of three) are introduced to offer operators greater certainty. The new measures mentioned so far aim to encourage investments in the new VHCNs.

Regulation of fixed and mobile termination of voice calls

On April 22, 2021, Delegated Regulation (EU) 2021/654 of December 18, 2020 concerning the setting of maximum voice termination rates (fixed and mobile) at EU level, as required by the new Code, was published in the Official EU Journal. European caps (EU maximum prices) on termination rates are applied to operators providing fixed and mobile termination services (replacing the prices set by national regulators) from July 1, 2021.

The maximum EU fixed termination price is 0.07 eurocents/min.

The maximum EU mobile termination price is 0.2 eurocents/min.

In order to allow for a gradual transition of the price of mobile termination to the European cap, a three-year glide path is applied with the following values for Italy: 0.67 eurocents/min in 2021, 0.55 eurocents/min in 2022 and 0.40 eurocents/min in 2023, landing at 0.2 eurocents/min in 2024.

Under certain conditions, which should in principle guarantee price reciprocity, these caps also apply to the termination of calls originating outside the EU.

Spectrum management

The new Code introduces new rules for the development of mobile networks and 5G, including the minimum duration of the rights to use frequencies, equal to 15 years with the possibility of an extension of an additional 5 years. A subsidized regime for the installation of small cells was also introduced as was:

- consistency of installation rules at national level;
- installations not subject to individual preventive permits (with some exceptions);
- installations not subject to contributions or charges in addition to administrative charges;
- right of access under fair, reasonable, transparent and non-discriminatory conditions to any physical infrastructure controlled by public authorities (e.g. light poles, road signs, etc.).

On July 20, 2020, the European Commission adopted Implementing Regulation (EU) 2020/1070 (applicable from December 21, 2020), which defines the physical and technical characteristics of the small cells that fall within the scope of the subsidized regime.

"Connectivity" Recommendation

European Commission Recommendation (EU) 2020/1307, dated September 18, 2020, requires Member States to urgently adopt and implement a common Union toolbox to reduce the cost of deploying VHCNs and ensure timely and investment-friendly access to 5G radio spectrum, to foster connectivity in support of economic recovery from the Covid-19 crisis in the Union. In March 2021, the package of common instruments seeking to promote connectivity was published and Italy successfully sent its roadmap implementing the measures.

Universal Service obligations

The Code provides an obligation for all broadband internet access service and fixed location voice communication services providers to ensure "financial accessibility" for residential users (in particular those with a low-income or special social needs). However, Member States are free to impose universal service obligations (including coverage obligations where necessary) on designated companies (as is currently the case in Italy, where TIM is the designated company).

Each Member State must decide what is appropriate broadband internet access; the access speed must at least allow end users to use the services listed in Annex V of the Code.

A Member State can continue to impose obligations related to public telephony, if the need for this service is determined on the basis of national circumstances.

There are no longer specific QoS-Quality of Service obligations related to the provision of the universal service.

Member States can also choose the public and/or sectoral financing methods for costs relating to the universal service:

The changes introduced by the Code will presumably lead to a revision of the universal service regime currently applied in Italy.

While awaiting transposition of the new Code into Italian legislation, the Authority has already implemented the provision that repeals the obligations regarding minimum quality objectives for access and voice telephony services defined by the Authority and imposed only on operators responsible for providing the universal service (in Italy, only TIM). This eliminated the current asymmetry between TIM and its competitors who, despite offering the same access and voice telephony services, were not subject to any quality obligations, any supervisory action or any disputes regarding compliance with the corresponding annual quality objectives.

2030 Digital Compass Target communication

On March 09, 2021, the European Commission adopted Communication COM(2021) 118 final setting out the following digital objectives through to 2030:

- A digitally skilled population and highly skilled digital professionals:
  - 20 million employed ICT specialists within the EU, with convergence between women and men (i.e. an increase in the number of women employed in the industry);
  - 80% of the adult population with at least basic digital skills.
- Secure and performant sustainable digital infrastructures:
  - All European households will be covered by a Gigabit network, with all populated areas covered by 5G;
  - The production of cutting-edge and sustainable semiconductors in Europe including processors is at least 20% of world production in value;
  - 10,000 climate neutral highly secure edge nodes are deployed in the EU, distributed in a way that will guarantee access to data services with low latency (few milliseconds) wherever businesses are located;
  - By 2025, Europe will have its first computer with quantum acceleration paving the way for Europe to be at the cutting edge of quantum capabilities by 2030.
- Digital transformation of business:
  - 75% of European enterprises have taken up cloud computing services, big data and artificial intelligence;
  - More than 90% of European SMEs reach at least a basic level of digital intensity;
  - Europe will grow the pipeline of its innovative scale ups and improve their access to finance, leading to doubling the number of unicorns (start-ups worth $1 billion) in Europe.
- Digitalization of public services:
  - 100% online provision of key public services available for European citizens and businesses;
  - 100% of European citizens have access to medical records (e-records);
  - 80% of citizens will use a digital ID solution (eID).

Wholesale fixed-line markets

Fixed network access market analysis

The final provision published on August 8, 2019 defines the obligations and economic conditions for wholesale access services for the period 2018-2021.

The main decisions relate to:

- repeal of TIM's qualification as an operator with Significant Market Power (SPM) in the access market – and, consequently, repeal of all ex ante regulatory obligations – in the municipality of Milan and confirmation of SPM operator qualification for the rest of the National territory;
- repeal of the obligation to guide the cost of bitstream copper and fiber service prices in 26 municipalities considered "contestable" (list to be updated annually); the possibility to apply, in the same municipalities, different VULA prices from the national average value set by the Authority starting from 2021, if certain conditions to be defined by the Authority are met, through a specific procedure put in place with resolution no. 481/19/CONS published on February 4, 2020;
- Wholesale access rates for copper and fiber for 2018 equal to those of 2017, unless there is a limited reduction in the VULA FTTC fee;
- gradual increase in the full unbundling price (ULL) and bitstream price on copper in the 2019-2021 period;
- sub loop unbundling (SLU) price stability in the 2019-2021 period;
- gradual decrease in fiber access prices (VULA FTTC and FTTH) and price differentiation of the bandwidth, starting in 2021, depending on whether the access line is on a copper or NGA network;
- repeal of the current prior AGCom notification obligations and verification of *ex ante* "replicability" for flagship offers with speeds greater than or equal to 100 Mbit/s and, in other cases, reduction of prior notification period from 30 to 20 days;
- definition of the process and timing for the decommissioning of TIM exchanges;
- possibility of using vectoring in FTTC cabinets where alternative operators have not requested sub loop unbundling (SLU) lines;
- elimination of current asymmetries in procedures to change TIM network operator between processes to return to TIM and changing from TIM to alternative operators.

In November 2020, AGCom concluded the preliminary reliability assessment of TIM's voluntary separation project for the creation of FiberCop (the Newco that will acquire the secondary copper and fiber access network currently held by TIM and Flash Fiber, a subsidiary of TIM and owned by KKR Infrastructure Fund and Fastweb).

With Resolution no. 637/20/CONS, published in December 2020, the Authority initiated the procedure relating to the coordinated analysis of the markets for fixed network access services pursuant to article 50-ter of the Code and, at the same time, launched the public consultation on the project for the voluntary separation of TIM's fixed access network.

Once the first phase of consultation on the FiberCop Project is complete, AGCom shall continue its coordinated analysis with more available elements, both with reference to the regulatory framework (transposition of the new European Electronic Communications Code at national level and adoption of the new Recommendation on Relevant Markets) and initial feedback received from interested parties on the project's general impact on TIM's fixed network access markets.

On January 29, 2021, TIM published a co-investment offer on its wholesale website for all operators interested. The offer involves the development of a new fiber network in 1,610 municipalities by 2025 and at the same time, it also notified AGCom of the offer in accordance with Articles 76 and 79 of the New European Electronic Communications Code (EECC) so that the conformity is assessed with said Art. 76 for the purpose of deregulating the new fiber infrastructure. The co-investment project is open to any supplier of electronic communication services or networks and it is the first case of European co-investment on a national scale and application of the new Code. In April 2021, by resolution no. 110/21/CONS, AGCom launched the market test on TIM's co-investment offer. Consultation closed last June 07, 2021. On June 25, 2021, following the public consultation of Infratel for the mapping of NGA and VHCN coverage in the country's gray and black areas, TIM extended its coverage plan to a further 968 municipalities in gray areas, corresponding to an additional 0.7 million Technical Property Units covered in fiber. In this way, the TIM Group will, by April 2026, reach a total of 2,578 municipalities and cover a total of 13.6 million Technical Property Units, corresponding to approximately 80% of the Technical Property Units in gray and black areas.

Infratel Tenders for the subsidizing of ultrabroadband networks

At the COBUL meeting of May 5, 2020, the Government approved an executive plan for public funding for a total amount of 2.7 billion euros, providing for the following interventions to support the development of UBB demand and infrastructure.

- **School Plan 2020-23 (400 million euros)**
  - connect **32,213 school complexes** (81.4% of the total) to ultrabroadband up to 1 Gbps with 100 Mbps guaranteed
    - all middle and high school complexes throughout Italy
    - all primary and kindergarten complexes in "white areas"

- **Voucher Plan (1,146 million euros)**
  - Families with ISEE under 20,000 euros (286,542,816.30 euros): 500 euros (200 euros for connectivity + 300 euros for Tablet or PC on loan)
  - Other families (320,927,954.20 euros): 200 euros for connectivity of at least 30 Mbps (all technologies including satellite)
  - Companies > 30 Mbit/s (114,617,126.50 euros): 500 euros for connectivity of at least 30 Mbps (all technologies, including satellite)
  - Fiber companies (401,159,942.80 euros): 2,000 euros for connectivity up to 1 Gbits (fiber)
- **Gray Areas Plan (1,126 million euros)**
  - infrastructure of some industrial districts in the "gray areas" on a regional basis and municipalities with a higher concentration of businesses than the population.

School Plan

After a Public Consultation on the School Plan, which concluded in September, on October 19, 2020, Infratel published a call for tenders with a deadline for submission of bids on December 4, 2020, which provides for public funding of 274 million euros split into 7 geographic lots (with a limit of two lots that can be awarded by the same competitor, who can submit bids for all lots).
On February 24, the tenders on the individual lots were awarded as follows:

- 4 lots to Fastweb comprising the following regions: Liguria, Piedmont, Lazio, Sardinia, Campania, Basilicata, Calabria and Sicily;
- 2 lots to TIM comprising the following regions: Tuscany, Veneto, Marches, Abruzzo, Molise and Apulia;
- 1 lot to Intred S.p.A; Lombardy.

Voucher Plan

A first phase of intervention, to be implemented urgently by 2020, was started on November 09, 2020 and concerns less advantaged families (Equivalent Economic Situation Indicator, or ISEE, threshold up to 20,000 euros) completely without connectivity services, or with connectivity services below 30Mbit/s.

A second phase of intervention, to be implemented after a public consultation, concerns families with an ISEE income of up to 50,000 euros and businesses.

To implement the second phase of the Voucher Plan, Infratel conducted a public consultation, which concluded in September 2020.

The results of the consultation have not yet been published. At the end of the public consultation, the intervention plan in question will be submitted to the European Commission pursuant to art. 108, subsection 3 of the TFEU and then regulated by a specific decree of the Italian Minister of Economic Development.

Gray Areas Plan

On June 24, 2020, Infratel launched a new consultation on gray and black area coverage to identify gray areas for the implementation of the new activities established by the COBUL of May 5, 2020, in order to:

- monitor the maintenance of the coverage commitments undertaken, pursuant to point 65 of the Community Guidelines, by the operators who responded to the 2019 Consultation;
- gather evidence of new implemented or planned activities for the next three years.

In September 2020, Infratel published the monitoring results in order to update the mapping of UBB coverage of gray and black areas by private operators over the three-year period 2020-2022.

The PNRR approved by the Parliament and sent on April 30 to the European Commission sets out a series of initiatives, with the aim of taking ultra-broadband connections throughout national territory by end 2026. In all, 6.7 billion euros are allocated, distributed over the following Plans:

- “Italia 1 Giga” plan (3.86 billion euros);
- “Italia 5G” plan (2.02 billion euros);
  - No 4G/5G Areas (1 billion euros)
  - 5G corridors (0.6 billion euros)
  - 5G ready suburban roads (0.42 billion euros)
- “Sanità Connessa” (Connected Healthcare) plan (0.50 billion euros);
- “Scuola Connessa” (Connected School) plan, already started (0.26 billion euros);
- “Collegamento isole minori” (Minor islands connection) plan, already started (0.06 billion euros).

Through these measures, the government intends to bring forward to 2026 - and therefore a good 4 years - the 1 Gbps connectivity objectives for everyone and full 5G coverage of the populated areas fixed by the new European Digital Compass Strategy for 2030.

In order to implement this Plan, Infratel has launched a public consultation, which ended on June 15, 2021, for the “2021 mapping of the ultrabroadband networks: Fixed NGA and VHCN connections in the black and gray areas”.

The mapping regards 21.3 million gray and black addresses and requires operators to declare their VHCN and NGA coverage plans for the next five years (4/30/2021 - 4/30/2026), indicating both the network coverage available at April 30, 2021 and that envisaged in each of the next 5 years, through to April 30, 2026.

On the basis of the results of the consultation, the areas not covered by VHCN connection by private operators through to 2026 will be defined, to be financed publicly for the step change to 1 Gbps, according to tender methods yet to be defined.

On June 10, 2021, Infratel also launched 2021 mapping of mobile connections.

By August 31, 2021, operators will need to declare the mobile coverage plans, indicating the network coverage available at 5/31/2021 and that envisaged in the next 5 years, through to 5/31/2026.

The mapping aims to verify which areas are already covered by 4G and 5G mobile networks or which will be, according to the operators' coverage plans in the reference five years (2021-2026), highlighting the characteristics also in terms of backhauling of the base transceiver stations (BTSs).

The mapping of the mobile networks aims to better direct the three axes into which the 5G Plan is divided: 1) 5G corridors; 2) 5G ready suburban roads; 3) No 4G/5G areas.

Wholesale mobile network markets

Mobile termination market analysis

On January 22, 2019, AGCom published its final decision on mobile network termination market analysis (resolution no. 599/18/CONS). In particular, AGCom established symmetric tariffs for all MNO and full MVNO operators for the period 2018-2021 (0.98 euro cents in 2018, 0.90 euro cents in 2019, 0.76 euro cents in 2020, 0.67 euro cents in 2021) and confirmed the absence of an obligation to check the termination prices for calls originating outside the European Economic Area (EEA); however, SMP operators cannot adopt termination rates that are higher than those applied to Italian operators by operators in non-EEA countries where rates are regulated.

As specified above, in accordance with Delegated Regulation (EU) 2021/654 of the Commission, a progressive reduction is expected in mobile termination prices in three years, so as to allow for a gradual transition towards the target price of 0.2 cents/min. in 2024: 0.67 cents/min until end 2021, 0.55 cents/min in 2022 and 0.4 cents/min in 2023.

Retail fixed-line markets

Universal Service

Net cost
Following ruling no. 4616/2015, published on October 2, 2015, in which the Council of State canceled decision no. 1/08/CIR of AGCom on the retroactive application of the new methodological criteria for calculating the net cost of the universal service (USO) relating to the 2004-2007 years, the Authority began the public consultation of the net cost of the total years 2004-2007 with resolution 89/18/CIR, published on July 3, 2018, and subsequent resolution no. 62/19/CIR, published on May 7, 2019. On September 11, 2019, the Authority published the final resolution concerning the Net Cost of Use for 2004-2007 (resolution no. 103/19/CIR) in which it recognized the existence of an unfair charge for TIM of a total of 113.4 million euros to be shared between all fixed-line and mobile operators. The share payable by the OAOs amounts to approximately 26.6 million euros, calculated net of installments already paid by the same operators, following the 2004 and 2005 procedures approved "illo tempore". In relation to past disputes, following ruling no. 3388/15 of the Council of State, published on July 7, 2015, on September 11, 2019, the Authority launched the public consultation procedure (resolution no. 102/19/CIR) for an in-depth fixed-mobile substitutability analysis, in line with the path outlined for the 2004-2007 years. In this context, ruling no. 6881 of October 8, 2019, in which the Council of State authorized the return of the shares paid by Vodafone to TIM, for the contested years (1999-2000 and 2002-2003). In light of the above-mentioned Council of State ruling, which completely reversed the Lazio TAR rulings no. 6458, 6459, 6461 and 6463 of May 23, 2018, in execution of which the public consultation pursuant to resolution no. 102/19/CIR was started, the Authority revoked the aforementioned resolution with decision 190/19/CIR.

On July 21, 2020, AGCom published the public consultation relating to the review of the inequity of the net cost of the universal service 1999-2009. The extension of the time period subject to renewal until 2009 was necessary following the ruling no. 2542/2020 with which the TAR accepted Vodafone's appeal, in terms of fixed-mobile substitutability. The opinions on the years 2004-2007, renewed by AGCom with resolution 103/19/CIR, and on which the TAR has not yet expressed an opinion also hang on the same issue. In compliance with judgment 6881 passed by the Council of State, in its Resolution 263/20/CIR, the Authority defined a new approach to demonstrate the lawfulness of the participation of mobile operators at the net USO cost for the years in question. AGCom's view expressed in the consultation is to recognize prima facie the unfairness of the charge for the years 2002-2009. For the previous years 1999-2000, however, the Authority did not recognize the existence of an unfair charge for TIM.

On March 29, 2021, with the publication of resolution no. 18/21/CIR, AGCom confirmed the obligation of mobile operators to participate in the USO contribution mechanism for the years 2001-2009, in line with the guidance expressed by the same Authority during public consultation. Following a challenge of the resolution by WIND and Vodafone, the Ministry of Economic Development suspended the obligation for operators to make payment. By the end of the year, the application of the merits should be discussed by the Regional Administrative Court.

On December 4, 2019, AGCom began certification activities for the Net Cost 2010-2013, to be carried out by the BDO S.p.A. company. The review of the years 2010, 2011, 2012 and 2013 has been completed and we await the start of the corresponding public consultation procedure.

Quality of Service
In relation to the universal service quality objectives:

- with Resolution no. 651/20/CONS, AGCom fined TIM 58,000.00 euros. The fine was for the failure to reach the 2019 target set for the "*Average operator response time to incoming calls*". Non-compliance was 10" (actual figures 80" vs. target of 70");
- on December 14, 2020 TIM received from the tax authorities the repayment of 115,998.00 euros. Repayment of the sum originally paid by TIM took place following confirmed Lazio Regional Administrative Court judgment no. 3948/2018, which (accepting TIM's appeal no. 2661/08) annulled AGCom Resolution no. 633/07/CONS that fined TIM for alleged failure to meet the 2006 target set for the "*Failure rate per access line*".

Guidelines for voluntary withdrawal

With resolution no. 487/18/CONS, the Authority regulated the ways operators must manage dissolution and transfer methods for user contracts.

TIM challenged the resolution regarding the provisions that limit the right to fully recover the costs in case of withdrawal (discounts from promotions, product installments). The administrative judge dismissed TIM's appeal, as the guidelines would not be directly damaging. TIM once again appealed against Resolution no. 487/18/CONS as a prerequisite for Resolution no. 591/20/CONS by which AGCom ordered TIM to pay an administrative fine for violation of Resolution no. 487/18/CONS regarding withdrawal.

Freedom to choose Modems

With resolution no. 348/18/CONS, the Authority ratified the principle of user freedom to choose modems for Internet access.

TIM challenged the resolution in relation to the transitional provisions for customers who have an internet offer combined with a modem for a fee (sale and rental) in the months preceding the entry into force of resolution no. 348/18/CONS (December 1, 2018). Following the Council of State order at the end of 2018, which suspended the transitional provisions pending a hearing being set in the Lazio TAR, and which asked for the hearing set for October to be brought forward, on January 29, 2019, the Lazio TAR confirmed the public hearing, already set for October 23, 2019. On January 28, 2020, the TAR rejected TIM's appeal. TIM appealed against the TAR judgment.

In May 2020, TIM notified its customers who had signed up for an Internet access and installment modem purchase offer before December 1, 2019, that they had the option to sign up for an equivalent Internet offer without a modem and an allowance for the remaining installments. By signing up for the equivalent offer, the residual debt in installments on the customer's bill for the purchase of the modem would not be due, this did not entail any additional charges for the customer or implied changes to the financial and contractual terms and conditions for using the active services on the line.

Retail mobile network markets

Premium Services

In February 2021, with resolution no. 10/21/CONS, AGCom adopted new measures relative to the implementation of digital services with contents in subscription from mobile network. In particular, default barring has been envisaged on the SIMs, namely an inhibition to purchase these services, which can be removed by prior express decision of the customer, and a customer consent acquisition process for individual purchases, through the entry of a temporary password (an "OTP"). This resolution has been appealed against by TIM before the Regional Administrative Court.

Authority fees

AGCom contribution fee

On March 1, 2021, AGCom issued resolution no. 616/20/CONS relating to the payment of the AGCom contribution fee for the year 2021 (calculated on the 2019 financial statements figures). The guidelines for calculating the contribution fee are unchanged compared to the guidelines for calculating the 2019 contribution fee. For 2021, AGCom has confirmed the rate of 1.30 per thousand. On the basis of this rate, TIM paid around 17.084 million euros under reserve.

Privacy and personal data protection

General Data Protection Regulation (GDPR) and Legislative Decree 101/2018

On May 25, 2018, the General Data Protection Regulation (Regulation (EU) no. 2016/679 – "GDPR") came into force.

Furthermore, on September 19, 2018, Legislative Decree no. 101 of August 10, 2018 entered into force, which brought the Code regarding the protection of personal data (Legislative Decree June 30, 2003, no. 196) in line with the provisions of the GDPR – EU Regulation 2016/679.

To ensure compliance of personal data processing with the GDPR within Group companies, TIM has carried out the activities provided in the adaptation plan.

Of the main changes, the following is noted:

- the appointment of a Data Protection Officer and establishment of related contact points for individuals with questions relating to the processing of their personal data;
- the "System of rules for the application of legislation on personal data protection in the Telecom Italia Group" policy is kept constantly up-to-date and available on the corporate intranet. The policy for the exercise by data subjects of privacy rights has also been updated, as has the procedure for the

management of data breaches and the manual for drafting the Privacy Impact Assessment; in 2020, the update to the System of rules involved, among other things, the issue of processing employee data in relation to the COVID-19 epidemic;

- the updating of the numerous policy notice texts on personal data processing, provided by TIM and the other Group companies to different types of Data Subjects (e.g. customers, employees, visitors).

A specific training project was put in place to raise awareness in the various company departments and illustrate the policies and procedures issued for applying the legislation on personal data processing. This training was provided during 2019. In 2020 training was provided to the Sales Departments and sales network partners in relation to the issue of commercial contacting. In addition, starting end 2020 and through to June 2021, specific training sessions have been held for TIM Customer Care resources and customer care service suppliers, focused on the topics of interest, such as the dispatch of customer requests relative to the exercise of privacy rights and commercial contactability.

COVID-19 emergency

In light of the COVID-19 emergency, the Data Protection Authority issued provisions and clarifications relating to the processing of employees' personal data in the workplace.

TIM has ensured it is in compliance with the provisions through various activities. In particular:

- an *ad hoc* policy has been drafted relating to the processing of personal data collected through real time temperature checks of employees and all those who access company premises in accordance with the provisions of the Prime Minister’s Decree of April 26, 2020;
- the self-certification to be submitted by employees, certifying whether in the last 14 days they have had contact with anyone who has tested positive for Covid-19 or coming from areas at risk according to the WHO guidelines, has been brought into compliance with the Data Protection Authority requirements. The declaration provides that only the necessary, adequate and relevant data regarding the prevention of Covid-19 infection is collected without requesting additional information in relation to the person who tested positive, specific locations visited or other details relating to the private sphere;
- guidance has been given regarding the processing of personal data of TIM employees and Group companies collected during serological tests and the related consents to allow third parties to process the information only if the test is positive;
- in 2021, indications were given on the processing of personal data of TIM employees and those of the Group companies, collected when adhering to the COVID-19 vaccination campaign, in compliance with the FAQs on employee vaccination and the guidelines to vaccination in the workplace, issued by the Data Protection Authority.

Spectrum

In July 2020, with resolution 338/20/CONS, AGCom adopted a decision in favor of renewing for eight years until 2029 the rights to use of the TIM, Vodafone, Iliad and Wind/H3G FDD spectrum in the 2100 MHz band (2x15MHz for TIM and Vodafone, 2x10 MHz for Iliad, 2X5 MHz for Wind/H3G and 2x15 MHz for Wind/H3G, already extended). For the purpose of renewal, in April 2021, TIM paid almost 240 million euros and is awaiting the MiSE-MEF (Ministry for Economic Development and Ministry for the Economy and Finance) Interministerial Decree formalizing the extension.

In August 2020, following a public consultation launched in May of the same year, AGCom confirmed June 30, 2022 as the end date for the specific GSM coverage obligations.

Regulatory measures for COVID-19

Based on the government "Cura Italia" decree, on March 18, 2020, AGCom adopted a first package of measures aimed at guaranteeing telecommunication services; this package takes into account the current health emergency situation and growth in the consumption of services and network traffic.

Two of the four permanent technical working groups set up by AGCom concern:

- improvement and security of telecommunication networks and services; and
- protection and facilitation of the use of digital services by consumers.

In implementation of the Decree, which allows AGCom to derogate from some regulatory conditions to better deal with public interest issues during the current health emergency period, AGCom has defined measures to improve the conditions of TIM's offer of regulated network services, by providing:

- a temporary reduction in the regulated wholesale costs of the Ethernet band for copper and fiber access
- the maximum commitment for the accelerated supply of transport equipment and VLANs necessary for increasing the bandwidth and for following up the early opening of new NGA cabinets.

In addition, TIM must make its infrastructure available throughout Italy, responding to consumer requests without discrimination in relation to the country's technology and geographical areas.

AGCom has also asked all operators to make all possible efforts to contribute to the management of the state of emergency, indicating actions deemed relevant such as:

- trying to guarantee an increase in the average bandwidth per customer on the fixed network of at least 30% in the shortest possible time, where technically possible;
- making every effort, in the absence of coverage with an NGA fixed network and at the request of the condominium or the legal person responsible for the office, to activate, without any increase in costs until June 30, 2020, every possible access solution;

- recommend to final consumers that they use mainly fixed-line access at home (including wi-fi) so as not to overload the mobile network.

In relation to network adjustments, TIM has significantly increased bandwidth capacity both towards the Big Internet and on national nodes, improved mobile coverage and is increasing the coverage of the UBB fixed network.

In relation to the commercial offer for alternative operators, TIM has made price reductions available for the Ethernet band on the copper and fiber network, is managing requests for bandwidth increase received by the Other Authorized Operators (AOA) with a high priority and has allowed free and direct access to the TIM data network through public peering.

Finally, to counter the spread of COVID-19, TIM has defined an operating procedure for safely carrying out technical network works.

On the other hand, operators voluntarily proposed different measures to their customers. In particular, TIM has proposed free voice calls, free Gigabits and many other voluntary initiatives in support of remote working and distance learning.

Considering the persistence of the current state of emergency deriving from the global attempt to contain the COVID-19 pandemic, TIM has asked the Italian Authorities to assess, in compliance with the provisions of Art. 82 of the "Cura Italia" decree and in accordance with the guidelines set out in Resolution No. 131/20/CONS, an initiative that provides for the enabling of ADSL, at no cost to the user, for access lines on which TIM's "Voice" offer is active. Following consultation with the market and consumer protection associations, by means of Resolution no. 384/20/CONS AGCom approved TIM's initiative, albeit subject to compliance with a number of precautions and clarifications regarding both transparency vis-à-vis the end user and competitive aspects.

Extension of the Golden Power rule to 5G technology services

Law Decree Law March 25, 2019, no. 22 and Law Decree July 11, 2019, no. 64

Decree Law no. 22 of March 25, 2019 (converted, with amendments, by Italian Law no. 41 of May 20, 2019) introduced into Decree Law no. 21 of March 15, 2012 (converted with amendments by Italian Law no. 56 of May 11, 2012), Article 1-bis, which regulates the exercise of the special powers inherent to the broadband electronic telecommunication networks using 5G technology.

In particular, the following are subject to special powers:

- the agreement of contracts or agreements for the purchase of goods or services relating to the design, construction, maintenance and management of 5G service networks;
- the acquisition of high-tech components necessary for implementation or management;
- factors indicating the existence of vulnerabilities that could compromise the integrity and security of networks and the data sent on them.

In particular, the agreement of contracts and acquisition of high intensity components from subjects outside the European Union, carry an obligation to notify the Prime Minister to allow a timely exercise of the veto power.

Failure to comply with this notification obligation carries a pecuniary administrative fine equal to twice the value of the transaction and in any event not less than 1 percent of the turnover of the last financial year.

On September 21, 2019, Decree-Law no. 105 was published (converted, with amendments, by Italian Law no. 133 of November 18, 2019), setting out "Urgent provisions on the cybernetic national security perimeter", which has extended the scope of application of rules on the special powers that can be exercised by the Government in the strategic sectors, liaising with the implementation of Regulation (EU) 2019/452 on the control of foreign investments in the European Union.

Most of the implementing measures defined in said Decree-Law call for the issue of the following provisions:

- Decree of the President of the Council of Ministers (DPCM) regarding the regulation for the definition of the terms and criteria by which to identify the subjects included in the cybernetic security perimeter and criteria to be used to prepare the list of networks, sensitive information systems. The DPCM came into force on November 05, 2020;
- Administrative deed of the President of the Council of Ministers identifying the subjects included in the scope. Issued in December 2020.
- Decree of the President of the Council of Ministers (DPCM) regarding the definition of the procedures for notifying "incidents" impacting the systems to the CSIRT and the measures necessary to guarantee high security levels. Awaiting issue.
- Decree of the President of the Republic (DPR) regarding the definition of the notification process to the CVCN of the critical infrastructure other than 5G and for 5G devices supplied by European vendors.
- Definition of the type of verifications and tests on hardware and software that can be carried out both under the scope of Golden Power and CVCN. The Regulation came into force on April 23, 2021.
- Decree of the President of the Council of Ministers (DPCM) whereby the categories of goods and services to be notified to the CVCN are identified. Not yet issued.
- Decree of the President of the Council of Ministers (DPCM) whereby the criteria are defined that the CVCN needs to use to identify the laboratories accredited to perform security/vulnerability tests. Not yet issued.

Law Decree no. 23 of April 8, 2020 (adopted with amendments by law no. 40 of June 5, 2020) substantially amended the general Golden Power regulation: also in relation to the communications sector, the obligation to notify of participations by foreign entity companies, including those outside the European Union, has been extended, in cases where the transaction is likely to determine the control over the company in which the equity investment was purchased.

On December 23, 2020, Decree no. 180 of the Presidency of the Council of Ministers was adopted, containing the new regulations for the identification of assets of strategic importance in the energy, transport and communications sectors, subject to the exercise of government powers under the Golden Power.

The measure confirms what has already been established by the previous regulations on telecommunications and amends some provisions relating to other sectors of strategic importance to Italy.

Urgent measures for simplification and digital innovation

As regards the measures to speed up the country's infrastructure process, in continuity with Decree Law no. 76 of 2020, the "Simplifications Decree Law", Decree Law no. 77/2021, setting out the "Governance of the National Recovery and Resilience Plan and first measures to strengthen the administrative structures and speed up and streamline the procedures", like the previous one, sets out important simplification measures to speed up completion of both the 5G networks and networks in optic fiber and ultra-broadband. The Decree is currently being converted in parliament and changes may therefore be made. The deadline for the conversion into law is July 30, 2021.

New European Electronic Communications Code

The new European Electronic Communications Code, incorporating Directive 2018/1972, should have been adopted by the Government by December 21, 2020. Parliament has approved the European delegation law 2019-2020, which, amongst the European Community Directives to be incorporated, also includes Directive 2018/1972. At present, the Government is working on the drafting of the final text of the new Code.

Brazil

Revision of the model for the supply of telecommunications services

In April 2016, the working group composed of the Ministry of Science, Technology, Innovation and Communications (MCTIC), now 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 the Anatel. In return, licensees must, among other conditions, make a commitment to investment in expanding fixed broadband telephony services to areas with no adequate competition for these services, in order to minimize inadequacies and inequalities between areas of Brazil.

The change also affects the roles for authorizing the use of radio frequencies, establishing subsequent renewals (currently limited to only one) and allows the exchange of radio frequencies between operators (secondary spectrum market).

In June 2020, Decree 10402 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 9612/2018 ("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 15, 2021, Provisional Measure 1018/2020 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 1, 2022 and will be progressive: 10% in the first year; 25% in the second year; 40% in the third year; and 50% from the fourth year onwards.

In addition, the new legislation removes the obligation to share towers within a distance of less than 500 meters from each other. The elimination of this obligation is essential for the deployment of 5G in Brazil, including to ensure the densification scenario expected for the new technology.

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 SPM 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 the Service Quality Regulation

In December 2019, Anatel approved the new Telecommunication Services Quality Regulation (RQUAL), based on a reactive regulation. In this new model, quality is measured on the basis of three 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.

As a consequence of the global health crisis (COVID-19), it is now expected that the new regulation will enter into force by January 2022; until the work group consisting of Anatel, operators, and the Quality Assurance Support Authority (ESQA) 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 Wi-Fi 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 will have to meet the remaining auction obligations, concluding the relocation of broadcasters and provisions on interference solutions to complete the switch off process and make the spectrum fully available for mobile operators.

“Marco Civil da Internet” and Network Neutrality

The “Marco Civil da Internet” (MCI), approved in April 2014 by Brazilian Law no. 12965/2014, 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. 8771/2016 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 13709/2018). 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 Brazilian President amended Law 13709 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 13853, 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, draft law no. 1,179/2020 was converted into draft 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 mo. 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 (9319/2018 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 9854/2019) 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.

CORPORATE BOARDS AT JUNE 30, 2021

Board of Directors

The Ordinary Shareholders' meeting of TIM, held on March 31, 2021, appointed a new Board of 15 Directors and for a three-year term of office (up to the approval of the financial statements at December 31, 2023). At its meeting on April 1, 2021, the Board of Directors appointed Salvatore Rossi as its Chairman, and Luigi Gubitosi as Chief Executive Officer of the Company.

The current power structure of the Company provides:

- to the Chairman, the powers and responsibilities contemplated by law, the bylaws and corporate governance arrangements;
- to the Chief Executive Officer, all powers necessary to perform acts pertinent to the Company's business, except for the powers reserved by law and the bylaws to the Board of Directors.

The composition of the Company's Board of Directors at June 30, 2021 was therefore:

Chairman	Salvatore Rossi (independent)
Chief Executive Officer and General Manager	Luigi Gubitosi
Directors	Paolo Boccardelli (independent)
	Paola Bonomo (independent)
	Franck Cadoret
	Paola Camagni (independent)
	Maurizio Carli (independent)
	Luca De Meo (independent)
	Cristiana Falcone (independent)
	Federico Ferro Luzzi (independent)
	Giovanni Gorno Tempini
	Marella Moretti (independent)
	Ilaria Romagnoli (independent)
	Arnaud Roy de Puyfontaine
	Paola Sapienza (independent)
Secretary to the Board	Agostino Nuzzolo

The following board committees were in place at June 30, 2021:

- **Control and Risk Committee**: composed of the Directors: Federico Ferro Luzzi (Chairman), Paolo Boccardelli, Paola Bonomo, Marella Moretti and Ilaria Romagnoli;
- **Nomination and Remuneration Committee**: composed of board members: Paola Bonomo (Chairman), Paola Camagni, Maurizio Carli, Luca De Meo and Paola Sapienza;
- **Related Parties Committee**: composed of the Directors: Paolo Boccardelli (Chairman), Maurizio Carli, Cristiana Falcone, Marella Moretti and Ilaria Romagnoli;
- **Sustainability Committee**: made up of the Chairman of the Board of Directors, Salvatore Rossi and Directors Paola Camagni, Cristiana Falcone, Federico Ferro Luzzi and Paola Sapienza.

Board of Statutory Auditors

The Ordinary Shareholders' Meeting of March 31, 2021 appointed the Company's Board of Statutory Auditors for a term of office that will end with the approval of the 2023 financial statements.

The Board of Statutory Auditors of the Company is now composed as follows:

Chairman	Francesco Fallacara
Standing Auditors	Angelo Rocco Bonissoni
	Francesca di Donato
	Anna Doro
	Massimo Gambini
Alternate Auditors	Ilaria Antonella Belluco
	Laura Fiordelisi
	Franco Maurizio Lagro
	Paolo Prandi

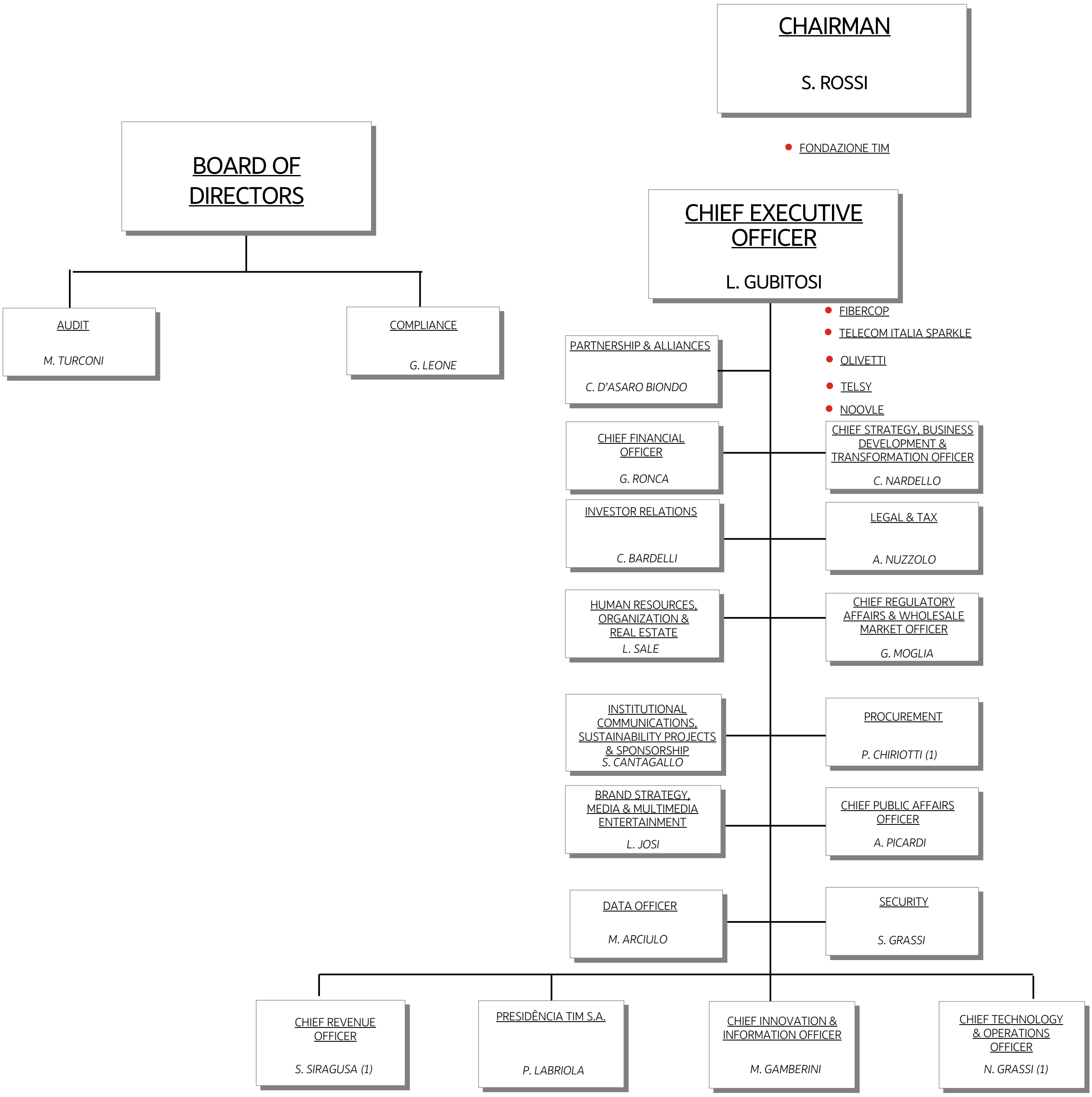
Independent Auditor

The engagement for the independent auditing of the financial statements of TIM S.p.A. for the nine-year period 2019-2027 was awarded to EY S.p.A. by the shareholders' meeting of March 29, 2019.

Executive responsible for preparing the corporate accounting documents

At the meeting of April 1, 2021, the Board of Directors appointed Giovanni Ronca (Head of the Group Administration, Finance and Control Function) as the manager responsible for preparing the financial reports of TIM S.p.A..

MACRO-ORGANIZATION CHART



(1) Starting July 5, 2021.

INFORMATION FOR INVESTORS

Share capital of TIM S.p.A. at June 30, 2021

Share Capital	11,677,002,855.10 euros
Number of ordinary shares (without nominal value)	15,329,466,496
Number of savings shares (without nominal value)	6,027,791,699
Number of TIM S.p.A. ordinary treasury shares	28,464,092
Number of TIM S.p.A. ordinary shares held by Telecom Italia Finance S.A.	126,082,374
Percentage of ordinary treasury shares held by the Group to total share capital	0.72%
Market capitalization (based on June 2021 average prices)	9,594 million euros

On May 25, 2016, the Shareholders' Meeting approved amendments to the company name, introducing the name "TIM S.p.A." as an alternative to "Telecom Italia S.p.A.".

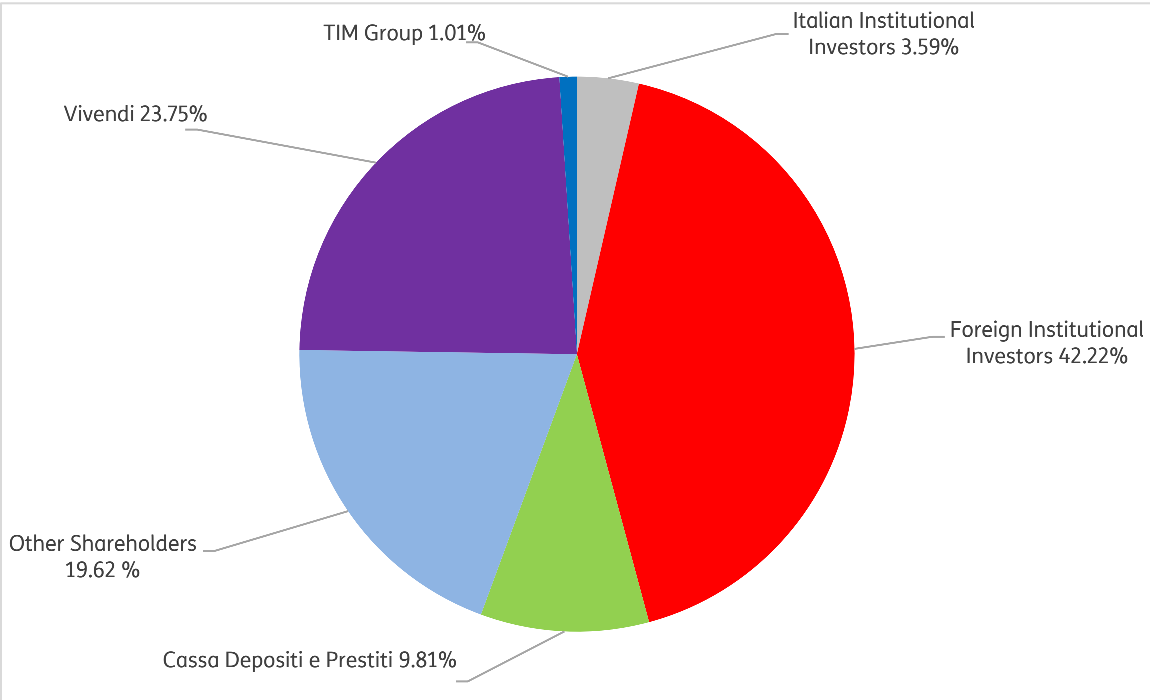
TIM S.p.A. ordinary and savings shares are listed on the Italian stock exchange (FTSE index), whereas the ordinary shares of TIM S.A. are listed in Brazil under B3 (formerly the BM&F/Bovespa).

	TIM-Telecom Italia		**TIM S.A.**
Code	ordinary shares	savings shares	
Stock exchange	IT0003497168	IT0003497176	BRTIMSACNOR5
Bloomberg	TIT IM	TITR IM	TIMS3 BZ
Reuters	TLIT.MI	TLITn.MI	TIMS3.SA

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.

Shareholders

Shareholder composition according to the Shareholders Book at June 30, 2021, supplemented by communications received and other available sources of information (ordinary shares):



Major Holdings in Share Capital

Taking into account the entries in the Shareholders Book, communications sent to Consob and to the Company pursuant to Italian Legislative Decree 58 of February 24, 1998, Article 120, and other available sources of information, the relevant holdings (above 3%) of TIM S.p.A.'s ordinary share capital are as follows[1]:

Holder	Type of ownership	Percentage of ownership
Vivendi S.A.	Direct	23.75%
Cassa Depositi e Prestiti S.p.A.	Direct	9.81%
Canada Pension Plan Investment Board	Direct	3.19%

On April 14, 2021, the temporary reinforced transparency regime on variations of the relevant holdings and declarations of the investment objectives. This date therefore marked the coming into force of the ordinary regulations pursuant to Art. 120, subsection 2 of the CLF, which envisages the obligation to notify the investee and Consob upon exceeding the threshold of 3% of the capital with voting rights held in a listed company.

Common Representatives

- The special meeting of the savings shareholders held on May 24, 2019 renewed the appointment of Dario Trevisan as the common representative for three financial years, up to the approval of the financial statements for the year ended December 31, 2021.
- By decree of July 3, 2020, the Milan Court appointed Antonio Franchi as the common representative of the bondholders for the loan "Telecom Italia S.p.A. 2002-2022 a Tasso Variabile, Serie Speciale Aperta, riservato in sottoscrizione al personale del Gruppo TIM, in servizio e in quiescenza" (Telecom Italia S.p.A. 2002-2022 Floating Rate bonds, Open Special series, reserved for subscription by serving or retired employees of the TIM Group). The Bondholders' Meeting, convened for the appointment of the common representative on April 16, 2020, was not quorate.

Rating at June 30, 2021

At June 30, 2021, the three rating agencies – Standard & Poor's, Moody's and Fitch Ratings – rated TIM as follows:

	Rating	Outlook
STANDARD & POOR'S	BB+	Negative
MOODY'S	Ba2	Negative
FITCH RATINGS	BB+	Stable

Waiver of the obligation to publish disclosure documents for extraordinary transactions

On January 17, 2013, the Board of Directors of TIM S.p.A. resolved to exercise the option, as per article 70 subsection 8 and article 71 subsection 1-bis of the Consob Regulation 11971/99, to waive the obligations to publish disclosure documents in the event of significant operations such as mergers, demergers, capital increases by means of the transfer of assets in kind, acquisitions and disposals.

[1] The percentages refer to the total ordinary shares making up TIM's share capital, as resulting from the last deposit with the Register of Companies as at the update date. In particular, following the November 27, 2020 issue of 126,343,913 ordinary shares following the public offering for subscription in exchange for payment reserved for employees under the scope of the "2020 Broad-Based Share Ownership Plan", all ordinary shares making up the share capital of TIM come to 15,329,466,496 and this was registered with the Register of Companies on December 28, 2020.

RELATED-PARTY TRANSACTIONS

In accordance with Article 5, subsection 8 of Consob Regulation 17221 of March 12, 2010 concerning “Related-party transactions” as subsequently amended, no significant transactions were conducted in the first half of 2021, as defined by Article 4, subsection 1a of the aforementioned regulation, that had a material impact on the financial position or the performance of the TIM Group.

In addition, there were no changes or developments with respect to the related party transactions described in the 2020 Report on Operations which had a significant effect on the financial position or on the performance of the TIM Group in the first half of 2021.

Related-party transactions, when not dictated by specific laws, were conducted at arm's length. They were performed in compliance with the internal procedure, which sets forth rules designed to ensure the transparency and fairness of the transactions in accordance with Consob Regulation 17221/2010. The current procedure is available on the website gruppotim.it, under the Group section/Governance tools channel.

For information on transactions with related parties, see the Financial Statement Statements and the Note “Related party transactions” of the Half-Year Condensed Consolidated Financial Statements of the TIM Group at June 30, 2021.

ALTERNATIVE PERFORMANCE MEASURES

In this Half-Year Financial Report at June 30, 2021 of TIM Group, in addition to the conventional financial performance measures established by IFRS, certain alternative performance measures are presented for the purposes of enabling a better understanding of the performance of operations and the financial position of the TIM Group. Such measures, which are presented in the periodical financial reports (annual and interim), should, however, not be considered as a substitute for those required by IFRS.

Specifically, following the adoption of IFRS 16, the TIM Group presents the following alternative performance measures:

- **EBITDA adjusted After Lease ("EBITDA-AL")**, calculated by adjusting the Organic EBITDA, net of the non-recurring items, from the amounts connected with the accounting treatment of the lease contracts according to IFRS 16. This financial measure is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of the operating performance of the Group (as a whole and at the Business Unit level), in addition to EBIT;
- **Adjusted net financial debt After Lease**, calculated by excluding from the adjusted net financial debt the net liabilities related to the accounting treatment of lease contracts according to IFRS 16. TIM believes that the Adjusted net financial debt After Lease represents an indicator of the ability to meet its financial obligations;
- **Equity Free Cash Flow After Lease**, calculated by excluding from the Equity Free Cash Flow the amounts related to lease payments. In particular, this measure is calculated as follows:

+	Equity Free Cash Flow
-	Principal share of lease payments

This financial measure is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors) and is a useful indicator of the ability to generate Free Cash Flow.

The other alternative performance measures used are described below:

- **EBITDA**: This financial measure is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of the operating performance of the Group (as a whole and at the Business Unit level), in addition to **EBIT**. These measures 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 and joint ventures 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 before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets	

- **Organic change and impact of the non-recurring items on revenues, EBITDA and EBIT**: these measures express changes (amount and/or percentage) in Revenues, EBITDA and EBIT, excluding, where applicable, the effects of the change in the scope of consolidation, the exchange differences and the non-recurring events and transactions. TIM believes that this method of presentation provides a more complete and effective interpretation of the Group's operating performance (as a whole and with reference to the Business Units); it is therefore also used in the presentations to analysts and investors. This Half-Year Financial Report provides a reconciliation between the "reported figure" and the "organic excluding the non-recurring component" figure.
- **EBITDA margin and EBIT margin**: TIM believes that these margins represent useful indicator of the ability of the Group (as a whole and at Business Unit level) to generate profits from its revenues. In fact, EBITDA margin and EBIT margin measure the operating performance of an entity by analyzing the percentage of revenues that are converted into EBITDA and EBIT, respectively. Such indicators are used by TIM in internal presentations (business plans) and in external presentations (to analysts and investors) in order to illustrate the results from operations also through the comparison of the operating results of the reporting period with those of the previous periods.
- **Net Financial Debt**: TIM believes that the 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. This Half-Year Financial Report includes a table showing the amounts taken from the statement of financial position and used to calculate the Net Financial Debt of the Group.

To provide a better representation of the true performance of Net Financial Debt, in addition to the usual indicator (renamed "Net financial debt carrying amount"), the TIM Group reports a measure called "Adjusted net financial debt", which neutralizes the effects caused by the volatility of financial markets. Given that some components of the fair value measurement of derivatives (contracts for setting the exchange and interest rate for contractual flows) and of derivatives embedded in other financial instruments do not result in actual monetary settlement, the Adjusted net financial debt excludes these purely accounting and non-monetary effects (including the effects of IFRS 13 – Fair Value Measurement) from the measurement of derivatives and related financial assets/liabilities.

Net financial debt is calculated as follows:

+	Non-current financial liabilities
+	Current financial liabilities
+	Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale
A)	**Gross financial debt**
+	Non-current financial assets
+	Current financial assets
+	Financial assets relating to Discontinued operations/Non-current assets held for sale
B)	**Financial assets**
C=(A - B)	**Net financial debt carrying amount**
D)	**Reversal of fair value measurement of derivatives and related financial liabilities/assets**
E=(C + D)	**Adjusted net financial debt**

- **Equity Free Cash Flow (EFCF)**: this financial measure is used by TIM as the financial target in internal presentations (business plans) and external presentations (to analysts and investors), shows cash generation and is intended as the net cash flow before payments relating to dividend and investments in frequencies. Therefore, it represents the Free Cash Flow available for dividend payments, debt repayment, impacts of leasing transactions and investment in frequencies. This measure excludes the financial impact of any acquisition and/or disposal of equity investments.

The Equity Free Cash Flow measure is calculated as follows:

+	Operating Net Free Cash Flow
-	Impact for leasing
-	Payment of licenses
-	Financial impact of acquisitions and/or disposals of shareholdings
-	Dividend payment and Change in Equity

INNOVATION, RESEARCH AND DEVELOPMENT

TIM, as for 2020, is continuing with the deployment of its 5G network and establishing 5G based commercial services including in collaboration with relevant partners. Research and development activities are functional to the achievement of these objectives.

TIM's commitment to innovation

The first six months of 2021, saw a significant restructuring of TIM's Innovation Department, which together with the IT Department, has established an independent department reporting directly to Top Management, confirming and strengthening its role as a central element in responding to technological, market and competitive changes.

The Innovation Department, strengthened by TIM Innovation Labs, with offices in Turin, Milan, Rome and Catania, focuses on activities which create a competitive advantage for the company in terms of business, technological innovation and recognition of the brand's innovative value, both with a view to growing the top line and increasing the company's efficiency.

These six months have seen TIM strengthen its commitment to the Open Innovation paradigm as an operating model by focusing on:

- establishing a large ecosystem of partners (start-ups, companies, universities, public administration,...), to encourage meeting "demand" with "supply", so TIM can be a key element in the value chain;
- establishing lasting relationships with strategic partners, which can contribute to the achievement of TIM's objectives;
- favoring an approach focused on the Platform model, in which TIM provides the functions used by the subjects (both internal and external) involved in the innovation process to create new digital products/services. The platform makes TIM's distinctive technical expertise available in a structured way.

Network innovation and 5G based services: partnerships

In this context, collaborations with other ecosystem players represent a fundamental lever to develop the intelligent infrastructure on which the global economy of the future and the services enabled by it will be based.

During the first half of 2021, participation in the Torino City Lab project continued with the Municipality of Turin. TIM's contribution was mainly focused on the activities of the Turin Casa delle Tecnologie.

The City of Turin is in fact first in the rankings of the tender of Axis 1 of the Program in support of emerging technologies and the project presented, CTE Next (in which TIM is the reference technological partner), has therefore been awarded the MiSE (Ministry of Economic Development) loan.

The project was launched on March 1st and will run for 4 years. During this period, a great many Torino City Lab initiatives will be conveyed within CTE Next. In actual fact, CTE Next envisages a series of call for testing and call for innovation, for which it will catalyze the potential experiments by start-ups and SMEs interested in going about its business in the territory of Turin. The project reference verticals are the classic sectors on which the city of Turin focuses: Smart Mobility, Urban Air Mobility (drones), Industry 4.0, Innovative Urban Services, and the gaze, as always, will be turned towards the social aspects and potential replication in other contexts of the solutions tested. The places envisaged for the experiments extend those normally used in the Torino City Lab. In addition to the Doralab and urban circuit of smart roads, there is also the CSI Next site in Corso Unione Sovietica, the CIM 4.0, the Polytechnic University Clik laboratories and the laboratories of Fondazione Links (all places for which TIM has developed the reference 5G infrastructure).

The first half of 2021 saw the collaboration begun in 2019 within the MISE Competence Center for Industry 4.0 (Competence Industry Manufacturing 4.0) continue, where TIM Innovation Labs collaborate with the Polytechnic and University of Turin, as well as with another 23 Turin companies for the research, testing and diffusion of Industry 4.0 solutions, including 5G, to SMEs. In particular, in addition to pursuing the collaboration in terms of advanced training, with active participation in the CIM Academy, TIM has brought ultra-fast XGS-PON connections to CIM: FTTH fiber connections with XGS-PON technology, which make a bandwidth of 10 GB/second available symmetrically, and the use of new Edge Cloud infrastructure, technological enablers designed *ad hoc* to foster the best digital performance and greatest flexibility of use.

In May, under the scope of the agreement between TIM and Google Cloud, stipulated in March 2020, for a technological collaboration for the creation of innovative public, private and hybrid cloud services to enrich the range of technological services offered by TIM, TIM and Noovle have launched the development of Italy's first "5G Cloud Network". The solution will allow for the faster development of new digital applications in 5G, thanks to the automation of industrial processes and the real time implementation of services thanks to Edge Computing, on the basis of specific needs. The project, which will enable the automation of the functions of TIM's 5G core network and all Cloud applications, will use the TIM Telco Cloud infrastructure, Google Cloud solutions and Ericsson technologies.

TIM, a member of the O-RAN ALLIANCE since 2018, during the first half of 2021 was one of Europe's first operators (and the only one in Italy) to launch an Open RAN (Open Radio Access Network) development program for the innovation of the mobile access network. This initiative will see the Group implement new solutions on its commercial network to benefit customers and businesses thereby speeding up the deployment of digital services.

The initiative is covered by the signing of a Memorandum of Understanding last February with the main European operators to promote Open RAN technology with the aim of speeding up the implementation of new generation mobile networks, in particular 5G, Cloud and Edge Computing.

TIM is also one of the world's first operators (and the only one in Italy) to launch the "European OTIC Lab". The Open Test and Integration Center - OTIC Lab, in line with the standards envisaged by O-RAN ALLIANCE, the set-up of which will be completed during the second half of the year, will be based at the TIM Group Innovation laboratories in Turin and operate in synergy with the entire Open RAN ecosystem (manufacturers, start-ups, system integrators, etc.) in order to try out new solutions and speed up this technology for the development of the new pan-European architecture of the mobile network (5G, Cloud and Edge Computing).

Operating activities to develop 5G technology, ORAN and Edge Computing, and to harness innovative solutions related to Quantum Communication, the Business Technological Plan, are accompanied by structured technical communication activities that range from the TIM Technical Bulletin editorial plan to promotions with press releases and events to disseminate scientific information also at the customer's premises. In particular, during the first six months of 2021, events were held by video conference call due to the continued state of emergency brought about by the COVID-19.

Innovation and research with universities

Research and University are key words for TIM's two pronged approach, which has set it apart for over 50 years for its focus on innovation and development of partnerships with the Italian academic world.

2021 sees TIM focused on the establishment of a real "Open Innovation Ecosystem" in collaboration with universities to develop new Open Labs, Research Projects, also with PHD contributions to put in place training and also to encourage the spread of new technology trends, heralding new growth opportunities within an increasingly global market..

Open Innovation therefore grafts into an integrated ecosystem with the strategic European and Italian departments comprising orders, PhDs, PoCs, the development of demo prototypes, Community Open Source, Financed Projects and Dissemination.

The research with the Universities for Innovation of 2021 identifies specific topics; real structured courses on some medium/long-term topics to complete and enrich the internal know-how and construct an all-round overview:

- Setting medium-term paths and collaborations
- Continuity with the Framework Agreements of the previous year with 4 universities (Turin Polytechnic, University of Catania, Secondary School Sant'Anna of Pisa and the NRC)
- Launch of an Agreement with the University of Bologna on 5G for Industry

TIM, which employs approximately 80 TIM reference technicians, 85 university researchers involved in specific activities, envisages an economic commitment for 2021 of around 850,000 euros and in the second half of the year looks to activate around 20 research projects.

Another important step in the support for research and innovation is TIM's path with the 30 PHD finance authorized and backed by the CEO. In particular, the Innovation department has provided HRO with technical collaboration to propose research topics for establishing and tutoring 10 scholarships for the 36th cycle and 6 additional scholarships for the 37th cycle, ensuring the synergy between Innovation and HRO is among training and research activities. The universities chosen are the Polytechnic of Turin, the Polytechnic of Milan, the University of Milan, the University of Trento, the Scuola Superiore Sant'Anna of Pisa, the Federico II University of Naples, the University of Catania and the Alma Mater Studiorum of Bologna.

Research and Development in Brazil

The Innovation & Technology department, which reports to the CTIO of TIM S.A., is responsible for research and development activities. The main areas of activities are: the definition of the Network's technological innovation, changes in needs of new technologies and devices and architectural guidelines along with the development of strategic partnerships, in order to develop new business models and guarantee developments in network infrastructure, in line with company strategy.

5G in Brazil

In June 2019, TIM S.A. chose three cities, Florianópolis, Santa Rita do Sapucaí and Campina Grande to test 5G technology, focused on the development of new products and services enabled by this new technology.

In September 2019, TIM transformed the building where a social inclusion and technological training project is currently underway into CASA TIM 5G.

The space, also used as student accommodation, was operational during HackTown 2019, an innovation festival sponsored for the first time, which takes place every year in Santa Rita do Sapucaí (state of Minais Gerais).

CASA TIM 5G used several environments to interactively demonstrate the accessible solutions with the arrival of the 5G technology, installed in collaboration with Ericsson.

On site, visitors experienced real 5G immersion and were able to see how technology will affect their daily lives in the future – in areas such as health, education, safety, entertainment and games – and the environment in where they live and work, with demonstrations of smart cities, industry and more.

The demonstrations used 5G technology, being tested, installed through the TIM network, under specific Anatel license.

The space hosted demonstrations of developments in collaboration with Ericsson, Qualcomm, Cisco and Inatel, as well as ABB, Intel and LG.

In the first half of 2020, Anatel began testing the coexistence between the 3.5 GHz band and C-band satellite services, but the test was interrupted by the corona virus pandemic. In October 2020 Anatel finished the tests and shared the results. Basically, although the confirmation about the harmonious coexistence between systems, Anatel chose the migration of the TVRO (TV Receiver Only) to Ku Band.

Anatel concluded the auction rules and the Notice Draft in February 2021. One of the main requirement in the bid rules is the obligation to implement the 5G SA (Stand Alone) architecture in the 3,5 GHz Band, starting with the Brazilian capitals and Federal District up to July 2022, with 1 gNB (5G Base Station) for each 100k inhabitants.

Currently, Anatel is waiting the TCU (the Brazilian federal Court of Accounts) approval about the Notice Draft If TCU points some change, Anatel estimates that could impact the Auction in 8 months.

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2021 OF THE TIM GROUP

CONTENTS

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2021 OF THE TIM GROUP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

(million euros)	notes	6/30/2021	*of which with related parties*	12/31/2020	*of which with related parties*
Non-current assets					
Intangible assets					
Goodwill	4)	22,710	—	22,847	—
Intangible assets with a finite useful life	5)	6,685	—	6,740	—
		29,395	—	**29,587**	—
Tangible assets	6)				
Property, plant and equipment owned		**13,049**	—	**13,141**	—
Rights of use assets	7)	**4,898**	*324*	**4,992**	*347*
Other non-current assets					
Investments in associates and joint ventures accounted for using the equity method	8)	2,699	—	2,728	—
Other investments	8)	82	—	54	—
Non-current financial receivables arising from lease contracts	9)	49	—	43	—
Other non-current financial assets	9)	2,194	—	2,267	—
Miscellaneous receivables and other non-current assets	10)	2,260	—	2,114	—
Deferred tax assets		7,592	—	7,496	—
		14,876	—	**14,702**	—
Total Non-current assets	**(a)**	**62,218**	—	**62,422**	—
Current assets					
Inventories		340	—	287	—
Trade and miscellaneous receivables and other current assets	11)	4,349	*43*	4,280	*61*
Current income tax receivables		42	—	86	—
Current financial assets	9)				
Current financial receivables arising from lease contracts		*60*	—	*55*	—
Securities other than investments, other financial receivables and other current financial assets		*1,461*	—	*1,254*	—
Cash and cash equivalents		*4,969*		*4,829*	
		6,490	—	6,138	—
Current assets sub-total		**11,221**	—	**10,791**	—
Discontinued operations /Non-current assets held for sale	12)				
of a financial nature		—	—	—	—
of a non-financial nature		365	—	—	—
		365	—	**—**	—
Total Current assets	**(b)**	**11,586**	—	**10,791**	—
Total Assets	**(a+b)**	**73,804**	—	**73,213**	—

Starting January 1, 2021, in order to assure greater clarity of presentation, amounts due from customers on construction contracts net of the related advances paid are entered under Inventories. The comparison period has been reclassified accordingly.

Equity and liabilities

(million euros)	notes	6/30/2021	*of which with related parties*	12/31/2020	*of which with related parties*
Equity	13)				
Capital issued		**11,677**	—	**11,677**	—
less: Treasury shares		(85)	—	(89)	—
Share capital		**11,592**	—	**11,588**	—
Additional paid-in capital		2,133	—	2,133	—
Other reserves and retained earnings (accumulated losses), including profit (loss) for the period		12,281	—	12,494	—
Equity attributable to owners of the Parent		**26,006**	—	**26,215**	—
Non-controlling interests		4,592	—	2,625	—
Total Equity	**(c)**	**30,598**	—	**28,840**	—
Non-current liabilities					
Non-current financial liabilities for financing contracts and others	14)	21,712	—	23,655	—
Non-current financial liabilities for lease contracts	14)	4,106	*292*	4,199	*313*
Employee benefits	18)	888	—	724	—
Deferred tax liabilities		293	—	277	—
Provisions	19)	689	—	770	—
Miscellaneous payables and other non-current liabilities	20)	3,157	*3*	3,602	*3*
Total Non-current liabilities	**(d)**	**30,845**		**33,227**	
Current liabilities					
Current financial liabilities for financing contracts and others	14)	4,582	*5*	3,677	—
Current financial liabilities for lease contracts	14)	660	*64*	631	*50*
Trade and miscellaneous payables and other current liabilities	21)	6,803	*284*	6,567	*163*
Current income tax payables		248	—	271	—
Current liabilities sub-total		**12,293**		**11,146**	
Liabilities directly associated with Discontinued operations/Non-current assets held for sale	12)				
of a financial nature		—	—	—	—
of a non-financial nature		68	—	—	—
		68	—	**—**	—
Total Current Liabilities	**(e)**	**12,361**	—	**11,146**	—
Total Liabilities	**(f=d+e)**	**43,206**	—	**44,373**	—
Total Equity and Liabilities	**(c+f)**	**73,804**	—	**73,213**	—

Starting January 1, 2021, in order to assure greater clarity of presentation, amounts due from customers on construction contracts net of the related advances paid are entered under Inventories. The comparison period has been reclassified accordingly.

SEPARATE CONSOLIDATED INCOME STATEMENTS

(million euros)	notes	1st Half 2021	of which with related parties	1st Half 2020	of which with related parties
Revenues	23)	**7,567**	*22*	**7,759**	*25*
Other income		169	—	90	—
Total operating revenues and other income		**7,736**		**7,849**	
Acquisition of goods and services		(3,120)	*(229)*	(2,840)	*(174)*
Employee benefits expenses		(1,715)	*(44)*	(1,372)	*(47)*
Other operating expenses		(424)	*(1)*	(502)	—
Change in inventories		49	—	6	—
Internally generated assets		244	—	257	—
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		**2,770**		**3,398**	
of which: impact of non-recurring items	30)	*(447)*		*(137)*	
Depreciation and amortization		(2,268)	*(26)*	(2,348)	*(13)*
Gains/(losses) on disposals of non-current assets		(1)	—	(8)	—
Impairment reversals (losses) on non-current assets		—	—	—	—
Operating profit (loss) (EBIT)		**501**		**1,042**	
of which: impact of non-recurring items	30)	*(447)*		*(137)*	
Share of profits (losses) of associates and joint ventures accounted for using the equity method	8)	22	—	2	—
Other income (expenses) from investments		12	—	448	—
Finance income	24)	546	—	501	—
Finance expenses	24)	(1,128)	*(9)*	(1,104)	*(2)*
Profit (loss) before tax from continuing operations		**(47)**		**889**	
of which: impact of non-recurring items	30)	*(448)*		*309*	
Income tax expense		2	—	(166)	—
Profit (loss) from continuing operations		**(45)**		**723**	
Profit (loss) from Discontinued operations/Non-current assets held for sale		**—**		**—**	
Profit (loss) for the period	24)	**(45)**		**723**	
of which: impact of non-recurring items	30)	*(344)*		*340*	
Attributable to:					
Owners of the Parent		**(137)**		**678**	
Non-controlling interests		92		45	

(euros)		1st Half 2021	1st Half 2020
Earnings per share:	25)		
(Basic) Earnings per share			
Ordinary Share		(0.01)	0.03
Savings Share		(0.01)	0.04
of which:			
from Continuing operations attributable to Owners of the Parent			
Ordinary Share		(0.01)	0.03
Savings Share		(0.01)	0.04
Diluted earnings per share			
Ordinary Share		(0.01)	0.03
Savings Share		(0.01)	0.04
of which:			
from Continuing operations attributable to Owners of the Parent			
Ordinary Share		(0.01)	0.03
Savings Share		(0.01)	0.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note 13

(million euros)		1st Half 2021	1st Half 2020
Profit (loss) for the period	**(a)**	**(45)**	**723**
Other components of the Consolidated Statement of Comprehensive Income			
Other components that will not be reclassified subsequently to Separate Consolidated Income Statement			
Financial assets measured at fair value through other comprehensive income:			
Profit (loss) from fair value adjustments		5	(7)
Income tax effect		—	—
	(b)	**5**	**(7)**
Remeasurements of employee defined benefit plans (IAS19):			
Actuarial gains (losses)		22	(3)
Income tax effect		(5)	1
	(c)	**17**	**(2)**
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		—	—
Income tax effect		—	—
	(d)	—	—
Total other components that will not be reclassified subsequently to Separate Consolidated Income Statement	**(e=b+c+d)**	**22**	**(9)**
Other components that will be reclassified subsequently to Separate Consolidated Income Statement			
Financial assets measured at fair value through other comprehensive income:			
Profit (loss) from fair value adjustments		(12)	(3)
Loss (profit) transferred to Separate Consolidated Income Statement		(3)	—
Income tax effect		1	(1)
	(f)	**(14)**	**(4)**
Hedging instruments:			
Profit (loss) from fair value adjustments		565	610
Loss (profit) transferred to Separate Consolidated Income Statement		(427)	(29)
Income tax effect		(33)	(142)
	(g)	**105**	**439**
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		307	(1,443)
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement		—	—
Income tax effect		—	—
	(h)	**307**	**(1,443)**
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		—	—
Loss (profit) transferred to Separate Consolidated Income Statement		—	—
Income tax effect		—	—
	(i)	—	**—**
Total other components that will be reclassified subsequently to Separate Consolidated Income Statement	**(k=f+g+h+i)**	**398**	**(1,008)**
Total other components of the Consolidated Statement of Comprehensive Income	**(m=e+k)**	**420**	**(1,017)**
Total comprehensive income (loss) for the period	**(a+m)**	**375**	**(294)**
Attributable to:			
Owners of the Parent		**187**	**104**
Non-controlling interests		188	(398)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Changes from January 1, 2020 to June 30, 2020

	Equity attributable to owners of the Parent										
(million 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**	**Non-controlling interests**	**Total Equity**
Balance at December 31, 2019	**11,587**	**2,094**	**19**	**(440)**	**(1,417)**	**(124)**	**—**	**8,561**	**20,280**	**2,346**	**22,626**
Changes in equity during the period:											
Dividends approved	—	—	—	—	—	—	—	(317)	**(317)**	—	**(317)**
Total comprehensive income (loss) for the period	—	—	(11)	439	(1,000)	(2)	—	678	**104**	(398)	**(294)**
Issue of equity instruments	—	—	—	—	—	—	—	(5)	**(5)**	—	**(5)**
INWIT - deconsolidation	—	—	—	—	—	—	—	—	**—**	(644)	**(644)**
Other changes	1	—	—	—	—	—	—	18	**19**	9	**28**
Balance at June 30, 2020	**11,588**	**2,094**	**8**	**(1)**	**(2,417)**	**(126)**	**—**	**8,935**	**20,081**	**1,313**	**21,394**

Changes from January 1, 2021 to June 30, 2021 Note 13

	Equity attributable to owners of the Parent										
(million 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 comprehensive income (loss) 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**	**Non-controlling interests**	**Total Equity**
Balance at December 31, 2020	**11,588**	**2,133**	**20**	**(350)**	**(2,538)**	**(119)**	**—**	**15,481**	**26,215**	**2,625**	**28,840**
Changes in equity during the period:											
Dividends approved	—	—	—	—	—	—	—	(318)	**(318)**	(18)	**(336)**
Total comprehensive income (loss) for the period	—	—	(9)	105	211	17	—	(137)	**187**	188	**375**
Issue of equity instruments	4	—	—	—	—	—	—	9	**13**	—	**13**
FiberCop - capital increase	—	—	—	—	—	—	—	(98)	**(98)**	1,848	**1,750**
Daphne 3 - distribution of additional paid-in capital	—	—	—	—	—	—	—	—	**—**	(42)	**(42)**
Other changes	—	—	—	—	—	—	—	7	**7**	(9)	**(2)**
Balance at June 30, 2021	**11,592**	**2,133**	**11**	**(245)**	**(2,327)**	**(102)**	**—**	**14,944**	**26,006**	**4,592**	**30,598**

CONSOLIDATED STATEMENTS OF CASH FLOWS

(million euros)	notes	1st Half 2021	1st Half 2020
Cash flows from operating activities:			
Profit (loss) from continuing operations		(45)	723
Adjustments for:			
Depreciation and amortization		2,268	2,348
Impairment losses (reversals) on non-current assets (including investments)		(9)	22
Net change in deferred tax assets and liabilities		(49)	87
Losses (gains) realized on disposals of non-current assets (including investments)		1	(439)
Share of losses (profits) of associates and joint ventures accounted for using the equity method		(22)	(2)
Change in provisions for employee benefits		256	(435)
Change in inventories		(52)	14
Change in trade receivables		108	321
Change in trade payables		(230)	(574)
Net change in income tax receivables/payables		(235)	68
Net change in miscellaneous receivables/payables and other assets/liabilities		(66)	1,897
Cash flows from (used in) operating activities	**(a)**	**1,925**	**4,030**
Cash flows from investing activities:			
Purchases of intangible, tangible and rights of use assets on a cash basis		(1,960)	(1,974)
Capital grants received		—	23
Acquisition of control of companies or other businesses, net of cash acquired		—	(7)
Acquisitions/disposals of other investments		(66)	(7)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)		(204)	(20)
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		—	(33)
Proceeds from sale/repayments of intangible, tangible and other non-current assets		9	402
Cash flows from (used in) investing activities	**(b)**	**(2,221)**	**(1,616)**
Cash flows from financing activities:			
Change in current financial liabilities and other		(480)	(646)
Proceeds from non-current financial liabilities (including current portion)		1,912	1,097
Repayments of non-current financial liabilities (including current portion)		(2,108)	(1,450)
Changes in hedging and non-hedging derivatives		(38)	(516)
Share capital proceeds/reimbursements (including subsidiaries)		—	8
Dividends paid(*)		(336)	(356)
Changes in ownership interests in consolidated subsidiaries		1,758	(1)
Cash flows from (used in) financing activities	**(c)**	**708**	**(1,864)**
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	**(d)**	**—**	**—**
Aggregate cash flows	**(e=a+b+c+d)**	**412**	**550**
Net cash and cash equivalents at beginning of the period	**(f)**	**4,508**	**3,202**
Net foreign exchange differences on net cash and cash equivalents	**(g)**	48	(150)
Net cash and cash equivalents at end of the period	**(h=e+f+g)**	**4,968**	**3,602**
(*) of which related parties:		36	—

Purchases of intangible, tangible and rights of use assets

(million euros)	notes	1st Half 2021	1st Half 2020
Purchase of intangible assets	5)	(661)	(474)
Purchase of tangible assets	6)	(1,113)	(771)
Purchase of rights of use assets	7)	(287)	(646)
Total purchase of intangible, tangible and rights of use assets on an accrual basis(*)		(2,061)	(1,891)
Change in payables arising from purchase of intangible, tangible and rights of use assets		101	(83)
Total purchases of intangible, tangible and rights of use assets on a cash basis		(1,960)	(1,974)
(*) of which related parties:		2	372

Additional Cash Flow information

(million euros)	1st Half 2021	1st Half 2020
Income taxes (paid) received	(254)	(27)
Interest expense paid	(863)	(917)
Interest income received	229	223
Dividends received	86	256

Analysis of Net Cash and Cash Equivalents

(million euros)	1st Half 2021	1st Half 2020
Net cash and cash equivalents at beginning of the period:		
Cash and cash equivalents - from continuing operations	4,829	3,138
Bank overdrafts repayable on demand – from continuing operations	(321)	(1)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	—	65
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	—	—
	4,508	**3,202**
Net cash and cash equivalents at end of the period:		
Cash and cash equivalents - from continuing operations	4,969	3,603
Bank overdrafts repayable on demand – from continuing operations	(1)	(1)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	—	—
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	—	—
	4,968	**3,602**

The additional disclosures required by IAS 7 are provided in the Note “Net financial debt” to these consolidated financial statements.

NOTE 1

FORM, CONTENT AND OTHER GENERAL INFORMATION

Form and content

Telecom Italia S.p.A. (the “**Parent Company**”), also known in short as “TIM S.p.A.”, and its subsidiaries form the **“TIM Group**” **(the “Group”)**.
TIM is a joint-stock company (S.p.A.) organized under the laws of the Republic of Italy.

The registered offices of the Parent, TIM, are located in Milan, Italy at Via Gaetano Negri 1.

The duration of TIM S.p.A., as stated in the company’s bylaws, extends until December 31, 2100.

The TIM Group operates mainly in Europe, the Mediterranean Basin and South America.

The Group is engaged principally in the communications sector and, particularly, the fixed and mobile national and international telecommunications sector.

The TIM Group's Half-Year Condensed Consolidated Financial Statements at June 30, 2021, have been prepared on a going concern basis (further details are provided in the Note “Accounting Policies”) and in accordance with the recognition and measurement criteria of the International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the European Union (designated as “IFRS”), as well as laws and regulations in force in Italy.
The TIM Group Half-Year Condensed Consolidated Financial Statements at June 30, 2021 have been prepared in compliance with IAS 34 (Interim Financial Reporting), and as permitted by this standard, do not include the information required for annual consolidated financial statements; accordingly, these financial statements should be read together with the 2020 TIM 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 consolidated financial statements 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. The carrying amounts of hedged assets and liabilities have been adjusted to reflect fair value changes for hedged risks (fair value hedge).
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 TIM Group Half-Year Condensed Consolidated Financial Statements at June 30, 2021 are expressed in euro (rounded to the nearest million unless otherwise indicated).

The publication of the TIM Group Half-Year Condensed Consolidated Financial Statements at June 30, 2021 was approved by resolution of the Board of Directors on July 27, 2021.

The Half-Year Condensed Consolidated Financial Statements at June 30, 2021 have undergone a limited scope audit.

Financial statement formats

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

- **the Consolidated statements of financial position** have been prepared by classifying assets and liabilities according to the "current and non-current" criterion;
- the **Separate Consolidated Income Statement** have been prepared by classifying operating costs by nature of expense as this form of presentation is considered more appropriate and representative of the specific business of the Group, conforms to internal reporting, and is in line with the TIM Group's industrial sector.
  In addition to EBIT or Operating profit (loss), the separate consolidated income statements include the alternative performance measure of EBITDA or Operating profit (loss) before depreciation and amortization, Capital gains (losses) and Impairment reversals (losses) on non-current assets.

  In particular, besides EBIT, EBITDA is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors), as a useful unit of measurement for the evaluation of the operating performance of the Group (as a whole and at the Business Unit level).

EBIT and EBITDA 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 and joint ventures 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 before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets	

- the **Consolidated statement of comprehensive income** includes the Profit (loss) for the period as shown in the separate consolidated income statement and all other non-owner changes in equity;
- the **Consolidated statements of cash flows** have been prepared by presenting cash flows from operating activities according to the "indirect method", as permitted by IAS 7 (Statement of Cash Flows).

Furthermore, as required by Consob Resolution 15519 of July 27, 2006, in the separate consolidated income statements, income and expenses relating to transactions which by nature do not occur during normal operation (non-recurring transactions) have been specifically identified and their impacts on the main intermediate levels have been shown separately, when they are significant. Specifically, non-recurring income/(expenses) include, for instance: income/expenses arising from the sale of properties, 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 other than regulatory disputes; adjustments, realignments and other non-recurring items, also relating to previous years; impairment losses on goodwill and/or other intangible and tangible assets. Certain costs related to the COVID-19 pandemic are also identified as non-recurring charges.
Also in reference to the above Consob Resolution, the amounts relating to balances or transactions with related parties have been shown separately in the consolidated financial statements.

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 (for the TIM Group, the Board of Directors of the Parent) to be allocated to the segment and assess its performance; and
- for which separate financial information is available.

In particular, the operating segments of the TIM Group are organized according to geographic location (Domestic and Brazil) for the telecommunications business.
The term "operating segment" is considered synonymous with "Business Unit".
The operating segments of the TIM Group are as follows:

- **Domestic**: includes operations in Italy for voice and data services on fixed and mobile networks for end customers (retail) and other operators (wholesale), the operations of the Telecom Italia Sparkle group, which, at international level (Europe, the Mediterranean and South America), develops fiber optic networks for wholesale customers, the operations of the company FiberCop for the supply of passive access services to the secondary copper and fiber network, the business of Noovle S.p.A. (Cloud and Edge computing solutions), the business of Olivetti (products and services for Information Technology), and, up to March 31, 2020, INWIT S.p.A. (a company operating in the electronic communications infrastructure sector, and in particular the infrastructure for hosting radio transmission equipment for mobile telephone networks, both for TIM and other operators) and the units supporting the Domestic sector. See the section "Financial and Operating Highlights of the Business Units of the TIM Group – Domestic Business Unit" of the Report on Operations for more details;
- **Brazil**: includes mobile and fixed telecommunications operations in Brazil (TIM S.A.);
- **Other Operations**: include the financial companies (Telecom Italia Capital S.A. and Telecom Italia Finance S.A.) and other minor companies not strictly related to the TIM Group's core business.

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 TIM will continue its operational activities 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 TIM Group are exposed:
  - variations in business conditions, also related to competition;
  - financial risks (interest rate and/or exchange rate trends, changes in the Group's credit rating by rating agencies);
  - 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;
  - changes in the legislative and regulatory context (changes in prices and tariffs or decisions that may influence technological choices);
  - the results of legal proceedings and regulatory authorities;
- the optimal mix between risk capital and debt capital as well as the policy for the remuneration of risk capital, as described in the Consolidated Financial Statements at December 31, 2020, in the paragraph on "Share capital information" in the Note "Equity";
- the policy for financial risk management (market risk, credit risk and liquidity risk), as described in the Consolidated Financial Statements at December 31, 2020, in the Note "Financial risk management".

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

Accounting policies and principles of consolidation

The accounting policies and principles of consolidation for preparing the Half-Year Condensed Consolidated Financial Statements at June 30, 2021 are the same as those used to prepare the Consolidated Financial Statements at December 31, 2020, to which reference is made, with the exception of :

- amendments to accounting standards issued by the IASB and in force from January 1, 2021, hereinafter described;
- the alignments required by 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.

Moreover, in the Half-Year Condensed Consolidated Financial Statements at June 30, 2021, income taxes for the period of individual consolidated companies were determined based on the best possible estimate in relation to available information and the reasonable forecast of operating performance at the end of the tax period. On a conventional basis, tax liabilities (current and deferred) on income for the period of individual consolidated companies was recognized in the "Deferred tax liabilities" net of advances and tax receivables (only as regards taxes for which a refund was not requested) as well as deferred tax assets; if this balance is positive, it is conventionally recognized under "Deferred tax assets".

Use of accounting estimates

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

As regards the most important accounting estimates, reference is made to the Consolidated Financial Statements at December 31, 2020.

New Standards and Interpretations endorsed by the EU and in force since 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 commencing as of 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 Half-Year Condensed Consolidated Financial Statements at June 30, 2021.

New Standards and Interpretations issued by IASB but not yet applicable

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

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	1/1/2023
Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors	1/1/2023
Amendments to IAS 1 - Presentation of Financial Statements	1/1/2023
Amendments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-current	1/1/2023
Amendments to IFRS 16 Leases: COVID-19-related rent concessions beyond June 30, 2021	4/1/2021
IFRS 17 (Insurance contracts), including amendments to IFRS 17	1/1/2023
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	1/1/2022

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

The changes in the scope of consolidation at June 30, 2021 compared to December 31, 2020 are listed below.

Entry/exit/merger of subsidiaries into/out of the scope of consolidation:

Company		Business Unit	Month
Mergers:			
FLASH FIBER S.r.l.	Merged into FIBERCOP S.p.A.	Domestic	March 2021
TIM TANK S.r.l.	Merged into TELECOM ITALIA VENTURES S.r.l.	Domestic	April 2021

In addition, on June 30, 2021, TIM S.p.A. (Domestic Business Unit) completed the purchase of the BT Italia Business Unit, offering services to public administration customers and small and medium businesses/enterprises (SMBs/SMEs). The purchase also includes support for customers of the SMB Business Unit, supplied by Atlanet, the BT Contact Center of Palermo.

In addition to the above, changes in the scope of consolidation at June 30, 2021 compared to June 30, 2020 are listed below.

Entry/exit/merger of subsidiaries into/out of the scope of consolidation:

Company		Business Unit	Month
Entry:			
DAPHNE 3 S.p.A.	New establishment	Domestic	July 2020
TIM MY BROKER S.r.l.	New establishment	Domestic	August 2020
NOOVLE S.p.A.	New establishment	Domestic	October 2020
FIBERCOP S.p.A.	New establishment	Domestic	November 2020
FIBERCO SOLUÇÕES DE INFRAESTRUTURA LTDA	New establishment	Brazil	December 2020
Exit:			
TI SPARKLE BOLIVIA S.r.l.	Liquidated	Domestic	November 2020
Mergers:			
TIM PARTICIPAÇÕES S.A.	Merged into TIM S.A.	Brazil	September 2020
TN FIBER S.r.l.	Merged into TIM	Domestic	September 2020
TIMVISION S.r.l.	Merged into TIM	Domestic	October 2020
H.R. SERVICES S.r.l.	Merged into TIM	Domestic	December 2020

The breakdown by number of subsidiaries, joint ventures and associates of the TIM Group is as follows:

	6/30/2021		
Companies:	**Italy**	**Overseas**	**Total**
subsidiaries consolidated line-by-line	18	46	64
joint ventures accounted for using the equity method	2	—	2
associates accounted for using the equity method	10	—	10
Total companies	**30**	**46**	**76**

	12/31/2020		
Companies:	**Italy**	**Overseas**	**Total**
subsidiaries consolidated line-by-line	20	46	66
joint ventures accounted for using the equity method	2	—	2
associates accounted for using the equity method	10	—	10
Total companies	**32**	**46**	**78**

	6/30/2020		
Companies:	**Italy**	**Overseas**	**Total**
subsidiaries consolidated line-by-line	19	47	66
joint ventures accounted for using the equity method	2	—	2
associates accounted for using the equity method	13	—	13
Total companies	**34**	**47**	**81**

NOTE 4
GOODWILL

This item breaks down with the changes in the first half of 2021 shown below:

(million euros)	12/31/2020	Increase	Decrease	Impairments	Exchange differences	Held for sale	6/30/2021
Domestic	22,242	—					22,242
Brazil	605				44	(181)	468
Other Operations	—						—
Total	**22,847**	**—**	**—**	**—**	**44**	**(181)**	**22,710**

In the first half of 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 company’s separate and 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 corporate procedures, in preparation of the half-year report at June 30, 2021, the company deemed it appropriate to carry out an impairment test on goodwill.

The impairment test was carried out in two phases: in the first phase, the recoverable amount of the assets attributed to the individual CGUs to which goodwill is allocated was estimated; in the second phase, analyses were carried out considering the Group’s activities as a whole. The results of the impairment test did not show any impairment.

As regards the checks referred to in the first phase, the cash generating units (or groups of units) to which goodwill is allocated are as follows:

Segment	Cash-Generating Units (or groups of units)
Domestic	Domestic
Brazil	Brazil

According to the applicable accounting rules, the “recoverable value” of the CGUs was equal to the higher of “fair value net of disposal costs” and “value in use”.

The value configurations used to determine the recoverable value at June 30, 2021 of the CGUs in question were for the Domestic the value in use and for Brazil the fair value. Specifically, for Brazil the fair value was determined on the basis of the market capitalization at the end of the year. The values are expressed in local currency and hence in EUR for the Domestic CGUs and BRL for the Brazil CGU. For the Brazil CGU, the recoverable amount of the assets was denominated in the functional currency and subsequently translated at the spot exchange rate at the reporting date.

For the Domestic CGU, the value in use estimate was made – in accordance with IAS 36 and with valuation principles and best practices – based on the expected cash flows in different scenarios. In particular, the cash flows expected in a plurality of possible future scenarios were summarized in a single average normal cash flow with the aid of Experts (expert appraisers and industry experts) and based on the data from the 2021-2023 Industrial Plan approved by the Board of Directors, the estimates for the two-year period 2024-2025, duly revised in order to incorporate the effects of the distribution agreement with DAZN and the general effects on the market of the postponement of the digitization support measures (Voucher Plan).

These forecasts made for the purposes of the impairment test were subject to verification and updates to incorporate some assessments made in relation to potential risk factors. To define the average normal cash flow to be used as a reference for the impairment test, the management, with the aid of Experts, analyzed the industrial risk factors, making changes to the amounts and/or in the time distribution of future cash flows, giving greater weight to the external evidence available.

The expected average cash flows considered for the purpose of the impairment test were determined with a time period of 4.5 years between July 2021 and December 2025 as a reference, taking into account the forecast cash flows reported in the 2021-2023 Industrial Plan and the extrapolated data for the subsequent years 2024 and 2025. The extrapolation of forecast cash flows for the latter two-year period was carried out in order to intercept market and competitive trends whose effects will become manifest beyond the forecast horizon of the Industrial Plan.

The forecast cash flows considered for the purpose of the impairment test were updated taking into account, among other things, the trend recorded for the first half of 2021 and the impact analysis prepared for the second half of the same year, updating the analyzes of average representativeness also taking into account this evidence.

As regards the estimate of the terminal value, the sustainable long-term cash flow was assumed to be the extrapolation of the estimated cash flow at 2025, adjusted as necessary to take into consideration a suitable level of long-term capital expenditure. Furthermore, with specific reference to the incremental share of the value deriving from 5G license use and therefore from the development of new and innovative business areas, a measurement model has been adopted that takes into account the net incremental flows for a defined period of time which is based on the duration of the license. This approach is consistent with the need to include in the configuration of value, on one hand the outflows deriving from the payment of the license (2019 2022) and the capex to support its development (as per the Industrial Plan), and on the other the positive net flows from the incremental business component of the license acquisition that will develop over a broad period of time and over the 5 years of explicit forecast.

The cost of capital used to discount the future cash flows in the estimates of value in use:

- was estimated using the Capital Asset Pricing Model (CAPM), which is one of the generally accepted application criteria referred to in IAS 36;
- reflects the current market estimates of the time value of money and the specific risks of the groups of assets; includes appropriate yield premiums for country risk and the risk associated with the depreciation of the currency of denomination of the cash flows;
- was calculated using comparative market parameters to estimate the "Beta coefficient" and the weighting coefficient of the equity and debt capital components;

For the Domestic CGU it was as follows:

- the weighted average cost of capital (WACC rate) used to discount the future cash flows and the equivalent rate before tax;
- details are also provided of the growth rate used to estimate the residual value after the explicit forecast period (the G-Rate), expressed in nominal terms and related to the cash flows in their functional currency;
- details are provided of the implicit capitalization rates resulting from the difference between the cost of capital, after tax, and the G-Rate.

Principal parameters for the estimates of value in use

	Domestic
WACC	4.75%
WACC before tax	6.35%
Growth rate beyond the explicit period (g)	0.5%
Capitalization rate after tax (WACC-g)	4.25%
Capitalization rate before tax (WACC-g)	5.85%
Capex/Revenues, perpetual	18.9%

The growth rate of the terminal value "g" of the Domestic CGU was estimated taking into account the expected outlook during the explicit forecast period and is consistent with the range of growth rates applied by analysts who monitor TIM shares.

The phase of capital expenditure, competitive positioning and the technological infrastructure operated was taken into account in estimating the level of investment needed to sustain the perpetual development of cash flows after the explicit forecast period.

The difference between the recoverable amounts and the net carrying amounts of the CGUs considered totaled:

(million euros)	Domestic	Brazil
Difference between recoverable and net carrying amounts	+13,885	+126

Therefore, given all the above elements, no impairment losses were recorded at the end of June 2021; the goodwill values recognized in the financial statements are therefore confirmed.

In estimating the recoverable amounts, simulations were conducted on the results with respect to changes in the relevant parameters. Below are the parameters that, if considered individually and on a consistent basis, make the recoverable value equal to the net carrying amount.

Parameters that make the value in use equal to the carrying amount

	Domestic
WACC before tax	8.32%
Capitalization rate before tax (WACC-g)	7.82%
Capex/Revenues, perpetual	26.12%

In addition to average normal cash flows, to take into account the market operator's perspective, sensitivity analyses were conducted on the risk factors identified with the Experts and to determine the value in use of the Domestic CGU. As a result of these analyses, the recoverable value is in any case higher than the net carrying amount.

With regard to the Brazilian CGU, 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

The item decreased by 55 million euros compared to December 31, 2020. The breakdown and movements are as follows.

(million euros)	12/31/2020	Investments	Depreciation and amortization	Impairment (losses) / reversals	Disposals	Exchange differences	Other changes	Held for Sale	6/30/2021
Industrial patents and intellectual property rights	**1,789**	256	(571)			29	369	(3)	**1,869**
Concessions, licenses, trademarks and similar rights	**3,645**	3	(232)			43	—		**3,459**
Other intangible assets	**4**	—	(1)			—	1		**4**
Work in progress and advance payments	**1,302**	402			(2)	2	(351)		**1,353**
Total	**6,740**	**661**	**(804)**	**—**	**(2)**	**74**	**19**	**(3)**	**6,685**

Investments for the first half of 2021 include 115 million euros of internally generated assets (117 million euros in the first half of 2020).

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, essentially consist of the plant operation and application software purchased outright and user license, relating mainly to TIM S.p.A. 1,210 million euros), the Brazil Business Unit (445 million euros) and Noovle S.p.A. (147 million euros).

Concessions, licenses, trademarks and similar rights at June 30, 2021 mainly refer to the residual cost of telephone licenses and similar rights (2,810 million euros for TIM S.p.A. and 604 million euros for the Brazil Business Unit).

Intangible assets in progress and on account relate mainly to the Parent Company (1,236 million euros) of which 680 million euros relate to rights of frequencies in the bandwidths 694-790 MHz (5G) of TIM S.p.A. not yet operating and 240 million euros relative to the extension through to December 31, 2029 of the deadline for the rights of use in the bandwidth of 2100 MHz, currently envisaged as December 31, 2021. They also include work in progress mainly related to software developments and investments for the digital evolution of Network Infrastructures.

NOTE 6
TANGIBLE ASSETS

Property, plant and equipment owned

The item decreased by 92 million euros compared to December 31, 2020. The breakdown and movements are as follows.

(million euros)	12/31/2020	Investments	Depreciation and amortization	Impairment (losses) / reversals	Disposals	Exchange differences	Other changes	Held for Sale	6/30/2021
Land	**229**					1			**230**
Buildings (civil and industrial)	**577**	7	(17)			1	28		**596**
Plant and equipment	**11,206**	788	(1,033)		(19)	122	388	(176)	**11,276**
Industrial and commercial equipment	**22**	2	(5)				2		**21**
Other	**309**	39	(70)			7	54	(2)	**337**
Construction in progress and advance payments	**798**	277			(1)	4	(489)		**589**
Total	**13,141**	**1,113**	**(1,125)**	**—**	**(20)**	**135**	**(17)**	**(178)**	**13,049**

Investments for the first half of 2021 include 129 million euros of internally generated assets (140 million euros in the first half of 2020).

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. The figure at June 30, 2021 refers primarily to TIM S.p.A. (188 million euros).

The item Civil and industrial buildings mainly includes buildings for industrial use hosting telephone exchanges, or for office use and light constructions. The figure at June 30, 2021 refers primarily to TIM S.p.A. (445 million euros).

The item **Plant and machinery** includes the technological infrastructure used for the provision of telecommunications services (transport and distribution of voice/data traffic). The figure at June 30, 2021 is mainly attributable to TIM S.p.A. (6,113 million euros), to FiberCop S.p.A. (3,241 million euros) and to the Brazil Business Unit (1,577 million euros).

Manufacturing and distribution equipment consists of instruments and equipment used for the operation and maintenance of plant and equipment and refers mainly to TIM S.p.A..

The item **Other** mainly consists of hardware for the functioning of the Data Center and for work stations, furniture and fixtures and, to a minimal extent, transport vehicles and office machines. "Other changes" refer for 8 million euros to assets linked to the acquisition of the BT Italia business units.

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

NOTE 7
RIGHTS OF USE ASSETS

This item decreased by 94 million euros compared to December 31, 2020. The breakdown and movements are as follows:

(million euros)	12/31/2020	Investments	Increases in lease contracts	Depreciation and amortization	Disposals	Exchange differences	Other changes	6/30/2021
Property	2,911	15	110	(169)	(4)	23	(11)	**2,875**
Plant and equipment	1,909	11	132	(150)	(2)	63	(76)	**1,887**
Other tangible assets	121		7	(19)	(1)		1	**109**
Construction in progress and advance payments	51	8					(35)	**24**
Intangible assets	—		4	(1)				**3**
Total	**4,992**	**34**	**253**	**(339)**	**(7)**	**86**	**(121)**	**4,898**

Capital expenditures refer to the Domestic Business Unit and are essentially related to the acquisition of IRU transmission capacity and improvements and incremental expenses incurred on leased property and non-property assets.

The increases in finance leasing contracts in H1 2021, equal to 253 million euros, refer in particular to the Brazil Business Unit (194 million euros) and the Domestic Business Unit (59 million euros).

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

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

Other changes included, inter alia, transfers to operating activities and the lower value of the rights of use recorded as a result of contractual changes during the period.

The item **Property** includes buildings and land under leases and the related building adaptations, essentially attributable to the Parent Company (2,435 million euros) and the Brazil Business Unit (328 million euros) and Noovle S.p.A. (88 million euros).

The item **Plant and equipment** mainly includes rights of use on infrastructures for telecommunications services. These refer to the Brazil Business Unit (917 million euros), the Parent (648 million euros), the Telecom Italia Sparkle group (194 million euros) and Fibercop S.p.A. (128 million euros). This includes, inter alia, 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 a finance lease.

The item **Other tangible assets** mainly comprises the rights of use on leases on vehicles.

The item **Intangible assets** includes the recording as lease, starting 2021, of a Software as a Service (SaaS) contract, in exchange for which TIM S.p.A. has acquired the right to make exclusive use of software licenses residing on partitions of third party hardware platforms dedicated exclusively to the Company.

NOTE 8
INVESTMENTS

Investments in associates and joint ventures accounted for using the equity method are reported below in detail.

(million euros)		6/30/2021	12/31/2020
Tiglio I		1	1
NordCom		6	5
W.A.Y.		3	4
Satispay		20	
Other		3	3
Total Associates	**(a)**	**33**	**13**
TIMFin		16	2
INWIT		2,650	2,713
Total Joint Ventures	**(b)**	**2,666**	**2,715**
Total investments accounted for using the equity method	**(a+b)**	**2,699**	**2,728**

Following a series of operations carried out last year, at present, TIM holds a 30.2% share in INWIT S.p.A. indirectly, through a holding company called Daphne 3, controlled with a 51% stake. The associate in the holding company is a consortium of institutional investors led by Ardian. The holding company has taken over from TIM - in the shareholders' agreement already stipulated between TIM and Vodafone Europe, by virtue of which, joint control is exercised over INWIT.

Essential information on the shareholders' agreements (i) between TIM and Vodafone (now Daphne 3/Central Tower Holding Company) and (ii) between TIM and Ardian can be consulted on the INWIT website (inwit.it).

The changes to the item Investments in associates and joint ventures accounted for using the equity method during the first half of 2021, are as follows:

(million euros)	12/31/2020	Investments	Disposals and reimbursements of capital	Valuation using equity method	Other changes	6/30/2021
Tiglio I	1					1
Nordcom	5			1		6
W.A.Y.	4			(1)		3
Satispay		20				20
Other	3					3
Total Associates	**13**	**20**	**—**	**—**	**—**	**33**
TIMFin	2	17		(3)		16
INWIT	2,713	—		(63)		2,650
Total Joint Ventures	**2,715**	**17**	**—**	**(66)**	**—**	**2,666**
Total investments accounted for using the equity method	**2,728**	**37**	**—**	**(66)**	**—**	**2,699**

“Investments” includes both the acquisition of the investment in Satispay from TI Ventures S.r.l. (9.19%) occurred in March 2021 and the subscription by TIM S.p.A. of the second tranche of the capital increase in TIMFin occurred in January 2021.

“Valuation using the equity method” of the investment in INWIT includes:

- the portion pertaining to the positive economic result of the investee including, the greater amortization charge, at consolidated level, of the assets to which part of the greater value deriving from the corporate integration transaction of Vodafone Towers S.r.l. in INWIT (24 million euros) has been allocated;
- the reduction in the carrying amount of the equity investment for dividends received in the first half (87 million euros).

The list of investments accounted for using the equity method is presented in the Note “List of companies of the TIM Group”.

Other investments refer to the following:

(million euros)	6/30/2021	12/31/2020
Fin.Priv.	21	16
Northgate CommsTech Innovations Partners L.P.	20	25
Seco	28	
Other	13	13
Total	**82**	**54**

In particular, in the first half of 2021, the subsidiary Olivetti S.p.A. acquired 7% of the capital of Seco S.p.A.

It should also be noted that at June 30, 2021, the TIM Group had a subscription commitment for units in the Northgate CommsTech Innovations Partners L.P. Fund for 7.9 million USD, equal to 6.6 million euros at the exchange rate as at June 30, 2021.

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

NOTE 9

NON-CURRENT AND CURRENT FINANCIAL ASSETS

Non-current and current financial assets were broken down as follows:

(million euros)		6/30/2021	12/31/2020
Other non-current financial assets			
Securities other than investments		–	–
Receivables from employees		40	40
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature		1,878	1,970
Non-hedging derivatives		64	44
Other financial receivables		212	213
		2,194	**2,267**
Financial receivables for lease contracts		**49**	**43**
Total non-current financial assets	**(a)**	**2,243**	**2,310**
Securities other than investments, other financial receivables and other current financial assets			
Securities other than investments			
Measured at amortized cost (AC)		—	—
Measured at fair value through other comprehensive income (FVTOCI)		736	767
Measured at fair value through profit or loss (FVTPL)		575	325
		1,311	**1,092**
Financial receivables and other current financial assets			
Liquid assets with banks, financial institutions and post offices (with maturity over 3 months)		—	—
Receivables from employees		12	13
Hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature		88	97
Non-hedging derivatives		38	50
Other short-term financial receivables		12	2
		150	**162**
	(b)	**1,461**	**1,254**
Financial receivables for lease contracts	**(c)**	**60**	**55**
Cash and cash equivalents	**(d)**	**4,969**	**4,829**
Total current financial assets	**e=(b+c+d)**	**6,490**	**6,138**
Financial assets relating to Discontinued operations/Non-current assets held for sale	**(f)**	**–**	**—**
Total non-current and current financial assets	**g=(a+e+f)**	**8,733**	**8,448**

Financial receivables for lease contracts refer to:

- finance leases on user rights and equipment;
- commercial offers for TIM Consumer and Business customers involving the rental of ADSL routers;
- contracts for the rental of products to TIM customers with ancillary services ("full rent formula") and lease contracts entered into in prior years by Teleleasing with TIM customers;
- agreements for the sale of network infrastructure in IRU with deferred collection over time recognized using the financial method envisaged by IFRS 16 given the contractual term substantially close to the economic life of the asset.

Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature mainly refer to the mark-to-market spot valuation component of the hedging derivatives, whereas **hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature** refer to accrued income on such derivative contracts.

Non-hedging derivatives consist mainly of the mark-to-market component of the non-hedging derivatives of the Brazil Business Unit. More specifically, they include 54 million euros in relation to the option to subscribe shares of C6 Bank with which TIM S.A. entertains commercial relations.
Further details are provided in the Note "Derivatives".

Other financial receivables refer 206 million euros to the loan that TIM S.p.A. is owed by Ardian (through the financial vector Impulse I) following the transaction by means of which TIM S.p.A. conferred 30.2% of INWIT's shares to Daphne 3.

Securities other than investments included in current financial assets relate to:

- 736 million euros of listed securities, of which 323 million euros of Italian and European treasury bonds purchased by Telecom Italia Finance S.A. as well as 413 million euros of bonds purchased by Telecom Italia Finance S.A. with different maturities, all with an active market and consequently readily convertible into cash. Under IFRS 9 and consistently with the Business model, such securities are classified as financial assets measured at fair value through other comprehensive income (FVTOCI). The purchases of the above government bonds, which, pursuant to Consob Communication no. DEM/11070007 of August 5, 2011, represent investments in "Sovereign debt securities", have been made in accordance with the Guidelines for the "Management and control of financial risk" adopted by the TIM Group;
- 575 million euros of investments in monetary funds by the Brazil Business Unit, which, under IFRS 9, are classified as financial assets measured at fair value through profit or loss (FVTPL).

On the basis of two securities lending agreements signed with Telecom Italia Finance S.A. on November 27, 2019 and thereafter renewed on April 28, 2020, TIM S.p.A. received on loan until February 2, 2021 (renewable term) 98 million euros (nominal) of BTP 03/01/2023 and 150 million euros of BTP 04/15/2021; starting December 1, 2019, TIM S.p.A loans these securities to the counterparty NatWest.
On January 27, 2021, TIM S.p.A. renewed the securities lending agreement in place with Telecom Italia Finance S.A., which envisages the lending until February 15, 2023 of 98 million euros (nominal) of BTP 3/1/2023.
On January 29, 2021, TIM S.p.A. borrowed until October 5, 2023 (subject to renewal) 24 million euros (nominal) in BTP 10/15/2023 and 67.5 million euros (nominal) in BTP 2/1/2026; furthermore TIM S.p.A. lent the counterparty NatWest said securities in compliance with the agreement stipulated on December 21, 2020.
In addition, Telecom Italia Finance S.A. also has additional securities lending contracts with banking counterparties concerning securities worth (a nominal) 150 million euros.
From an accounting standpoint, in compliance with IAS/IFRS, the assets are shown exclusively in the financial statements of Telecom Italia Finance S.A., which retains the risks and benefits associated with the position.
Further details are provided in the Note "Accounting policies".

Cash and cash equivalents increased by 140 million euros compared to December 31, 2020 and were broken down as follows:

(million euros)	6/30/2021	12/31/2020
Liquid assets with banks, financial institutions and post offices	4,350	4,433
Checks, cash and other receivables and deposits for cash flexibility	—	—
Securities other than investments (due within 3 months)	619	396
Total	**4,969**	**4,829**

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

- maturities: investments have a maximum maturity 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 in major European financial markets.

Securities other than investments (due within three 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

The item rose compared to December 31, 2020, by 146 million euros and is broken down as follows:

(million euros)		6/30/2021	12/31/2020
Miscellaneous receivables (non-current)	(a)	460	516
Other non-current assets			
Deferred contract costs		1,722	1,522
Other cost deferrals		78	76
	(b)	1,800	1,598
Total	(a+b)	2,260	2,114

Miscellaneous non-current receivables totaled 460 million euros (516 million euros at December 31, 2020) and included Non-current income tax receivables of 62 million euros (64 million euros at December 31, 2020).

This item was mainly due to the Brazil Business Unit (411 million euros; 467 million euros at December 31, 2020). In particular, the Brazil Business Unit had non-current receivables for indirect taxes totaling 239 million euros (296 million euros at December 31, 2020), 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 "Disputes and pending legal actions, other information, commitments and guarantees" and receivables for court deposits of 131 million euros (126 million euros at December 31, 2020).

Other non-current assets amounted to 1,800 million euros (1,598 million euros at December 31, 2020). They mainly break down as follows:

- **Deferred contract costs** of 1,722 million euros (1,522 million euros at December 31, 2020), mainly related to the deferral of costs related to the activation and acquisitions of new contracts with customers. Contract costs are deferred and recognized through separate profit or loss depending on the expected term of the contractual relationship with the customers. In 2021, the expected duration of the contractual relationship with customers went from 3 to 4 years for the mobile business and from 7 to 8 years for the fixed-line business, following an improvement to the churn on customers recorded in recent years, as a result of the loyalty and retention actions and the drive on converging offers. On a consolidated level, the impact at June 30 totaled 92 million euros. The impacts on future periods will be connected to the variability of the costs deferred.

  Total (non-current and current) deferred contract costs amounted to 2,234 million euros (2,139 million euros at December 31, 2020) and break down as follows:

(million euros)	6/30/2021	12/31/2020
Deferred contract costs		
Non-current deferred contract costs	1,722	1,522
Current deferred contract costs	512	617
Total	2,234	2,139

(million euros)	6/30/2021	12/31/2020
Deferred contract costs		
Contract acquisition costs	1,204	1,132
Contract execution costs	1,030	1,007
Total	2,234	2,139

Deferred contract costs will be recognized in the income statement for future years and, in particular, for approximately 267 million euros in the second half of 2021 and for approximately 490 million euros in 2022, based on the amount at June 30, 2021 without taking into account the new deferred portions.

(million euros)	6/30/2021	period of recognition in the income statement					
		2nd Half 2021	Year 2022	Year 2023	Year 2024	Year 2025	After 2025
Contract acquisition costs	1,204	159	275	237	187	130	216
Contract execution costs	1,030	108	215	202	176	140	189
Total	**2,234**	**267**	**490**	**439**	**363**	**270**	**405**

- **Other deferred costs** of 78 million euros, mainly attributable to the Parent Company (35 million euros) and the companies of the Telecom Italia Sparkle group (32 million euros) and the Brazil Business Unit (10 million euros).

NOTE 11

TRADE AND MISCELLANEOUS RECEIVABLES AND OTHER CURRENT ASSETS

This item rose by 69 million euros compared to December 31, 2020. The figure breaks down as follows:

(million euros)		6/30/2021	12/31/2020
Trade receivables:			
Receivables from customers		2,226	2,140
Receivables from other telecommunications operators		627	765
	(a)	**2,853**	**2,905**
Miscellaneous receivables (current)			
Receivables due from others	(b)	**593**	**516**
Other current assets			
Contract assets		24	25
Deferred contract costs		512	617
Other cost deferrals		367	217
	(c)	**903**	**859**
Total	(a+b+c)	**4,349**	**4,280**

Starting January 1, 2021, in order to assure greater clarity of presentation, amounts due from customers on construction contracts net of the related advances paid are entered under “Inventories”. The amounts due for construction contracts at December 31, 2020 (66 million euros) have been appropriately reclassified.

Trade receivables at June 30, 2021 amounted to 2,853 million euros (2,905 million euros at December 31, 2020) and are stated net of the provision for bad debts of 603 million euros (627 million euros at December 31, 2020). They included 16 million euros (13 million euros at December 31, 2020) of medium/long-term receivables, of which 10 million euros for agreements for the sale of transmission capacity under Indefeasible Rights of Use (IRU).

Trade receivables mainly related to TIM S.p.A. (2,105 million euros) and to the Brazil Business Unit (486 million euros).

The provision for bad debt at June 30, 2021 suffered the provisions made in the first half of 2021 for a total of 106 million euros, of which 15 million euros are non-recurring of the Domestic Business Unit in connection with the COVID-19 health emergency, consequent to the forecast deterioration in the expected credit loss of some customers.

Miscellaneous receivables (current) refer to other receivables amounting to 593 million euros (516 million euros at December 31, 2020) and are net of a provision for bad debts of 47 million euros (48 million euros at December 31, 2020). Details are as follows:

(million euros)	6/30/2021	12/31/2020
Advances to suppliers	55	22
Receivables from employees	14	10
Tax receivables	267	254
Receivables for grants from the government and public entities	25	29
Sundry receivables	232	201
Total	**593**	**516**

Tax receivables mainly relate to the Brazil Business Unit (257 million euros) and are 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.

Receivables for grants from the government and public entities (25 million euros) referred mainly to the UltraBroadband-UBB and Broadband-BB projects. The grants are recognized to the income statement when the related plants become ready for use.

Sundry receivables mainly included:

- TIM S.p.A. receivables in relation to the Universal Service (52 million euros);
- TIM S.p.A. receivables for with-recourse assignments to factoring companies (36 million euros);
- miscellaneous receivables of TIM S.p.A. from other TLC operators (33 million euros);
- TIM S.p.A. receivables from social security and pension institutions (27 million euros).

Other current assets include:

- **Contract assets with customers**: this item includes the effect of the early recognition of revenues for those bundle contracts (such as bundles of products and services) with individual performance obligations with a different recognition timing, in which the goods recognized “at a point in time” are sold at a discounted price, or for those contracts which, by providing for a discount for a period of time shorter than the minimum contract term, require, pursuant to IFRS 15, a reallocation of the discount over the minimum contractual term. Contract Assets at June 30, 2021 amounted to 24 million euros (25 million euros at December 31, 2020) - net of the related write-down provision of 1 million euros - drop by 1 million euros, since the reversal to the income statement of the previously accumulated balance was substantially offset by the need to distribute discounts granted to customers temporally over the minimum contractual term, with particular reference to those connected with the impact of COVID-19;
- **Deferred contract costs** amount to 512 million euros (617 million euros at December 31, 2020) and are contract costs (mainly technical activation costs and commissions for the sales network) deferred and recognized in the separate income statement according to the expected duration of the contractual relationship with customers. In 2021, the expected duration of the contractual relationship went from 3 to 4 years for the mobile business and 7 to 8 years for the fixed-line business. On a consolidated level, the impact at June 30 totaled 92 million euros. Further details are provided in the Note “Miscellaneous receivables and other non-current assets”;
- **Other deferred costs** mainly concern:
  - the Parent Company essentially for the deferral of costs related to rental charges and other lease and rental costs (199 million euros), the deferral of costs for the purchase of products and services (69 million euros), deferral of after-sales expenses on application offers (26 million euros), insurance premiums (9 million euros) and maintenance fees (6 million euros);
  - to the Telecom Italia Sparkle group mainly related to the deferral of costs connected to payments for line lease and maintenance payments (12 million euros);
  - to the Brazil Business Unit, essentially for 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.

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 (609,000,000 reais) going to FiberCo's cash and secondary component (1,027,590,000 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:

(million euros)		6/30/2021	12/31/2020
Discontinued operations/Non-current assets held for sale:			
of a financial nature		—	—
of a non-financial nature		365	—
Total	**(a)**	**365**	**—**
Liabilities directly associated with Discontinued operations/Non-current assets held for sale			
of a financial nature		—	—
of a non-financial nature		68	—
Total	**(b)**	**68**	**—**
Net value of assets held for sale	**(a-b)**	**297**	**—**

Non-financial assets are broken down as follows:

(million euros)	6/30/2021	12/31/2020
Non-current assets		
Intangible assets	*184*	—
Tangible assets	*178*	—
Rights of use assets	—	—
Other non-current assets	*1*	—
	363	**—**
Current assets	**2**	**—**
Total	**365**	**—**

Non-financial liabilities are broken down as follows:

(million euros)	6/30/2021	12/31/2020
Non-current liabilities	68	—
Current liabilities	—	—
Total	**68**	**—**

NOTE 13
EQUITY

This item is composed as follows:

(million euros)	6/30/2021	12/31/2020
Equity attributable to owners of the Parent	26,006	26,215
Non-controlling interests	4,592	2,625
Total	**30,598**	**28,840**

The breakdown of **Equity attributable to Owners of the Parent** is provided below:

(million euros)	6/30/2021	12/31/2020
Share capital	11,592	11,588
Additional paid-in capital	2,133	2,133
Other reserves and retained earnings (accumulated losses), including profit (loss) for the period	12,281	12,494
Reserve for financial assets measured at fair value through other comprehensive income	11	20
Reserve for hedging instruments	(245)	(350)
Reserve for exchange differences on translating foreign operations	(2,327)	(2,538)
Reserve for remeasurements of employee defined benefit plans (IAS 19)	(102)	(119)
Share of other profits (losses) of associates and joint ventures accounted for using the equity method	—	—
Other reserves and retained earnings, including profit (loss) for the period	14,944	15,481
Total	**26,006**	**26,215**

Based on the resolution passed by the shareholders' meeting held on March 31, 2021, profit for 2020 shown in the financial statements of the Parent TIM S.p.A. has been allocated as follows:

- 319 million euros distributed to Shareholders for a dividend of 0.0100 euro for each ordinary share and 0.0275 euro for each savings share, gross of statutory withheld tax, including 1 million euros distributed to TI Finance;
- 22 million euros to the legal reserve;
- 6,820 million euros to profits carried forward.

At June 30, 2021, the **share capital** was 11,592 million euros, already net of treasury shares for 85 million euros (11,588 million euros, already net of treasury shares for 89 million euros at December 31, 2020).

The reduction in treasury shares was related to the sale of shares based on the "2018 Long Term Incentive Plan" compensation plan. For further details, see the Note “Equity Compensation Plans”.

It should be noted that part of the Capital and the Other reserves of the Parent Company are restricted under tax suspension in accordance with Decree Law 104/2020, art. 110, paragraph 8.

Movements in share capital during the first half of 2021 are shown in the tables below:

Reconciliation between the number of shares outstanding at December 31, 2020 and June 30, 2021

(number of shares)		as at 31.12.2020	Share assignment/issue	as at 30.6.2021	% on Capital
Ordinary shares issued	(a)	15,329,466,496	—	15,329,466,496	71.78 %
less: treasury shares	(b)	(161,262,083)	6,715,617	(154,546,466)	
Ordinary shares outstanding	(c)	15,168,204,413	6,715,617	15,174,920,030	
Savings shares issued and outstanding	(d)	6,027,791,699	—	6,027,791,699	28.22 %
Total TIM S.p.A. shares issued	**(a+d)**	**21,357,258,195**	**—**	**21,357,258,195**	**100.00 %**
Total TIM S.p.A. shares outstanding	**(c+d)**	**21,195,996,112**	**6,715,617**	**21,202,711,729**	

Reconciliation between the value of shares outstanding at December 31, 2020 and June 30, 2021

(million euros)		Share capital at 12/31/2020	Change in share capital	Share Capital at 6/30/2021
Ordinary shares issued	(a)	8,382	—	**8,382**
less: treasury shares	(b)	(89)	4	**(85)**
Ordinary shares outstanding	(c)	8,293	4	**8,297**
Savings shares issued and outstanding	(d)	3,295	—	**3,295**
Total TIM S.p.A. share capital issued	**(a+d)**	**11,677**	**—**	11,677
Total TIM S.p.A. share capital outstanding	**(c+d)**	**11,588**	**4**	11,592

Future potential changes in share capital

Details of “Future potential changes in share capital” are presented in the Note “Earnings per share”.

NOTE 14

NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

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

(million euros)		6/30/2021	12/31/2020
Non-current financial liabilities for financing contracts and others			
Financial payables (medium/long-term):			
Bonds		17,159	16,898
Convertible bonds		—	1,958
Amounts due to banks		2,833	2,772
Other financial payables		178	185
		20,170	**21,813**
Other financial liabilities (medium/long-term):			
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature		1,530	1,832
Non-hedging derivatives		12	10
Other liabilities		—	—
		1,542	**1,842**
	(a)	**21,712**	**23,655**
Non-current financial liabilities for lease contracts	**(b)**	**4,106**	**4,199**
Total non-current financial liabilities	**c=(a+b)**	**25,818**	**27,854**
Current financial liabilities for financing contracts and others			
Financial payables (short term):			
Bonds		1,366	982
Convertible bonds		1,981	6
Amounts due to banks		1,014	2,506
Other financial payables		125	119
		4,486	**3,613**
Other financial liabilities (short-term):			
Hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature		70	62
Non-hedging derivatives		26	2
Other liabilities		—	—
		96	**64**
	(d)	**4,582**	**3,677**
Current financial liabilities for lease contracts	**(e)**	**660**	**631**
Total current financial liabilities	**f=(d+e)**	**5,242**	**4,308**
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	**(g)**	**—**	**—**
Total Financial liabilities (Gross financial debt)	**h=(c+f+g)**	**31,060**	**32,162**

Gross financial debt according to the original currency of the transaction is as follows:

	6/30/2021		12/31/2020	
	(millions of foreign currency)	(million euros)	(millions of foreign currency)	(million euros)
USD	5,878	4,947	5,899	4,807
GBP	378	440	389	433
BRL	10,658	1,793	8,415	1,320
YEN	20,030	152	20,030	158
ILS	52	13	54	14
EUR		23,715		25,430
Total		**31,060**		**32,162**

For the exchange rates used for the conversion of amounts in foreign currency, see the Note "Other information".

The breakdown of gross financial debt by effective interest-rate bands applicable to the original currency is provided below, excluding the effect of any derivative hedging instruments:

(million euros)	6/30/2021	12/31/2020
Up to 2.5%	5,409	6,047
From 2.5% to 5%	12,953	13,497
From 5% to 7.5%	6,895	6,692
From 7.5% to 10%	2,199	1,906
Over 10%	1,420	1,317
Accruals/deferrals, MTM and derivatives	2,184	2,703
Total	**31,060**	**32,162**

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

(million euros)	6/30/2021	12/31/2020
Up to 2.5%	14,289	15,640
From 2.5% to 5%	8,197	8,052
From 5% to 7.5%	3,870	3,352
From 7.5% to 10%	1,100	1,098
Over 10%	1,420	1,317
Accruals/deferrals, MTM and derivatives	2,184	2,703
Total	**31,060**	**32,162**

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

Details of the maturities of financial liabilities – at nominal repayment amount:

	maturing by 6/30 of the year:						
(million euros)	2022	2023	2024	2025	2026	After 2026	Total
Bonds	3,106	1,437	4,262	1,000	2,841	7,479	20,125
Loans and other financial liabilities	838	877	1,054	415	434	172	3,790
Financial lease liabilities	633	575	592	458	433	2,048	4,739
Total	**4,577**	**2,889**	**5,908**	**1,873**	**3,708**	**9,699**	**28,654**
Current financial liabilities	312	—	—	—	—	—	312
Total	**4,889**	**2,889**	**5,908**	**1,873**	**3,708**	**9,699**	**28,966**

The main components of financial liabilities are commented below.

Bonds are broken down as follows:

(million euros)	6/30/2021	12/31/2020
Non-current portion	17,159	16,898
Current portion	1,366	982
Total carrying amount	**18,525**	**17,880**
Fair value adjustment and measurements at amortized cost	(400)	(631)
Total nominal repayment amount	**18,125**	**17,249**

Convertible bonds consist of the unsecured equity-linked bond for 2,000 million euros, with a coupon of 1.125%, issued by TIM S.p.A., convertible into newly-issued ordinary shares, maturing in 2022. This item was broken down as follows:

(million euros)	6/30/2021	12/31/2020
Non-current portion	—	1,958
Current portion	1,981	6
Total carrying amount	**1,981**	**1,964**
Fair value adjustment and measurements at amortized cost	19	36
Total nominal repayment amount	**2,000**	**2,000**

The nominal repayment amount of bonds and convertible bonds totaled 19,921 million euros, up by 672 million euros compared to December 31, 2020 (19,249 million euros) as a result of new issues, repayments and the exchange effect in the first half of 2021.

The following table lists the bonds issued by companies of the TIM Group, by issuing company, expressed at the nominal repayment amount, net of bond repurchases, and also at market value:

Currency	Total (millions)	Nominal repayment amount (million euros)	Coupon	Issue date	Maturity date	Issue price (%)	Market price at 6/30/2021 (%)	Market value at 6/30/2021 (million euros)
Bonds issued by TIM S.p.A.								
Euro	(b) 222	222	6 month Euribor (base 365)	1/1/02	1/1/22	100	100	222
Euro	883.9	884	5.250%	2/10/10	2/10/22	99.295	103.268	913
Euro	(c) 2,000	2,000	1.125%	3/26/15	3/26/22	100	100.348	2007
Euro	1,000	1,000	3.250%	1/16/15	1/16/23	99.446	104.837	1,048
GBP	375	437	5.875%	5/19/06	5/19/23	99.622	108.407	474
Euro	1,000	1,000	2.500%	1/19/17	7/19/23	99.288	104.342	1,043
Euro	750	750	3.625%	1/20/16	1/19/24	99.632	107.477	806
Euro	1,250	1,250	4.000%	1/11/19	4/11/24	99.436	108.060	1,351
USD	1,500	1,262	5.303%	5/30/14	5/30/24	100	109.434	1,381
Euro	1,000	1,000	2.750%	4/15/19	4/15/25	99.320	105.612	1,056
Euro	1,000	1,000	3.000%	9/30/16	9/30/25	99.806	107.217	1,072
Euro	750	750	2.875%	6/28/18	1/28/26	100	106.425	798
Euro	1,000	1,000	3.625%	5/25/16	5/25/26	100	111.287	1,113
Euro	1,250	1,250	2.375%	10/12/17	10/12/27	99.185	104.351	1,304
Euro	1,000	1,000	1.625%	1/18/21	1/18/29	99.074	98.555	986
Euro	670	670	5.250%	3/17/05	3/17/55	99.667	123.006	824
Subtotal		**15,475**						**16,398**
Bonds issued by Telecom Italia Finance S.A. and guaranteed by TIM S.p.A.								
Euro	1,015	1,015	7.750%	1/24/03	1/24/33	(a) 109.646	146.950	1,492
Subtotal		**1,015**						**1,492**
Bonds issued by Telecom Italia Capital S.A. and guaranteed by TIM S.p.A.								
USD	1,000	841.5	6.375%	10/29/03	11/15/33	99.558	119.415	1,005
USD	1,000	841.5	6.000%	10/6/04	9/30/34	99.081	115.538	972
USD	1,000	841.5	7.200%	7/18/06	7/18/36	99.440	129.053	1,086
USD	1,000	841.5	7.721%	6/4/08	6/4/38	100	136.539	1,149
Subtotal		**3,366**						**4,212**
Bonds issued by TIM S.A.								
BRL	1,600	269	IPCA+4.1682%	6/15/21	6/15/28	100	100	269
Subtotal		**269**						**269**
Total		**20,125**						**22,371**

(a) Weighted average issue price for bonds issued with more than one tranche.
(b) Total Reserved for employees.
(c) Bond convertible into newly-issued TIM S.p.A. ordinary shares.

The regulations and the Offering Circulars relating to the bonds of the TIM Group are available on the corporate website gruppotim.it..

The following table lists the changes in bonds during the first half of 2021:

New issues

(millions of original currency)	Currency	Amount	Issue date
New issues			
Telecom Italia S.p.A. 1,000 million euros 1.625%	Euro	1,000	1/18/2021
TIM S.A. 1,600 million BRL IPCA+4.1682%	BRL	1,600	6/15/2021

Repayments

(millions of original currency)	Currency	Amount	Repayment date
Repayments			
Telecom Italia S.p.A. 564 million euros 4.500% (1)	Euro	564	1/25/2021

(1) Net of buy-backs totaling 436 million euros made by the company in 2015.

Medium/long-term **payables to banks** of 2,833 million euros (2,772 million euros at December 31, 2020) increased by 61 million euros. Short-term amounts due to banks totaled 1,014 million euros (2,506 million euros at December 31, 2020) and included 828 million euros of the current portion of medium/long-term amounts due to banks.

The other medium/long-term **financial payables** totaled 178 million euros (185 million euros at December 31, 2020), 149 million euros of which refer to the Telecom Italia Finance S.A. loan for JPY 20,000 million, maturing in 2029. Short-term other financial payables amounted to 125 million euros (119 million euros at December 31, 2020) and included 7 million euros of the current portion of medium/long-term other financial payables.

Medium/long-term **financial liabilities for lease contracts** amounted to 4,106 million euros (4,199 million euros at December 31, 2020), whilst short-term payables totaled 660 million euros (631 million euros at December 31, 2020) and included 657 million euros in the current portion of financial liabilities for medium/long-term lease contracts.

With reference to the financial lease liabilities recognized in the first half of 2021 and 2020, the following is noted:

(million euros)	1st Half 2021	1st Half 2020
Principal reimbursements	289	269
Cash out interest portion	130	82
Total	**419**	**351**

Hedging derivatives relating to items classified as non-current financial liabilities amount to 1,530 million euros (1,832 million euros at December 31, 2020). Hedging derivatives relating to items classified as current liabilities of a financial nature totaled 70 million euros (62 million euros at December 31, 2020).

Non-hedging derivatives classified as non-current financial liabilities came to 12 million euros (10 million euros at December 31, 2020), while non-hedging derivatives classified under current financial liabilities amounted to 26 million euros (2 million euros at December 31, 2020). These also 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.

Covenants and negative pledges in place at June 30, 2021

Bonds issued by the TIM Group do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interest, etc.) or clauses that result in the automatic early redemption of the bonds in relation to events other than the insolvency of the TIM Group[1]; furthermore, the repayment of the bonds and the payment of interest are not covered by specific guarantees nor are there commitments provided relative to the assumption of future guarantees, except for the full and unconditional guarantees provided by TIM S.p.A. for the bonds issued by Telecom Italia Finance S.A. and Telecom Italia Capital S.A..

Since the bonds were placed principally with institutional investors in major world capital markets (Euromarket and the U.S.A.), the terms which regulate the bonds are in line with market practice for similar transactions effected on these same markets. Consequently, they carry negative pledges, such as, for example, the commitment not to pledge the company's assets as collateral for loans.

Regarding loans taken out by TIM S.p.A. from the European Investment Bank (EIB), on May 19, 2021, TIM entered into a new loan for an amount of 230 million euros, in support of projects to digitize the country. In addition, it has extended the loan signed in 2019 for an amount of 120 million euros. Therefore, at June 30, 2021 the nominal total of outstanding loans with the EIB was 1,200 million euros, of which 850 million drawn down, none of it backed by a bank guarantee.

[1] A change of control event can result in the early repayment of the convertible bond of TIM S.p.A., as further detailed below.

The three EIB loans signed on December 14, 2015, November 25, 2019 and May 19, 2021 contain the following covenants:

- in the event the company becomes the target of a merger, demerger or contribution of a business segment outside the Group, or sells, disposes of or transfers assets or business segments (except in certain cases, expressly provided for), it shall immediately inform the EIB which shall have the right to ask for guarantees to be provided or changes to be made to the loan contract, or, only for certain loan contracts, the EIB shall have the option to demand the immediate repayment of the loan (should the merger, demerger or contribution of a business segment outside the Group compromise the Project execution or cause a prejudice to EIB in its capacity as creditor);
- TIM undertook to ensure that, for the entire duration of the loan, the total financial debt of the Group companies other than TIM S.p.A. – except for the cases when that debt is fully and irrevocably secured by TIM S.p.A. – is lower than 35% (thirty-five percent) of the Group's total financial debt;
- "Inclusion clause", under which, in the event TIM commits to uphold financial covenants in other loan contracts (and even more restrictive clauses, including, for instance, cross default clauses and commitments restricting the sale of goods) that are not present in or are stricter than those granted to the EIB, the EIB will have the right – if, in its reasonable opinion, it considers that such changes may have a negative impact on TIM's financial capacity – to request the provision of guarantees or an amendment of the loan contract in order to establish an equivalent provision in favor of the EIB;
- "Network Event", under which, in the event of the disposal of the entire fixed network or of a substantial part of it (in any case, more than half in quantitative terms) to third parties not controlled by the Company, or in the event of disposal of the controlling interest in the company in which the network or a substantial part of it has previously been transferred, TIM must immediately inform the EIB, which may then opt to demand collateral or an amendment of the loan contract or choose an alternative solution.

The loan agreements of TIM S.p.A. do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interests, etc.) which would oblige the Company to repay the outstanding loan if the covenants are not observed.
The loan agreements contain the usual other types of covenants, including the commitment not to pledge the Company's assets as collateral for loans (negative pledge) and the commitment not to change the business purpose or sell the assets of the Company unless specific conditions exist (e.g. the sale takes place at fair market value). Covenants with basically the same content can be found in the export credit loan agreement.
In the Loan Agreements and the Bonds, TIM is required to provide notification of change of control. Identification of the occurrence of a change of control and the applicable consequences – including, at the discretion of the investors, the establishment of guarantees or the early repayment of the amount paid in cash or as shares and the cancellation of the commitment in the absence of agreements to the contrary – are specifically covered in the individual agreements.
In addition, the outstanding loans generally contain a commitment by TIM, whose breach is an Event of Default, not to implement mergers, demergers or transfers of business, involving entities outside the Group. Such an Event of Default may entail, upon request of the Lender, the early redemption of the drawn amounts and/or the annulment of the undrawn commitment.
The documentation of the loans granted to certain companies of the Tim Brasil group contain general obligations to comply with certain financial ratios (e.g. capitalization ratios, debt servicing ratios and debt ratios), as well as the usual other covenants, under penalty of a request for the early repayment of the loan.
Finally, as at June 30, 2021, no covenant, negative pledge or other clause relating to the debt position had in any way been breached or violated.

Revolving Credit Facility

The following table shows committed credit lines available at June 30, 2021.

(billion euros)	6/30/2021		12/31/2020	
	Agreed	Drawn down	Agreed	Drawn down
Sustainability-linked RCF - maturing May 2026	4.0	–	—	—
Revolving Credit Facility – maturing January 2023	—	–	5.0	—
Bridge to Bond Facility – maturing May 2021	—	–	1.7	—
Total	**4.0**	–	**6.7**	**—**

At June 30, 2021, TIM had bilateral Term Loans for 965 million euros with various banking counterparties

On January 18, 2021, TIM issued its first 8-year Sustainability Bond for an amount of 1 billion euros, coupon 1.625%.

On January 19, 2021, TIM entirely canceled the credit line for 1.7 billion euros, which was not used, stipulated on May 18, 2020 as bridge to bond for subsequent issues on the bond market and an initial maturity of 12 months with an option of extension for another 12 months.

On May 13, 2021, TIM extended the Revolving Credit Facility by 5 years, reducing the amount to 4 billion euros and making it the Group's first ever ESG-linked credit facility.

TIM's rating at June 30, 2021

At June 30, 2021, the three rating agencies – Standard & Poor's, Moody's and Fitch Ratings – rated TIM as follows:

	Rating	Outlook
STANDARD & POOR'S	BB+	Negative
MOODY'S	Ba2	Negative
FITCH RATINGS	BB+	Stable

NOTE 15
NET FINANCIAL DEBT

The table below shows the breakdown of net financial debt of the TIM Group 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) and incorporated by Consob with its Note of Attention no. 5/21 dated April 29, 2021.
This table also shows the reconciliation of the net financial debt determined according to the aforementioned criteria indicated by the ESMA and net financial debt calculated according to the criteria of the TIM Group.

(million euros)		6/30/2021	12/31/2020
Liquid assets with banks, financial institutions and post offices	(a)	4,350	4,433
Other cash and cash equivalents	(b)	619	396
Securities other than investments	(c)	1,311	1,092
Liquidity	**(d=a+b+c)**	**6,280**	**5,921**
Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	(e)	314	1,151
Current portion of non-current financial debt	(f)	4,802	3,010
Current financial debt	**(g=e+f)**	**5,116**	**4,161**
Net current financial debt	**(h=g-d)**	**(1,164)**	**(1,760)**
Non-current financial debt (excluding the current part and debt instruments)	(i)	6,717	6,984
Debt instruments	(j)	17,159	18,856
Trade payables and other non-current debt (**)	(k)	1,790	1,791
Non-current financial debt	**(l=i+j+k)**	**25,666**	**27,631**
Total net financial debt as per ESMA guidelines 32-382-1138	**(m=h+l)**	**24,502**	**25,871**
Trade payables and other non-current debt (**)		(1,790)	(1,791)
Non-current financial receivables arising from lease contracts		(49)	(43)
Current financial receivables arising from lease contracts		(60)	(55)
Financial receivables and other current financial assets		(24)	(15)
Other financial receivables and other non-current financial assets		(252)	(253)
Financial assets/liabilities relating to discontinued operations/non-current assets held for sale		—	—
Subtotal	**(n)**	**(2,175)**	**(2,157)**
Net financial debt carrying amount (*)	**(p=m+n)**	**22,327**	**23,714**
Reversal of fair value measurement of derivatives and related financial liabilities/assets	(q)	(255)	(388)
Adjusted net financial debt	**(r=p+q)**	**22,072**	**23,326**

(*) As regards the effects of related party transactions on net financial debt, reference should be made to the specific table included in the Note "Related party transactions ".

(**) The amount includes the payable relative to the acquisition of the user rights for the 5G licenses, equal to 1,738 million euros, as described in the Note "Miscellaneous payables and other non-current liabilities".

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

Additional cash flow information required by IAS 7

(million euros)		12/31/2020	Cash movements: Receipts and/or issues	Cash movements: Payments and/or reimbursements	Non-cash movements: Exchange differences	Non-cash movements: Fair value changes	Non-cash movements: Other changes and reclassifications	6/30/2021
Financial payables (medium/long-term):								
Bonds		17,880	1,246	(564)	187	(55)	(169)	18,525
Convertible bonds		1,964					17	1,981
Amounts due to banks		4,242	666	(1,254)	13		(6)	3,661
Other financial payables		192		(1)	(6)			185
	(a)	**24,278**	**1,912**	**(1,819)**	**194**	**(55)**	**(158)**	**24,352**
of which short-term		2,465						4,182
Finance lease liabilities (medium/long-term):		**4,827**	**100**	**(289)**	**97**	**—**	**28**	**4,763**
	(b)	**4,827**	**100**	**(289)**	**97**	**—**	**28**	**4,763**
of which short-term		628						657
Other financial liabilities (medium/long-term):								
Hedging derivative liabilities relating to hedged items classified as non-current assets/liabilities of a financial nature		1,894			(46)	(256)	8	1,600
Non-hedging derivative liabilities		12			12	6	1	31
Other liabilities		—						—
	(c)	**1,906**	**—**	**—**	**(34)**	**(250)**	**9**	**1,631**
of which short-term		64						89
Financial payables (short term):								
Amounts due to banks		1,036					(850)	186
Other financial payables		115			7		6	128
	(d)	**1,151**	**—**	**—**	**7**	**—**	**(844)**	**314**
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale:		**—**						**—**
	(e)	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total Financial liabilities (Gross financial debt)								
	(f=a+b+c+d+e)	**32,162**	**2,012**	**(2,108)**	**264**	**(305)**	**(965)**	**31,060**
Hedging derivative receivables relating to hedged items classified as current and non-current assets/liabilities of a financial nature	(g)	2,067			113	(203)	(11)	1,966
Non-hedging derivative receivables	(h)	94			(24)	31	1	102
Total	(i=f-g-h)	**30,001**	**2,012**	**(2,108)**	**175**	**(133)**	**(955)**	**28,992**

Additional Cash Flow information

The value of the paid and collected interest expense reported in the Report on Operations takes into account the movements relating to transactions in CCIRS derivatives to hedge underlying assets in both the assets component (collections) and the liabilities component (payments) without netting the positions.

(million euros)	1st Half 2021	1st Half 2020
Interest expense paid	(863)	(917)
Interest income received	229	223
Net total	**(634)**	**(694)**

To consider the components of CCIRS derivatives as a single transaction, a representation is given with interest flows in and out shown net. This approach gives the following results:

(million euros)	1st Half 2021	1st Half 2020
Interest expense paid	(686)	(727)
Interest income received	52	33
Net total	**(634)**	**(694)**

NOTE 16
DERIVATIVES

For hedge accounting we continued to apply the rules established by IAS 39.
Derivative financial instruments are used by the TIM Group to hedge its exposure to foreign exchange rate risk, to manage interest rate risk and to diversify the parameters of debt so that costs and volatility can be reduced to within predetermined operational limits.
Derivative financial instruments existing at June 30, 2021 are principally used to manage debt positions. They include interest rate swaps (IRSs) used to reduce the interest rate exposure of fixed-rate bank loans and bonds, as well as cross currency and interest rate swaps (CCIRSs), currency forwards and foreign exchange options to convert the loans/receivables secured in currencies different from the functional currencies of the various Group companies.
IRS transactions, provide for or may entail, at specified maturity dates, the exchange of flows of interest, calculated on the notional amount, at the agreed fixed or variable rates.
The same also applies to CCIRS transactions which, in addition to the settlement of periodic interest flows, may provide for the exchange of principal, in the respective currencies of denomination, at maturity and possibly spot.

The following tables break down the financial derivatives by type of risk for each kind of hedging, separating financial assets and liabilities. For CCIRS, the notional amount refers to the contractual value in euros, for IRS in a currency other than the euro, the value is indicated at the market exchange rate.

Type (million euros)	**Hedged risk**	**Notional amount at 6/30/2021**	**Notional amount at 12/31/2020**	**Mark to Market Spot* (Clean Price) at 6/30/2021**	**Spot Mark-to-Market* (Clean Price) at 12/31/2020**
Interest rate swaps	Interest rate risk	4,334	4,334	140	192
Cross Currency and Interest Rate Swaps	Interest rate risk and currency exchange rate risk	—	—	—	—
Total Fair Value Hedge Derivatives		**4,334**	**4,334**	**140**	**192**
Interest rate swaps	Interest rate risk	5,562	5,594	336	421
Cross Currency and Interest Rate Swaps	Interest rate risk and currency exchange rate risk	5,988	5,042	(171)	(519)
Total Cash Flow Hedge Derivatives		**11,550**	**10,636**	**165**	**(98)**
Total Non-Hedge Accounting Derivatives		**1,046**	**604**	**64**	**82**
Total TIM Group derivatives		**16,930**	**15,574**	**369**	**176**

Spot Mark-to-market above represents the market measurement of the derivative net of the accrued portion of the flow in progress.

NOTE 17

SUPPLEMENTARY DISCLOSURES ON FINANCIAL INSTRUMENTS

Measurement at fair value

The fair value measurement of the financial instruments of the Group has been classified in the 3 levels set out in IFRS 7. In particular, the fair value hierarchy introduces the following levels of input:

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

The next tables present some additional information on financial instruments, including the table on hierarchy levels for each financial asset/liability class measured at fair value at June 30, 2021.

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
Hedging Derivatives	HD
Not applicable	n.a.

Hierarchy levels for each class of financial asset/liability measured at fair value at 6/30/2021

(million euros)		IFRS 9 categories	Notes	Carrying amount in financial statements at 6/30/2021	Levels of hierarchy Level 1 (*)	Level 2 (*)	Level 3 (*)
ASSETS							
Non-current assets							
Other investments		FVTOCI	(8)	**82**	**28**	**21**	**33**
Securities, financial receivables and other non-current financial assets							
of which securities		FVTOCI	(9)				
of which hedging derivatives		HD	(9)	*1,878*		*1,878*	
of which non-hedging derivatives		FVTPL	(9)	*64*		*64*	
	(a)			**2,024**	**28**	**1,963**	**33**
Current assets							
Titles							
Measured at fair value through other comprehensive income (FVTOCI)		FVTOCI	(9)	*736*	*736*		
Measured at fair value through profit or loss (FVTPL)		FVTPL	(9)	*575*	*575*		
Financial receivables and other current financial assets							
of which hedging derivatives		HD	(9)	*88*		*88*	
of which non-hedging derivatives		FVTPL	(9)	*38*		*38*	
	(b)			**1,437**	**1,311**	**126**	—
Total	**(a+b)**			**3,461**	**1,339**	**2,089**	**33**
LIABILITIES							
Non-current liabilities							
of which hedging derivatives		HD	(14)	*1,530*		*1,530*	
of which non-hedging derivatives		FVTPL	(14)	*12*		*12*	
	(c)			**1,542**		**1,542**	
Current liabilities							
of which hedging derivatives		HD	(14)	*70*		*70*	
of which non-hedging derivatives		FVTPL	(14)	*26*		*26*	
	(d)			**96**		**96**	
Total	**(c+d)**			**1,638**		**1,638**	

(*) Level 1: corresponds to quoted prices in active markets.
Level 2: prices calculated using observable market inputs.
Level 3: prices calculated using inputs that are not based on observable market data.

Other investments measured at "Fair value through other comprehensive income" in Level 3, at June 30, 2021 mainly refer to Northgate CommsTech Innovations Partners L.P..

In addition, during the first half of 2021, there were no transfers between different of hierarchy levels financial assets and liabilities measured at fair value.

NOTE 18
EMPLOYEE BENEFITS

This item rose by 237 million euros compared to December 31, 2020. The figure breaks down as follows:

(million euros)		12/31/2020	Increases/ Present value	Decrease	Exchange differences and other changes	6/30/2021
Provision for employee severance indemnities	**(a)**	**701**	**(20)**	**(4)**	**2**	**679**
Provision for pension and other plans		23	1	(1)		23
Provision for termination benefit incentives and corporate restructuring		39	301	(42)		298
Total other provisions for employee benefits	**(b)**	**62**	**302**	**(43)**	**—**	**321**
Total	**(a+b)**	**763**	**282**	**(47)**	**2**	**1,000**
of which:						
non-current portion		**724**				**888**
current portion (*)		**39**				**112**

(*) The current portion refers only to Other provisions for employee benefits.

The **Provision for employee severance indemnities (T.F.R.)** only refers to Italian companies and decreased by 22 million euros. The decrease of 4 million euros refers to uses in the period for employees who terminated employment or for advances.

The change of -20 million euros in the column "Increases/Present value" consists of the following:

(million euros)	1st Half 2021	1st Half 2020
(Positive)/negative effect of curtailment	—	—
Current service cost (*)	—	—
Finance expenses	2	4
Net actuarial (gains) losses for the period	(22)	3
Total	**(20)**	**7**
Effective return on plan assets	there are no assets servicing the plan	

(*) The portions intended for the INPS Treasury Fund or for the supplementary pension funds have been recorded under "Employee benefits expenses" under "Social security expenses". The latter account is used only for the severance indemnity expenses of companies with less than 50 employees.

Net actuarial gains recorded at June 30, 2021 of 22 million euros (net actuarial losses for 3 million euros during the first half of 2020) are essentially linked to both turnover and the change in discount rate, which went from 0.34% in December 2020 to 0.79% in June 2021. The inflation rate used is unchanged at 0.8%.

The **Provision for pension and other plans** amounted to 23 million euros at June 30, 2021 (23 million euros at December 31, 2020) and mainly represented pension plans in place at foreign companies of the Group.

The **Provision for termination benefit incentives and corporate restructuring** increase by a total of 259 million euros. The decrease of 42 million euros, is linked to redundancies and the reclassification to payables of amounts not yet liquidated in relation to plans, already provisioned during previous years. The increase of 301 million euros of "restructuring and other expenses", mainly correlated with the 2021 provision for expenses for the application of Art. 4 of Italian Law no. 92 of June 28, 2012, following the trade union agreement stipulated between the Parent Company and the Trade Unions on March 08, 2021 and the agreements stipulated respectively on May 06, 2021 by the company TI Sparkle, on April 27, 2021 by the company Noovle S.p.A. and on March 15, 2021 by the company Olivetti.

NOTE 19
PROVISIONS

This item fell by 282 million euros compared to December 31, 2020. The figure breaks down as follows:

(million euros)	12/31/2020	Increase	Taken to income	Used directly	Exchange differences and other changes	6/30/2021
Provision for taxation and tax risks	**67**	5	—	(2)	8	**78**
Provision for restoration costs	**274**	5		(3)	1	**277**
Provision for legal disputes	**747**	33		(318)	6	**468**
Provision for commercial risks	**29**	2	(3)	(5)	1	**24**
Provision for risks and charges on investments and corporate-related transactions	**21**		(11)			**10**
Other provisions	**4**			(1)		**3**
Total	**1,142**	**45**	**(14)**	**(329)**	**16**	**860**
of which:						
non-current portion	**770**					**689**
current portion	**372**					**171**

The **provision for taxation and tax risks** increased by 11 million euros compared to December 31, 2020, mainly due to the exchange rate effect of the period (+5 million euros). The balance at June 30, 2021 reflects provisions and uses made for the Brazil Business Unit.

The **provision for restoration costs** refers to the provision for the costs expected to be incurred for the restoration of leased properties and sites used in the mobile telephony sector and for the dismantling of assets (in particular: batteries and wooden poles); it is mainly attributable to the Parent Company (142 million euros), to FiberCop (127 million euros), to the Brazil Business Unit (6 million euros) and to Sparkle group companies (2 million euros).

The **provision for legal disputes** included the provision for litigation with other counterparties and employees. The amount at June 30, 2021 included 381 million euros for the Domestic Business Unit, a reduction on December 31, 2020 following use for transactions and legal agreements and 87 million euros for the Brazil Business Unit.

NOTE 20

MISCELLANEOUS PAYABLES AND OTHER NON-CURRENT LIABILITIES

This item decreased by 445 million euros compared to December 31, 2020. The figure breaks down as follows:

(million euros)		6/30/2021	12/31/2020
Miscellaneous payables (non-current)			
Payables to social security agencies		392	501
Current income tax payables		232	493
Other payables		1,748	1,748
	(a)	**2,372**	**2,742**
Other non-current liabilities			
Deferred revenues from customer contracts (Contract liabilities)		100	106
Other deferred revenue and income		403	460
Capital grants		282	294
	(b)	**785**	**860**
Total	**(a+b)**	**3,157**	**3,602**

Miscellaneous non-current payables include:

- **payables to social security agencies** amounting to 392 million euros, mainly relating to the debt position with INPS regarding the application of the agreements signed with the trade unions relating to the application of Article 4, paragraphs 1-7ter, of Italian Law 92 of June 28, 2012;
- **income tax payables** of 232 million euros mainly relating to the third installment of substitute tax of the Parent Company (231 million euros) to be paid in accordance with Decree Law 104/2020, Art. 110, paragraphs 8 and 8bis by June 30, 2023;
- **other payables** amounting to 1,748 million euros. The item mainly refers to the debt for the non-current portion, equal to 1,738 million euros (55 million euros recognized as current payables) for the purchase - which took place in 2018 - of the rights-of-use for the frequencies in the 694-790 MHz, 3600-3800 MHz and 26.5-27.5 GHz bands, to be allocated on 5G mobile communication services in Italy.

The **other non-current liabilities** include:

- **Deferred revenues from contracts with customers (contract liabilities)** of 100 million euros (106 million euros at December 31, 2020) which are reversed to the income statement according to the duration of the contractual obligations between the parties, averaging 24 months; therefore, the balance as at June 30, 2021 will be reversed to the income statement generally by 2023. In particular, the item includes:
  - TIM S.p.A. deferred revenues for subscription charges and rent and maintenance payments (45 million euros);
  - TIM S.p.A. deferred revenues for network access subscription charges (27 million euros);
  - deferred revenues for outsourcing charges (14 million euros)
  - Deferred revenues for activation and installation fees charged on new TIM S.p.A. customer contracts (9 million euros): in this regard, it is noted that under IFRS 15 activation/installment revenues are allocated to other contract obligations and recognized throughout the period of performance of the contract, as they do not relate to separate performance obligations;
- **Other deferred revenue and income** totaling 403 million euros; the item consisted of the non-current portion (approx. 119 million euros) of the deferred gain on the sale and lease-back of telecommunication towers by the Brazil Business Unit; this item also includes deferred revenues related to agreements for the sale of the transmission capacity (lease operating income).
- **Capital grants** of 282 million euros: the item represents the component still to be released to the income statement based on the remaining useful life (estimated at around 18 years) of the assets that the grants refer to and is mainly connected to the realization of the infrastructures on the UltraBroadband-UBB and Broadband-BB projects.

NOTE 21

TRADE AND MISCELLANEOUS PAYABLES AND OTHER CURRENT LIABILITIES

This item rose by 236 million euros compared to December 31, 2020. The figure breaks down as follows:

(million euros)		6/30/2021	12/31/2020
Trade payables			
Payables due to suppliers		3,449	3,689
Payables to other telecommunication operators		352	444
	(a)	3,801	4,133
Tax payables	(b)	673	226
Miscellaneous payables			
Payables for employee compensation		282	166
Payables to social security agencies		353	428
Payables for TLC operating fee		130	80
Dividends approved, but not yet paid to shareholders		76	33
Other		324	263
Employee benefits (except for employee severance indemnities) for the current portion expected to be settled within 12 months		112	39
Provisions for risks and charges for the current portion expected to be settled within 12 months		171	372
	(c)	1,448	1,381
Other current liabilities			
Liabilities from customer contracts (Contract liabilities)		807	741
Other deferred revenue and income		74	86
	(d)	881	827
Total	(a+b+c+d)	6,803	6,567

Starting January 1, 2021, in order to assure greater clarity of presentation, amounts due from customers on construction contracts net of the related advances paid are entered under "Inventories". Provisions made for construction contracts at December 31, 2020 (21 million euros) have been appropriately reclassified.

Trade payables at 30 June, 2021, amounting to 3,801 million euros (4,133 million euros at December 31, 2020), mainly refer to TIM S.p.A. (2,844 million euros) and to the companies of the Brazil Business Unit (482 million euros); as regards TIM S.p.A., the increase in trade payables reflects the trend in payments of bills payable. Also note that trade payables due within 12 months come to 3,758 million euros, while trade payables due beyond 12 months come to 43 million euros.

Tax payables amount to 673 million euros and mainly refer to both the tax payables of the Brazil Business Unit (93 million euros) and the payables of TIM S.p.A., mostly related to the VAT payable (525 million euros) as well as the amount owed to the tax authorities for tax payables withheld as withholding agent (31 million euros) and the amount payable for the government concession tax (6 million euros).

Miscellaneous payables include, among others, the current debt position towards INPS in relation to the application of the agreements signed with the trade unions relating to the application of Article 4, paragraphs 1-7ter, of Italian Law 92 of June 28, 2012;

Other current liabilities amounted to 881 million euros (827 million euros at December 31, 2020). They break down as follows:

- **Liabilities from customer contracts (Contract liabilities)**, totaling 807 million euros. This item includes liabilities to customers related to the obligations of Group companies to transfer goods and services for which have received a price. Liabilities with customers, generally with a maturity of up to 12 months, are shown below; therefore, the figure at June 30, 2021 will be substantially reversed by December 31, 2021.
  In particular:
  - **contract liabilities** amounting to 16 million euros; the item includes bundle contracts (good and services packages) with performance obligations with different timing for the recognition of revenues and consequent deferral of the fees originally recognized. The decrease recognized in the period (3 million euros) was mainly linked to the launch of commercial offers that no longer require a fixed duration and the reversal to the income statement of the balance previously accumulated;
  - **customer-related items**, equal to 369 million euros; the item includes trade payables following contractual relationships, such as the payable for prepaid traffic and the subscription fees charged in advance;

- **progress payments and advances** equal to 73 million euros relating to trade payables following prepayments, such as deposits made by subscribers for telephone calls;
- **deferred revenues from customer contracts**, equal to 349 million euros essentially include:
  - Parent Company deferred revenues for rent and maintenance fees (187 million euros);
  - Parent Company deferred revenues for interconnection fees (116 million euros);
  - Parent Company deferred revenues on activation and installation of new contracts with customers (6 million euros).

- **Other deferred revenue and income** amounted to 74 million euros. They mainly refer to deferred revenues from transmission capacity transfer contracts and deferred revenues from real estate leases (lease operating income).

NOTE 22

DISPUTES AND PENDING LEGAL ACTIONS, OTHER INFORMATION, COMMITMENTS AND GUARANTEES

A description is provided below of the most significant court, arbitration and tax disputes involving TIM Group and pending at June 30, 2021, as well as those that came to an end during the period.

The TIM Group has posted liabilities totaling 264 million euros for those disputes described below where the risk of losing the case has been considered probable.

It should be noted that for some disputes described below, on the basis of the information available at the closing date of the 2021 Half-Year Financial Report, and with particular reference to the complexity of the proceedings, to their progress, and to elements of uncertainty of a technical-trial nature, it was not possible to make a reliable estimate of the size and/or times of possible payments, if any. Moreover, in those cases in which disclosure of information on a dispute could seriously jeopardize the position of TIM or its subsidiaries, only the general nature of the dispute is described.

Lastly, as regards the proceedings with the Competition Authority, please note that based on Article 15, subsection 1 of Italian Law 287/1990 (“Antitrust regulations”), the Authority has the right to impose an administrative sanction calculated on the turnover of the Group in cases of breaches considered serious.

a) Significant disputes and pending legal actions

No significant events occurred for the following disputes and legal actions compared to what was published in the 2020 Annual Financial Report:

- Administrative offense charge pursuant to Legislative Decree 231/2001 for the so-called TIM Security Affair;
- Antitrust Case A428;
- Colt Technology Services, MC-Link, Eutelia and Clouditalia Telecomunicazioni disputes (connected with the Antitrust Case A428);
- Open Fiber disputes (connected with case A514);
- Eutelia and Voiceplus;
- 28-day billing;
- Poste;
- Elinet S.p.A. Bankruptcy.

International tax and regulatory disputes

As of June 30, 2021, the companies forming the Brazil Business Unit were involved in tax or regulatory disputes that TIM expects to lose for a total of around 15.5 billion reais (16.6 billion reais as of December 31, 2020). The main types of dispute are listed below, classified according to the tax to which they refer.

Federal taxes

On March 22, 2011, TIM Celular S.A. (company incorporated into TIM S.A. starting from October 31, 2018) was served notice of a tax assessment issued by the Federal Tax Authorities of Brazil for a total sum of 1,265 million reais as of the date of the notification, including fines and interest, as a result of the completion of a tax investigation concerning financial years 2006, 2007, 2008 and 2009 for the companies TIM Nordeste Telecomunicações S.A. and TIM Nordeste S.A. (formerly Maxitel), companies which have been progressively incorporated into TIM Celular with the aim of rationalizing the corporate structure in Brazil.

The assessment notice includes various adjustments; the main challenges may be 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 amortization 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 disputes 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 (4.3 billion reais at December 31, 2020).

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 handsets, 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 (at the date of the assessment, including fines and interest). The first assessment (344 million reais) 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) challenged ICMS credits deriving from the "special credit" recognized by the company to its prepaid customers, against subsequent top-ups. The administrative decisions given to date have been unfavorable towards TIM S.A., but decisions are still awaited on the special appeals submitted by the company.

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 (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. The decision at the first administrative level was unfavorable to the company but TIM has appealed and is awaiting the second administrative level decision.

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 (at the date of the assessment, including fines and interest). The notice is based on two alleged infringements: (i) the contestation of the ICMS credits deriving from the "special credit" recognized by the company to its prepaid customers, against subsequent top-ups, for the period April-October 2015; and (ii) the discrepancy between the information submitted with periodic reports and figures on taxes paid (discrepancy due to differences in reporting arrangements). 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 (8.6 billion reais at December 31, 2020).

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 (around 0.7 billion reais at December 31, 2020).

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 (3 billion reais at December 31, 2020).

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, of which 159 million reais for tax and 194 million reais 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 posted an additional receivable of 3,024 million reais, of which 1,795 million reais for tax and 1,229 million reais for statutory revaluation.
The use of recognized tax receivables started from the end of 2019 and continued in 2020 and 2021, in compliance with the formal certification procedures established by the Brazilian tax authorities.

Golden Power Case

In August 2017 the Prime Minister's office brought proceedings against TIM (as well as Vivendi) in order to verify the fact that TIM has an obligation to notify, pursuant to the “Golden Power” law, Vivendi’s acquisition of corporate control of TIM and the strategic assets it holds. In September 2017, the proceedings in question concluded by affirming that this obligation did exist for TIM with effect from May 4, 2017 (the date of the Shareholders’ Meeting that renewed TIM’s corporate boards).

As a result of this decision by the Presidency of the Council of Ministers, new and separate administrative proceedings started for the imposition on TIM of the financial penalty laid down by the Golden Power law for non-compliance with the aforementioned obligation to notify. These proceedings ended on May 8, 2018 with the imposition of a financial penalty of 74.3 million euros.

The Company, is convinced that it has the legal arguments to demonstrate that it was under no obligation to notify the control exercised over it by Vivendi, filed separate extraordinary appeals to the President of the Republic to request the abrogation of the order of September 2017 and before the Lazio Regional Administrative Court (TAR) against the aforementioned order of May 8, 2018, which imposed a financial penalty, requesting its precautionary suspension. As regards the appeal to the Lazio Regional Administrative Court (TAR) against the provision of May 8, 2018, which imposed the financial penalty, the TAR, in upholding in July 2018 the interim petition lodged by the Company, has suspended payment of the penalty. Subsequently, with a non-definitive ruling in May 2019, the Lazio Regional Administrative Court (TAR)R: (i) accepted TIM's request for provisional measures to suspend the fine conditional on the offer of the guarantee; (ii) granted the suspension of the procedure to wait for the final judgment in the (injurious) case pending before the President of the Republic regarding the notification obligation, pursuant to the Golden Power provisions; (iii) rejected the procedural objections raised by the defendant administrations.

It should also be noted that in May 2018 a guarantee bond for 74.3 million euros was issued in favor of the Presidency of the Council. TIM had been requested to submit such a bond for its application to Lazio TAR for precautionary suspension of the collection of the fine imposed for alleged breach of Art. 2 of Decree Law 21 of March 15, 2012 (the “Golden Power” law). This surety was renewed in May 2021.

Furthermore, TIM appealed before the Lazio TAR and then appealed before the Council of State against the provision with which Consob, on September 13, 2017, affirmed Vivendi's control over TIM. In December 2020, the Council of State issued a final judgment upholding TIM’s appeal and canceling the provision by Consob, a significant premise to the entire subsequent proceedings of the Presidency of the Council in relation to the obligation to Golden Power notification as described above. On June 14, 2021, Consob submitted an extraordinary appeal to the Court of Cassation on grounds of jurisdiction; TIM will file an appearance, objecting that the appeal is unlawful and inadmissible.

On the other hand, the Presidency of the Council of Ministers exercised the special powers prescribed in the Golden Power law through two specific rulings in October and November 2017 with which it imposed specific prescriptions and conditions on TIM and on the companies of the Telecom Italia Sparkle group and Telsy Elettronica e Telecomunicazioni (now Telsy S.p.A.).

The prescriptions, according to the Administrative Authority, are essentially connected to the circumstance that these companies, in part, perform activities that are relevant for national security and as far as TIM is concerned to the circumstance that it also owns the infrastructure and the systems used to provide access to end-users of services covered by the universal service obligation.

Any failure on the part of the recipients of the measures to execute said conditions and prescriptions is penalized in the same way as failure to notify significant deeds for the purpose of the application of the so-called Golden Power.

The companies subject to the prescriptions are required to send periodic reports to a special Monitoring Committee established at the office of the Prime Minister in order to verify compliance with the aforementioned prescriptions.

In December 2017 the Group sent to the Presidency of the Council of Ministers the first compliance report outlining all the proposals and activities put in place to carry out the prescriptions. This report is then followed by half yearly reports, as required by current legislation.

Nevertheless, also for this case TIM has already filed two extraordinary appeals to the President of the Republic to request the cancellation (i) of the imposition of the measures pursuant to Art. 1 D.L. 21/2012 and (ii) the imposition of measures pursuant to Art. 2 D.L. 21/2012.

As stated, the premise for exercising special powers was (erroneously, according to the Company) referred to the de facto control resulting from the outcome of the shareholders' meeting of May 4, 2017 and to the direction and coordination of TIM by Vivendi. Both these circumstances no longer apply, since: at the Shareholders' Meeting of May 4, 2018, the slate presented by the shareholders Elliott International LP, Elliott Associates LP and The Liverpool Limited Partnership received the majority vote; the Board of Directors was re-appointed with 13 independent directors out of a total of 15, with only 5 from the slate presented by Vivendi; thus, Vivendi no longer has direction and coordination, nor is there de facto control.

In consequence, the Company has asked the Presidency of the Council of Ministers to repeal the two Decrees, while, in the alternative, expressing its willingness to collaborate in the redrafting of the prescriptions applied to TIM, to take account of the changed situation.

The Presidency of the Council of Ministers, in decrees issued on July 6, 2018, deemed that it could not further exercise its special powers, reaffirming the validity of the two Decrees it had previously issued, and rejected the application for their repeal.

The justification for this refusal is the purported circumstance that the new governance arrangements of the Company are alleged to be currently characterized by extreme variability; this, it is argued, means that the measures through which the special powers have been exercised cannot be surmounted, given the need to protect the public interest in the security and operation of the networks.

The Company has lodged an appeal, with additional reasons and as part of the appeals already lodged, against the Prime Minister's decrees of October 16 and November 2, 2017, and against the Prime Minister's resolution of July 6, 2018, rejecting the appeal for revocation presented by the company, on the outcome of the changed situation in corporate governance.

Vodafone (A428)

In August 2013, Vodafone, as incorporating company of operator Teletu, submitted to the Milan Court a huge claim for damages for presumed abusive and anticompetitive behavior (founded principally on AGCM case A428) which TIM allegedly implemented in the period 2008 - 2013. The pecuniary claim was quantified by Vodafone as an estimated sum of between 876 million euros and 1,029 million euros.

In particular, Vodafone alleged technical boycotting activities, with refusal to activate lines requested for Teletu customers (in the period from 2008 to the month of June 2013), together with the adoption of allegedly abusive price policies for wholesale network access services (period from 2008 to the month of June 2013). Furthermore, the other party complained of the presumed application of discounts to business customers greater than those envisaged ("margin squeezing") and the carrying out of presumed illegal and anticompetitive win-back practices (in the period from the second half of 2012 to the month of June 2013).

TIM filed an appearance, challenging the claims made by the other party regarding the merits and the amount and making a counterclaim. Following the August 2016 decision by the Court of Cassation which confirmed that the Milan Court had jurisdiction to decide the dispute, the merits of the case will be decided at the hearing in December 2016.

With writ of summons before the Milan Court served in May 28, 2015, Vodafone filed additional damages claims, all based on the same AGCM case A428 and referring to alleged damages suffered between July 2013 and December 2014 (and hence over a period subsequent to that of the damages claim reported above), for a total amount of around 568.5 million euros.

The case also contains a reservation of further damages to be quantified, during the proceedings, for the following periods, the claimant alleging that the presumed abusive conduct of TIM continued. TIM filed an appearance, challenging the claims made by the other party regarding the merits and the amount and making a counterclaim.

By order of October 6, 2016, the judge received Vodafone's application for the two A428 lawsuits brought by it to be joined. At the end of the reinstatement proceedings of December 21, the terms were established for the preliminary briefs and a hearing was fixed for July 11, 2017 for the admission of evidence. When the first preliminary brief was filed, following the favorable outcome for TIM of proceedings A428C (which confirmed the absence of improper conduct by the Company under A428 after 2011), Vodafone decided nonetheless to file further claims for 2015-2016, thus restating its total claim to be 1,812 million euros, which was also disputed and rebutted by TIM.

The case was settled as part of a global settlement with Vodafone.

COMM 3000 S.p.A. (formerly KPNQWest Italia S.p.A.)

With writ of summons before the Rome Court, COMM 3000 S.p.A.(formerly KPNQWest Italia S.p.A.) filed a damages claim for a total of 37 million euros in compensation for alleged anticompetitive and abusive conduct over the period 2009–2011, in the form of technical boycotting (refusals to activate wholesale services – KOs); the claim was based on the contents of the decision of AGCM (the Italian Competition Authority) that settled the A428 case. TIM filed an appearance, contesting all of the plaintiff's allegations. In the judgment with ruling in April 2019, the Court of Rome partially received the petitions of COMM 3000 S.p.A. (formerly KPNQWest Italia S.p.A.), sentencing TIM to pay an amount significantly lower than the amount in the counterparty's damages claim. In June 2019, TIM appealed against the judgment. In the judgment given in April 2021, the Court of Appeal of Rome partly upheld TIM's appeal, reducing the amount of the compensation due to COMM 3000, which was in any case entirely covered by the relevant provision.

Teleunit

With a writ of summons issued in October 2009 before the Milan Appeal Court, Teleunit asked that TIM alleged acts of abuse of its dominant position in the premium services market be ascertained. The plaintiff quantified its damages at a total of approximately 362 million euros. TIM filed an appearance, contesting the claims of the other party.

After the ruling of January 2014 with which the Court of Appeal declared that it was not competent in this matter and referred the case to the Court, Teleunit reinstated the case before the Milan Court the following April. TIM filed an appearance in the reinstated proceedings challenging the plaintiff's claims.

In its judgement of May 2017, the Milan Court rejected Teleunit's claim in its entirety, and ordered the company to pay the legal costs of the case. This judgement was appealed by Teleunit, in June 2017, before the Milan Court of Appeal. TIM filed an appeal challenging the arguments presented by the other party and asking that the judgement in the first instance be fully confirmed. With an order in March 2018 the Milan Court of Appeal declared Teleunit's appeal pursuant to art. 348-bis of the Italian Code of Civil Procedure to be manifestly without foundation, and hence inadmissible. In May 2018 Teleunit appealed the judgement of the Court of Appeal to the Court of Cassation. TIM lodged a counter-appeal seeking confirmation in full of the order being appealed (and thus of the judgment at first instance).

Antitrust Case I761

With a ruling issued on July 10, 2013, AGCM (the Italian Competition Authority) extended to TIM the investigation started in March of the same year into some firms active in the fixed network maintenance sector. The investigation aims to establish if an agreement exists that is prohibited under article 101 of the Treaty on the Functioning of the European Union. The proceedings were initiated after Wind filed two complaints in which AGCM (the Italian Competition Authority) was informed that, based on an invitation to bid for the assignment of network corrective maintenance services, it had encountered substantial uniformity of prices offered by the aforementioned enterprises and a significant difference from the offers submitted subsequently by other and different companies.

AGCM (the Italian Competition Authority) alleged that TIM carried out a role of coordinating the other parts of the procedure, both during the formulation of the offers requested by Wind and in relation to the positions represented to communications regulator AGCom.

TIM challenged these proceedings before the Administrative Court (TAR), sustaining that the Italian Competition Authority does not have competence in this matter.

On July 7, 2014, AGCM (the Italian Competition Authority) notified the objective extension of the proceedings to check if the Company, abusing its dominant position, put in place initiatives that might influence the conditions of the offer of accessory technical services when the offers of the maintenance businesses to Wind and Fastweb were being formulated. With the extension provision, the Authority has also extended the deadline for closing the proceedings from the original date of July 31, 2014 to July 31, 2015. This extension was also challenged before the Lazio Administrative Court (TAR) sustaining that the Italian Competition Authority does not have competence in this matter.

In November 2014, for reasons of procedural economy and also convinced that it was acting legitimately, TIM presented to the Authority a proposal of undertakings in order to resolve the competition concerns subject of the investigation. In its resolution of December 19, 2014, AGCM (the Italian Competition Authority) considered that these undertakings were not manifestly groundless and later ordered their publication for the purposes of market testing.

On March 25, 2015, AGCM (the Italian Competition Authority) definitively rejected the aforesaid undertakings, considering them not suitable for removing the anticompetitive aspects investigated.

On July 21, 2015 the Communication of the Results of the Investigation was served on the parties to the proceedings, in which the Offices of AGCM (the Italian Competition Authority) expressed their position in the sense of (i) archiving the complaints regarding the abuse of dominant position and (ii) confirming, instead, that there exists between TIM and the maintenance firms an agreement to coordinate the economic offers drawn up for Wind and Fastweb, and to prevent the unbundled supply of the ancillary technical services.

On December 16, 2015, the final order was issued, confirming the conclusions of the Communication of the Results of the Investigation, sustaining that, between 2012 and 2013, there existed an agreement that restricted competition, and as a result imposed a fine of 21.5 million euros on the Company, paid in March 2016. The relevant market is the corrective maintenance (assurance) market and, more precisely, the market for troubleshooting the TIM LLU lines. The purpose of the conduct maintained by the Company and the network firms would have been to limit competition and prevent the evolution of forms of unbundled supply of ancillary technical services.

TIM appealed the order before the Lazio Regional Administrative Court. In judgement no. 09554/2016 issued in September 2016, the appeal was dismissed, and the Company appealed this decision to the Council of State. On the outcome of the proceedings, with the ruling of December 2019, the Council of State, deciding in favor of TIM, annulled the AGCM I761 provision and referred the task of conducting a new investigation to AGCM (the Italian Competition Authority), within the limits that decided by the Council of State itself. In 2020, TIM obtained the return of amounts paid by way of sanction.

Following analysis, in a letter dated April 2, 2021, AGCM (the Italian Competition Authority) reported that it had archived case I761.

Vodafone (I761)

With a writ of summons before the Milan Court, Vodafone has sued TIM and some network companies, bringing claims for compensation from the Company for around 193 million euros for damages arising from alleged anti-competitive conduct censured in the known AGCM case I-761 (on corrective maintenance) referring to the period from 2011 to 2017.

Vodafone contests the alleged breach of the competition rules carried out by TIM, in the wholesale markets giving access to its fixed network (LLU lines; Bitstream; WLR), through the abuse of a dominant market position and an unlawful agreement with the maintenance companies to maintain the monopoly on the offer of corrective maintenance services on its network. Specifically, the restrictive agreement allegedly concerned the coordination, by the Company, of the economic terms and conditions contained in the bids for maintenance services prepared by the aforementioned companies for OAOs, with artificially high prices with respect to the cost of the maintenance included in the regulated access fee, with a view to discouraging the disaggregation of the service itself. The Company filed an appearance, contesting all of the other party's requests. The case was settled as part of a global settlement with Vodafone.

Antitrust Case A514

In June 2017 the Italian Competition Authority (AGCM) started proceedings A514 against TIM, to ascertain a possible abuse of its dominant market position in breach of article 102 of the "Treaty on the Functioning of the European Union". The proceedings were started based on some complaints filed in May and June 2017, by Infratel, Enel, Open Fiber, Vodafone and Wind Tre, and concerns a presumed abuse of TIM's dominant position in the market for wholesale access services and for retail services using the broadband and ultra-broadband fixed network. In particular, AGCM (the Italian Competition Authority) hypothesized that TIM had adopted conduct aimed at: i) slowing and hindering the course of the Infratel tender processes so as to delay, or render less remunerative the entry of another operator in the wholesale market; ii) preemptively securing customers on the retail market for ultra-broadband services by means of commercial policies designed to restrict the space of customer contendibility remaining for the competitor operators.

After the start of the proceedings, the Authority's officials carried out an inspection at some of TIM's offices in the month of July 2017. On November 2, 2017, TIM filed a defense brief in which, in support of the correctness of its actions, it challenged all the arguments that the conduct it had allegedly engaged in, and which was the subject of the case, was unlawful.

On February 14, 2018, AGCM (the Italian Competition Authority) resolved to extend the scope of the case to investigate further behavior concerning TIM's wholesale pricing strategy on the market for wholesale access to broadband and ultra-broadband, and the use of the confidential information of customers of the alternative operators.

On July 5, 2018 TIM filed proposed undertakings which, if accepted by the Authority, would close the investigation without any offense being established or sanction being administered. The undertakings were considered as admissible by the Authority, that market tested them in August and September.

On October 30, 2018, TIM replied to observations made by third parties and modified its proposed undertakings. With its decision notified on December 4, 2018, AGCM (the Italian Competition Authority) once and for all rejected the proposed series of undertakings as it considered them unsuitable in light of the objections raised.

On March 4, 2019, TIM requested AGCM (the Italian Competition Authority) for an extension of the deadline for closing the proceedings (initially set for May 31, 2019).

On April 10, 2019, AGCM (the Italian Competition Authority) resolved to extend the deadline for conclusion of the proceedings until September 30, 2019. On May 17, 2019, AGCM (the Italian Competition Authority) notified TIM of the results of the investigation (CRI). In the CRI, AGCM (the Italian Competition Authority) essentially confirmed the case for the prosecution outlined in the start-up and extension of the proceedings orders.

On June 12, 2019 AGCM (the Italian Competition Authority) extended the deadline for deposit of TIM's final defense to September 20, 2019 and set the final hearing for September 25, 2019.

On September 18, 2019, AGCM (the Italian Competition Authority) resolved to extend the deadline for conclusion of the proceedings until February 28, 2020.

On March 6, 2020, TIM was notified of the decision to close the investigation: AGCM (the Italian Competition Authority) ruled that TIM had abused its dominant position, finding that TIM had put in place an anti-competitive strategy designed to hinder the competitive development of investment in UltraBroadBand network infrastructure.

The fine imposed on TIM for the anti-competitive offense is 116,099,937.60 euros. TIM appealed the aforementioned fine before the Lazio Regional Administrative Court (TAR), contesting both the merits of the accusations and the amount of the imposed fine.

On June 25, 2020 TIM sent AGCM (the Italian Competition Authority) the so-called compliance report as ordered in the final provision. The Lazio Regional Administrative Court (TAR) has scheduled a hearing for oral discussion for November 3, 2021.

In May 2021, the Company paid the fine.

Vodafone

In January 2021, Vodafone Italia S.p.A. summonsed TIM to the Court of Milan, making a claim for damages of approximately 100 million euros for damages allegedly suffered as a consequence of the unlawful conduct of TIM, as sanctioned by the AGCM (the Italian Competition Authority), with the provision that concluded case A514.

The conduct of TIM sanctioned by the Authority allegedly resulted in a slowing of the penetration of UBB infrastructures on the market of white areas and, consequently, the delayed or failed acquisition of new customers by Vodafone, as well as a hindrance to acquiring additional customers as a result of the alleged binding practices over the whole of national territory. TIM will file an appearance with a series of solid legal arguments for its own protection. The case was settled as part of a global settlement with Vodafone.

Fastweb

In February 2021, Fastweb S.p.A. summonsed TIM to the Court of Milan, making a claim for damages of approximately 996 million euros for damages allegedly suffered as a consequence of the unlawful conduct of TIM, as sanctioned by AGCM (the Italian Competition Authority), with the provision that concluded case A514, as well as allegedly opportunistic suspensions of activation orders sent by Fastweb.

Fastweb complains that TIM allegedly delayed the wholesale offer of ultrabroadband services by Open Fiber in the white areas, consequently slowing the offer of said services by Fastweb to its end customers in these areas; binding practices were implemented in relations with the end customer, hindering access to the market by alternative operators (including Fastweb). In addition, TIM allegedly instrumentally managed the supply process of wholesale access services to its fixed broadband and ultrabroadband network, opportunistically suspending the activation orders submitted by Fastweb and thereby hindering its activation of new customers. TIM filed an appearance laying out solid arguments refuting Fastweb's claims.

Antitrust Case I799

At its meeting on February 1, 2017, AGCM (the Italian Competition Authority) initiated an investigation for possible breach of Article 101 of the TFEU (prohibition of agreements that restrict competition) against TIM S.p.A. and Fastweb S.p.A., following the signing of an agreement aimed at setting up a cooperative joint venture called Flash Fiber S.r.l.. TIM, in agreement with Fastweb, submitted to AGCM (the Italian Competition Authority) some amendments to the agreements signed, in the form of proposed undertakings, aimed at closing the investigation without any breach being ascertained and, therefore, without any fine.

On March 28, 2018, AGCM (the Italian Competition Authority) resolved to approve the undertakings, making them binding on the Parties, and closed the case without imposing any fine.

On January 30, 2019, TIM sent the planned annual report on the provided coverage to AGCM (the Italian Competition Authority), supplemented by a subsequent communication dated March 29, 2019. TIM transmitted further details to AGCM (the Italian Competition Authority) in July and AGCM acknowledged it on October 15, 2019. On January 31, 2020 TIM sent AGCM (the Italian Competition Authority) the third report on the implementation of the undertakings given. Finally, on January 29, 2021 TIM sent AGCM (the Italian Competition Authority) the fourth and final report on the implementation of the undertakings given.

On June 11, 2018 Open Fiber S.p.A. and Wind Tre S.p.A. filed separate appeals to the Lazio Regional Administrative Court (TAR) against the order closing case I799 with the acceptance of the undertakings. They allege that this order has a series of procedural and substantial defects.

Open Fiber S.p.A. also asked for the precautionary suspension of the order.

In a ruling of March 2020, the Regional Administrative Court rejected in full the appeal by Open Fiber S.p.A.. A hearing on the merits has not yet been scheduled for Wind Tre's appeal.

Vodafone

In June 2015 Vodafone issued proceedings for damages in the Milan Court for alleged abuse of a dominant position by TIM in the bitstream "NGA" and "VULA" fibre access services market, initially claiming around 4.4 million euros, increased to a figure ranging from 30 to 48.9 million euros.

The plaintiff complained that TIM allegedly had engaged in abusive conduct by way of aggressive price offers to win customers and by hindering Vodafone's access to the fiber network to make it more difficult for the party to provide ultra-broadband services to its customers.

TIM has filed an appearance, challenging the claims of the plaintiff in full and, subsequently, the revised estimate of damages made in 2016 during the case. The case was settled as part of a global settlement with Vodafone.

Antitrust Case I820

On February 19, 2018, AGCM (the Italian Competition Authority) initiated a I820 preliminary proceeding against the companies TIM, Vodafone, Fastweb, Wind Tre and the industry association ASSTEL to investigate the alleged existence of an agreement among the major fixed-line and mobile telephone operators to restrict competition by coordinating their respective commercial strategies, in breach of Art. 101 of the TFUE.

The presumed coordination, according to the opening provision of the proceedings by AGCM (the Italian Competition Authority), would take the form of implementation of the obligation introduced by Article 19-quinquiesdecies of Legislative Decree 148/2017 (converted by Law 172/2017) which requires operators of electronic communication services to send out monthly (or monthly multiples) bills and renewed offers for fixed and mobile services.

On March 21, 2018, AGCM (the Italian Competition Authority) issued a provisional precautionary measure against all the operators involved in the proceedings with which it ordered the suspension, pending the proceedings, of the implementation of the agreement concerning the determination of repricing communicated to users at the time of reformulating the billing cycle in compliance with Law 172/17 and to independently redetermine its commercial strategy. With its decision no. 27112 of April 11, 2018, AGCM (the Italian Competition Authority) confirmed the precautionary measure.

On June 12, 2018, TIM filed an appeal with the TAR for the quashing of said measure.

In its session on June 27, 2018, AGCM (the Italian Competition Authority) took note of the brief submitted by TIM regarding compliance with the precautionary measure.

On July 17, 2019, AGCM (the Italian Competition Authority) resolved to extend the deadline for conclusion of the proceedings until January 31, 2020.

In the findings of the preliminary inquiry (CRI) communicated by AGCM (the Italian Competition Authority) to TIM, the Offices confirm the existence of a unique, complex and continuous agreement restricting competition between Telecom, Vodafone, Fastweb, Wind Tre, with the facilitation of the Asstel category association.

On October 10, TIM filed its final brief, and the final hearing was held on October 15 at AGCM (the Italian Competition Authority).

On January 31, 2020, TIM was notified of the decision to close the investigation, in which AGCM (the Italian Competition Authority) confirmed the existence of the agreement between Telecom, Vodafone, Fastweb, WindTre, but excluding Asstel from participation in the agreement. The fine imposed on TIM for participation in the anti-competitive agreement was 114,398,325 euros. In April 2020, TIM also challenged the sanction order. Following the hearing for discussion held on May 26, 2021, on July 12, 2021 the judgment was published whereby the Regional Administrative Court of Lazio upheld the petition and the grounds added and submitted by TIM, canceling the measures taken by the AGCM, including that relative to the existence of the agreement and application of the sanction.

Antitrust Case I850

By decision given on December 15, 2020, the Italian Competition Authority (AGCM) started an investigation in regard to the company Telecom Italia S.p.A., Fastweb S.p.A., Teemo Bidco S.r.l., FiberCop S.p.A., Tiscali Italia S.p.A. and KKR & Co. Inc., to ascertain the existence of any breaches of article 101 of the TFEU.

More specifically, the investigation regards the contracts governing the establishment and operation of FiberCop and the supply agreements with Fastweb and Tiscali. AGCM (the Italian Competition Authority) intends to verify that such agreements do not hinder competition between operators in the medium and long-term and assure the rapid modernization of the country's fixed telecommunications infrastructures.

Although convinced of having acted lawfully, Telecom Italia is considering the possibility of submitting a proposal of undertakings to AGCM (the Italian Competition Authority) in order to resolve the competition concerns subject of the investigation and, consequently, to close the proceedings without any infraction being recorded and therefore without any sanction being applied.

The case should be concluded by December 31, 2021.

Antitrust Case I857

On July 06, 2021, AGCM (the Italian Competition Authority) started an investigation in regard to TIM and Dazn for a possible understanding reached with a view to restricting competition in connection with the agreement for the distribution and technological support for TV rights for Serie A football in the 2021-2024 period.

The investigation also aims to verify the restrictive nature of the understanding with reference to additional elements regarding the possible adoption by TIM of technical solutions not available for competitor telecommunications operators and which may effectively hinder the adoption of their own technological solutions.

The proceedings are expected to end by June 30, 2022.

Considering the fact that the sale of the offers of contents of the Serie A football championship has just started, the authority has also initiated proceedings for the potential adoption of protective measures that will only be decided if, upon completion of the cross-examination with the parties, it should be seen that the conduct of TIM and Dazn results in serious, irreparable damage to competition.

Vodafone Dispute – Universal Service

In a decision published in July 2015, the Council of State rejected the appeal lodged by AGCom and TIM against the judgment of the Lazio Administrative Court (TAR) on the financing of the universal service obligations for the period 1999–2003. With this judgement the judge had granted the appeals by Vodafone, annulling AGCom decisions 106, 107, 109/11/CONS on the renewal of the related proceedings, which included Vodafone among the subjects required to contribute, for a sum of approximately 38 million euros. Essentially, the judgement confirms that the Authority has not demonstrated the particular degree of "replaceability" between fixed and mobile telephony for mobile operators to be included among the subjects required to repay the cost of the universal service, which means that AGCom needs to issue a new ruling.

TIM has filed an application with AGCom to renew the proceedings, and an appeal against the judgement of the Council of State to the Court of Cassation (which subsequently ruled that the appeal was inadmissible).

In April 2016 Vodafone appealed against the Ministry of Economic Development (MISE) and TIM to the Council of State, for non-compliance with the judgment of the Council of State. This appeal referred to AGCom decision 109/11/CONS (2003 yearly payment, on the basis of which Vodafone had paid the sum of approximately 9 million euros as contribution, restitution of which was requested).

In its judgment of November 2016, the Council of State rejected the appeal, referring to the Regional Administrative Court (TAR) the decision on the methods of compliance. In February 2017, Vodafone presented the Lazio Regional Administrative Court with four new appeals against the Ministry of Economic Development and TIM regarding observance of the ruling, upheld on appeal, countermanding the resolutions for the years 1999–2003 and repayment of the aforesaid amounts of around 38 million euros already paid to the Ministry of Economic Development as a contribution.

With a judgment issued in June 2018, the TAR rejected all of Vodafone's appeals for observance, and, as requested by TIM, expressly affirmed that AGCom must renew the proceedings, particularly with regard to the determination of the degree of replaceability between fixed and mobile telephony. Vodafone challenged the four judgments before the Council of State, which, with a decision of October 2019, upheld Vodafone's appeal and confirmed the restitutory obligation of the sums in question applicable to TIM.

With resolution no. 263/20/CIR, AGCom started proceedings to renew the investigation into the iniquity of the net cost of the universal service for 1999-2009. Vodafone has challenged this resolution before the Regional Administrative Court. The renewal proceedings concluded with resolution 18/21/CIR, which substantively confirmed the draft order. This resolution has only been challenged by TIM for the years 1999 and 2000, while Vodafone, Wind and Fastweb have challenged the resolution for all years concerned.

Dispute relative to "Adjustments on license fees" for the years 1994-1998

With regard to the judgements sought in previous years concerning the Ministry of Communications' request for payment of the balance of the amounts paid in concession charges for the years 1994-1998 (for a total of 113 million euros), the Administrative Court (TAR) for Lazio rejected the Company's appeal against the request for adjustment of the license fee for 1994 in the amount of approximately 11 million euros, 9 million euros of which against turnover not received due to bad debts. TIM lodged an appeal. On the outcome of proceedings, with the ruling of December 2019, the Council of State partially accepted TIM's position, establishing the principle, according to which, the receivables referring to 1994 not collected for reasons not attributable to the operator, could have been deducted from the tax base for calculating the concession fee.

With two further judgements the Administrative Court (TAR) for Lazio, reiterating the reasons expressed previously, also rejected the appeals in which the Company challenged the requests for payment of outstanding balances of license fees for the years 1995 and 1996-1997-1998, in the amount of approximately 46 million euros. TIM has appealed before the Council of State also against these judgements.

With reference to the 1998 fee adjustment (equal to about 41 million euros), the Lazio TAR, by TAR order of December 2018, suspended the judgment, raising preliminary questions with the EU Court of Justice on the correct scope of EC Directive no. 97/13 (in the matter of general authorizations and individual licenses in the field of telecommunications services on the basis of the currently pending litigation on the 1998 license fee, currently pending before the Rome Court of Appeal and illustrated in a subsequent paragraph).

The referred questions were based, inter alia, on the question posed to the Court of Justice on the possible conflict between the aforementioned EC Directive 97/13 and national law, which extended the obligation for telecommunications license-holders to pay the license fee for 1998 (commensurate with a portion of turnover), despite the liberalization process underway. In its judgment of March 2020, the EU Court of Justice held that the EU regulatory system must be interpreted as not allowing national legislation to extend to 1998 the obligation imposed on a telecommunications undertaking that was previously the concession holder (such as TIM) to pay a fee calculated on the basis of turnover and not only the administrative costs connected with the granting, management, control and implementation of the general authorizations and individual licenses scheme. The Court held, inter alia, that the Council of State – having held in its judgment 7506/2009 that the fee imposed for 1998 on TIM, the holder of an authorization existing on the date of entry into force of Directive 97/13, was due – interpreted national law in a way that was incompatible with EU law, as interpreted by the Court in its judgment of February 21, 2008. Following the judgment of the EU Court of Justice, the opinion on the final calculation of the 1998 charges was summarized before the Lazio Regional Administrative Court, which, in a judgment given last February, declared TIM's appeal as unacceptable for procedural reasons, namely due to the prevalence of the formal ruling consisting of judgment no. 7506/09; in substantive terms, on the other hand, the judgment of the EU Court of Justice once again ascertained the European Community unlawful nature of the credit claim by the PA to obtain payment of the 1998 charges and, consequently, the final balance. The company has challenged the judgment of the Lazio Regional Administrative Court.

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 Court of Arbitration declared the proceedings closed, as the award was going to be filed.

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

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

In November 2017, TIM and Telecom Italia Finance received from the Secretariat of the ICC's International Court of Arbitration notice of a Request for Revision of the 2016 Arbitration Award, filed by the Opportunity group, asking for a new award. A Court 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 Court of Arbitration issued the award rejecting the Request for Revision presented by the Opportunity Group (the "2020 Arbitration Award"). In December 2020, the Opportunity group filed an appeal against the 2020 Arbitration Award before the Paris Court of Appeal. In May 2021 the Opportunity group asked the Paris Court of Appeal to summarize the proceedings brought against the 2016 Arbitration Award.

Iliad

By summons served during the first quarter of 2020, Iliad Italia S.p.A. sued TIM before the Court of Milan for alleged anti-competitive conduct, including through the Kena Mobile brand, which was allegedly aimed at hindering its entry to and consolidation in the mobile phone market in Italy, seeking damages of at least 71.4 million euros.

TIM filed an appearance, fully disputing the requests of Iliad Italia S.p.A.; and, in turn, submitting a counterclaim in accordance with Art. 2598 of the Italian Civil Code, with reference to the denigration implemented by Iliad Italia S.p.A. in regard to TIM and formulating a symmetrical claim for compensation for damages. In the first preliminary brief, Iliad updated its claim for damages, taking it to 242.8 million euros. At the hearing of April 13, 2021, the Judge reserved the right to deliberate on the parties' preliminary motions.

b) other information

With reference to the cases listed below no significant facts have emerged with respect to that published in the 2020 Annual Financial Report:

- Mobile telephony - criminal proceedings;
- Dispute concerning the license fees for 1998;

Vodafone (previously TELETU)

By writ of summons of February 2012, TIM summonsed the operator TeleTu (today incorporated into Vodafone) to the Court of Rome for having unduly impeded customers intending to return to TIM. The damages claimed have been quantified as approximately 93 million euros. By judgment of December 2020, the Court ascertained that from July 2008 to October 2011, TELETU pursued illegal competition pursuant to art. 2598 of the Italian Civil Code in connection with requests for migration to TIM, ordering it to compensate TIM for the amount of 1,378,000 euros plus interest and revaluation, which was paid by Vodafone. As part of a global settlement with Vodafone, the parties have agreed to abstain from challenging this judgment.

c) Commitments and guarantees

Guarantees, net of back-to-back guarantees received, amounted to 50 million euros.

The guarantees provided by third parties to Group companies, amounting to 5,197 million euros, related to guarantees provided by banks and other financial institutions as a guarantee of the proper performance of contractual obligations.

In particular, we report:

- TIM issued six guarantees in favor of the Ministry of Economic Development for a total of 1,922 million euros for the deferment of the payment of the amount due for the acquisition of user rights to frequencies in the 694-790 MHz, 3600-3800 MHz and 26.5-27.5 GHz bands, which will be reserved for 5G mobile telecommunications services. At June 30, 2021, the remaining guarantee was 1,794 million euros;
- the insurance guarantees, which totaled 853 million euros, mainly refer to guarantee financing by the TIM Group in applying legal provisions for contracts of Public Administrations and similar bodies;
- the TIM Group issued guarantees in favor of INPS in support of the application - by TIM and some Group companies - of Article 4 of Italian Law 92 of June 28, 2012, for the voluntary redundancy of employees meeting the requirements; the total amount of the guarantees issued is 1,161 million euros, of which 1,104 million euros for TIM S.p.A. and 57 million euros for Group companies.

Furthermore, in May 2018, TIM issued a surety to the Prime Minister's Office for 74.3 million euros to secure an appeal to the Lazio Administration Court for a provisional stay of the administrative fine levied on TIM following the preliminary investigation connected with the penalty proceeding initiated under Article 2 of Decree Law 21 of 3/15/2012 (the "Golden Power" law).

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

NOTE 23
REVENUES

This item decreased by 192 million euros compared to the first half of 2020.

(million euros)	1st Half 2021	1st Half 2020
Equipment sales	721	535
Services	6,846	7,224
Total	**7,567**	**7,759**

Revenues from telecommunications services are presented gross of amounts due to other TLC operators, equal to 583 million euros (561 million euros in the first half of 2020), included in Costs of services.

For a breakdown of revenues by operating segment/geographical area, reference should be made to the Note "Segment Reporting".

NOTE 24
FINANCE INCOME AND EXPENSES

Finance income (expenses) showed a net expense of 582 million euros (expense of 603 million euros in the first half of 2020) and comprises:

(million euros)	1st Half 2021	1st Half 2020
Finance income	546	501
Finance expenses	(1,128)	(1,104)
Net finance income/(expenses)	**(582)**	**(603)**

The items break down as follows:

(million euros)		1st Half 2021	1st Half 2020
Interest expenses and other finance expenses:			
Interest expenses and other costs relating to bonds		(417)	(447)
Interest expenses to banks		(27)	(36)
Interest expenses to others		(11)	(8)
Interest expenses on financial lease liabilities		(132)	(150)
		(587)	**(641)**
Commissions		(34)	(41)
Miscellaneous finance expenses		(60)	(44)
		(94)	**(85)**
Interest income and other finance income:			
Interest income		22	37
Income from financial receivables, recorded in Non-current assets		4	—
Income from securities other than investments, recorded in Non-current assets		—	—
Income from securities other than investments, recorded in Current assets		11	6
Miscellaneous finance income		23	10
		60	**53**
Total net finance interest/(expenses)	**(a)**	**(621)**	**(673)**
Other components of financial income and expense:			
Net exchange gains and losses		38	(80)
Net result from derivatives		55	60
Net fair value adjustments to fair value hedge derivatives and underlyings		(4)	2
Net fair value adjustments to non-hedging derivatives		(50)	88
Total other components of financial income and expense	**(b)**	**39**	**70**
Total net financial income (expenses)	**(a+b)**	**(582)**	**(603)**

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		178	49
Exchange losses		(140)	(129)
Net exchange gains and losses		**38**	**(80)**
Income from fair value hedge derivatives		26	20
Charges from fair value hedge derivatives		—	—
Net result from fair value hedge derivatives	**(a)**	**26**	**20**
Positive effect of the reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)		179	201
Negative effect of the reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)		(147)	(159)
Net effect of the Reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)	**(b)**	**32**	**42**
Income from non-hedging derivatives		5	3
Charges from non-hedging derivatives		(8)	(5)
Net result from non-hedging derivatives	**(c)**	**(3)**	**(2)**
Net result from derivatives	**(a+b+c)**	**55**	**60**
Positive fair value adjustments to fair value hedge derivatives		—	41
Negative fair value adjustments to Underlying financial assets and liabilities of fair value hedge derivatives		—	(40)
Net fair value adjustments	**(d)**	**—**	**1**
Positive fair value adjustments to Underlying financial assets and liabilities of fair value hedge derivatives		48	2
Negative fair value adjustments to fair value hedge derivatives		(52)	(1)
Net fair value adjustments	**(e)**	**(4)**	**1**
Net fair value adjustments to fair value hedge derivatives and underlyings	**(d+e)**	**(4)**	**2**
Positive fair value to non-hedging derivatives	(f)	50	132
Negative fair value adjustments to non-hedging derivatives	(g)	(100)	(44)
Net fair value adjustments to non-hedging derivatives	**(f+g)**	**(50)**	**88**

NOTE 25
PROFIT (LOSS) FOR THE PERIOD

Profit for the period fell compared to the first half of 2020, by 768 million euros and was broken down as follows:

(million euros)	1st Half 2021	1st Half 2020
Profit (loss) for the period	**(45)**	**723**
Attributable to:		
Shareholders of the Parent Company:		
Profit (loss) from continuing operations	(137)	678
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit (loss) for the period attributable to owners of the Parent	**(137)**	**678**
Non-controlling interests:		
Profit (loss) from continuing operations	92	45
Profit (loss) from Discontinued operations/Non-current assets held for sale	—	—
Profit (loss) for the period attributable to Non-controlling interests	**92**	**45**

NOTE 26
EARNINGS PER SHARE

		1st Half 2021	1st Half 2020
Basic earnings per share			
Profit (loss) for the period attributable to owners of the Parent		(137)	678
Less: additional dividends for the savings shares (0.011 euros per share and up to capacity)		—	(66)
	(million euros)	(137)	612
Average number of ordinary and savings shares	(millions)	21,201	21,068
Basic earnings per share – Ordinary shares	(euros)	(0.01)	0.03
Plus: additional dividends per savings share		—	0.01
Basic earnings per share – Savings shares	(euros)	(0.01)	0.04
Basic earnings per share from continuing operations			
Profit (loss) from continuing operations attributable to Owners of the Parent		(137)	678
Less: additional dividends for the savings shares		—	(66)
	(million euros)	(137)	612
Average number of ordinary and savings shares	(millions)	21,201	21,068
Basic earnings per share from continuing operations – Ordinary shares	(euros)	(0.01)	0.03
Plus: additional dividends per savings share		—	0.01
Basic earnings per share from continuing operations – Savings shares	(euros)	(0.01)	0.04
Basic earnings per share from Discontinued operations/Non-current assets held for sale			
Profit (loss) from Discontinued operations/Non-current assets held for sale	(million euros)	—	—
Average number of ordinary and savings shares	(millions)	21,201	21,068
Basic earnings per share from Discontinued operations/Non- current assets held for sale – Ordinary shares	(euros)	—	—
Basic earnings per share from Discontinued operations/Non- current assets held for sale – Savings shares	(euros)	—	—

	1st Half 2021	1st Half 2020
Average number of ordinary shares	15,051,766,083	15,040,614,348
Average number of savings shares	6,027,791,699	6,027,791,699
Total	**21,079,557,782**	**21,068,406,047**

		1st Half 2021	1st Half 2020
Diluted earnings per share			
Profit (loss) for the period attributable to owners of the Parent		(137)	678
Dilution effect of stock option plans and convertible bonds (*)		21	21
Less: additional dividends for the savings shares (0.011 euros per share and up to capacity)		—	(66)
	(million euros)	(116)	633
Average number of ordinary and savings shares	(millions)	22,284	22,153
Diluted earnings per share – Ordinary shares	(euros)	(0.01)	0.03
Plus: additional dividends per savings share		—	0.01
Diluted earnings per share – Savings shares	(euros)	(0.01)	0.04
Diluted earnings per share from continuing operations			
Profit (loss) from continuing operations attributable to Owners of the Parent		(137)	678
Dilution effect of stock option plans and convertible bonds (*)		21	21
Less: additional dividends for the savings shares		—	(66)
	(million euros)	(116)	633
Average number of ordinary and savings shares	(millions)	22,284	22,153
Diluted earnings per share from continuing operations – Ordinary shares	(euros)	(0.01)	0.03
Plus: additional dividends per savings share		—	0.01
Diluted earnings per share from continuing operations – Savings shares	(euros)	(0.01)	0.04
Diluted earnings per share from Discontinued operations/Non-current assets held for sale			
Profit (loss) from Discontinued operations/Non-current assets held for sale	(million euros)	—	—
Dilution effect of stock option plans and convertible bonds		—	—
Average number of ordinary and savings shares	(millions)	22,284	22,153
Diluted earnings per share from Discontinued operations/Non-current assets held for sale – Ordinary shares	(euros)	—	—
Diluted earnings per share from Discontinued operations/Non-current assets held for sale – Savings shares	(euros)	—	—

	1st Half 2021	1st Half 2020
Average number of ordinary shares (*)	16,256,104,991	16,125,592,039
Average number of savings shares	6,027,791,699	6,027,791,699
Total	**22,283,896,690**	**22,153,383,738**

(*) The average number of ordinary shares also includes the potential ordinary shares relating to the equity compensation plans of employees for which the (market and non-market) performance conditions have been met, in addition to the theoretical number of shares that are issuable as a result of the conversion of the unsecured equity-linked convertible bond. Consequently, the "Net profit (loss) for the period attributable to Owners of the Parent and the "Profit (loss) from continuing operations attributable to Owners of the Parent" were also adjusted to exclude the effects, net of tax, related to the above-mentioned plans and to the convertible bond (+21 million euros in the first half of 2021; +21 million euros in the first half of 2020).

Future potential changes in share capital

The table below shows future potential changes in share capital, based on the issuance of the convertible bond by TIM S.p.A. in March 2015, in the 2020 Broad-Based Share Ownership Plan and plans for long-term share incentives, still outstanding at June 30, 2021:

	Number of maximum shares issuable	Share capital (thousands of euros)	Paid-in capital (thousands of euros)	Subscription price per share (euros)
Capital increases already approved (ordinary shares)				
2020 Broad-based Share Ownership Plan (free issue) (*)	42,114,637			
2020-2022 Long Term Incentive Plan (free issue)	180,000,000			
Stock Options	**222,114,637**			
2015 Convertible Bond (ordinary shares) (**)	1,138,239,144	2,000,000	N.A.	N.A.
Bonds	**1,138,239,144**	**2,000,000**		
Total	**1,360,353,781**	**2,000,000**		

(*) The maximum number of free issues that can be issued is obtained by applying the ratio of assignment of one third of the 126,343,913 new ordinary shares issued in exchange for payment on November 27, 2020 (equal to 99.09% of the 127,500,000 offered).
(**) The number of shares potentially issuable shown may be subject to adjustments.

Further information is provided in the Notes “Financial liabilities (non-current and current)” and “Equity compensation plans”.

NOTE 27
SEGMENT REPORTING

a) Segment reporting

The operating segments of the TIM Group, organised for the telecommunications business and the relative geographical location are as follows:

- **Domestic**: includes operations in Italy for voice and data services on fixed and mobile networks for end customers (retail) and other operators (wholesale), the operations of the Telecom Italia Sparkle group, which, at international level (Europe, the Mediterranean and South America), develops fiber optic networks for wholesale customers, the operations of the company FiberCop for the supply of passive access services to the secondary copper and fiber network, the business of Noovle S.p.A. (Cloud and Edge computing solutions), the business of Olivetti (products and services for Information Technology), and, up to March 31, 2020, INWIT S.p.A. (a company operating in the electronic communications infrastructure sector, and in particular the infrastructure for hosting radio transmission equipment for mobile telephone networks, both for TIM and other operators) and the units supporting the Domestic sector.
- **Brazil**: includes mobile and fixed telecommunications operations in Brazil (TIM S.A.);
- **Other Operations**: include the financial companies (Telecom Italia Capital S.A. and Telecom Italia Finance S.A.) and other minor companies not strictly related to the TIM Group's core business.

In view of the decision-making process adopted by the TIM Group, segment reporting is presented for financial operating data.

The results of financial management, income taxes for the period, as well as gains (losses) from Discontinued operations / Non-current assets held for sale are presented at a consolidated level.

Separate Consolidated Income Statements by Operating Segment

(million euros)	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	1st Half 2021	1st Half 2020	1st Half 2021	1st Half 2020	1st Half 2021	1st Half 2020	1st Half 2021	1st Half 2020	1st Half 2021	1st Half 2020
Third-party revenues	6,219	6,243	1,348	1,516	—	—	—	—	7,567	7,759
Intragroup revenues	14	16	—	1	—	—	(14)	(17)	—	—
Revenues by operating segment	**6,233**	**6,259**	**1,348**	**1,517**	**—**	**—**	**(14)**	**(17)**	**7,567**	**7,759**
Other income	162	85	7	6	—	—	—	(1)	169	90
Total operating revenues and other income	**6,395**	**6,344**	**1,355**	**1,523**	**—**	**—**	**(14)**	**(18)**	**7,736**	**7,849**
Acquisition of goods and services	(2,627)	(2,315)	(502)	(538)	(1)	(2)	10	15	(3,120)	(2,840)
Employee benefits expenses	(1,604)	(1,244)	(110)	(127)	(1)	(1)	—	—	(1,715)	(1,372)
of which: accruals to employee severance	(1)	—	—	—	—	—	—	—	(1)	—
Other operating expenses	(279)	(318)	(143)	(182)	(2)	(2)	—	—	(424)	(502)
of which: write-downs and expenses in connection with credit management and provision charges	(110)	(214)	(59)	(86)	—	—	—	1	(169)	(299)
Change in inventories	53	5	(3)	—	—	—	(1)	1	49	6
Internally generated assets	208	212	33	42	—	—	3	3	244	257
EBITDA	**2,146**	**2,684**	**630**	**718**	**(4)**	**(5)**	**(2)**	**1**	**2,770**	**3,398**
Depreciation and amortization	(1,829)	(1,839)	(439)	(510)	—	—	—	1	(2,268)	(2,348)
Gains/(losses) on disposals of non-current assets	(4)	(12)	3	4	—	—	—	—	(1)	(8)
Impairment reversals (losses) on non-current assets	—	—	—	—	—	—	—	—	—	—
EBIT	**313**	**833**	**194**	**212**	**(4)**	**(5)**	**(2)**	**2**	**501**	**1,042**
Share of losses (profits) of associates and joint ventures accounted for using the equity method	22	2	—	—	—	—	—	—	22	2
Other income (expenses) from investments									12	448
Finance income									546	501
Finance expenses									(1,128)	(1,104)
Profit (loss) before tax from continuing operations									**(47)**	**889**
Income tax expense									2	(166)
Profit (loss) from continuing operations									**(45)**	**723**
Profit (loss) from Discontinued operations/Non-current assets held for sale									—	—
Profit (loss) for the period									**(45)**	**723**
Attributable to:										
Owners of the Parent									**(137)**	**678**
Non-controlling interests									92	45

Revenues by operating segment

(million euros)	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	1st Half 2021	1st Half 2020	1st Half 2021	1st Half 2020	1st Half 2021	1st Half 2020	1st Half 2021	1st Half 2020	1st Half 2021	1st Half 2020
Revenues from equipment sales – third party	682	501	39	34	—	—	—	—	721	535
Revenues from equipment sales – intragroup	—	—	—	—	—	—	—	—	—	—
Total revenues from equipment sales	**682**	**501**	**39**	**34**	**—**	**—**	**—**	**—**	**721**	**535**
Revenues from services – third party	5,537	5,742	1,309	1,482	—	—	—	—	6,846	7,224
Revenues from services – intragroup	14	16	—	1	—	—	(14)	(17)	—	—
Total revenues from services	**5,551**	**5,758**	**1,309**	**1,483**	**—**	**—**	**(14)**	**(17)**	**6,846**	**7,224**
Total third-party revenues	6,219	6,243	1,348	1,516	—	—	—	—	7,567	7,759
Total intragroup revenues	14	16	—	1	—	—	(14)	(17)	—	—
Total revenues by operating segment	**6,233**	**6,259**	**1,348**	**1,517**	**—**	**—**	**(14)**	**(17)**	**7,567**	**7,759**

Purchases of intangible assets, tangible assets and rights of use assets by operating segment

(million euros)	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	1st Half 2021	1st Half 2020	1st Half 2021	1st Half 2020	1st Half 2021	1st Half 2020	1st Half 2021	1st Half 2020	1st Half 2021	1st Half 2020
Purchase of intangible assets	600	374	61	100			—	—	661	474
Purchase of tangible assets	831	580	282	191			—	—	1,113	771
Purchase of rights of use assets	93	552	194	94			—	—	287	646
Total purchase of intangible assets, tangible assets and rights of use assets	**1,524**	**1,506**	**537**	**385**	**—**	**—**	**—**	**—**	**2,061**	**1,891**
of which: capital expenditures	*1,465*	*963*	*343*	*291*	*—*	*—*	*—*	*—*	*1,808*	*1,254*
of which: increases in lease/leasing contracts for right-of-use assets	*59*	*543*	*194*	*94*			*—*	*—*	*253*	*637*

Headcount by Operating Segment

(number of units)	Domestic		Brazil		Other Operations		Consolidated Total	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Headcount	**43,157**	**42,925**	**9,234**	**9,409**	**13**	**13**	**52,404**	**52,347**

Assets and liabilities by Operating Segment

(million euros)	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	6/30/2021	12/31/2020	6/30/2021	12/31/2020	6/30/2021	12/31/2020	6/30/2021	12/31/2020	6/30/2021	12/31/2020
Non-current operating assets	44,599	44,736	5,003	5,098	1	1	(1)	(1)	49,602	49,834
Current operating assets	3,807	3,734	894	845	19	19	(31)	(35)	4,689	4,563
Total operating assets	48,406	48,470	5,897	5,943	20	20	(32)	(36)	54,291	54,397
Investments accounted for using the equity method	2,699	2,728	—	—	—	—	—	—	2,699	2,728
Discontinued operations /Non-current assets held for sale									365	—
Unallocated assets									16,449	16,088
Total Assets									**73,804**	**73,213**
Total operating liabilities	10,420	10,514	1,149	1,191	29	29	(62)	(82)	11,536	11,652
Liabilities directly associated with Discontinued operations/Non-current assets held for sale									68	—
Unallocated liabilities									31,602	32,721
Equity									30,598	28,840
Total Equity and Liabilities									**73,804**	**73,213**

b) Reporting by geographical area

(million euros)		Revenues				Non-current operating assets	
		Breakdown by location of operations		Breakdown by location of customers		Breakdown by location of operations	
		1st Half 2021	1st Half 2020	1st Half 2021	1st Half 2020	30.6. 2021	31.12. 2020
Italy	(a)	6,078	6,136	5,796	5,869	44,342	44,477
Overseas	(b)	1,489	1,623	1,771	1,890	5,260	5,357
Total	**(a+b)**	**7,567**	**7,759**	**7,567**	**7,759**	**49,602**	**49,834**

c) Information on main customers

None of the TIM Group's customers exceeds 10% of consolidated revenues.

NOTE 28

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 statements consolidated statement of financial position and consolidated statement of cash flows.

Related-party transactions, when not dictated by specific laws, were conducted at arm's length. They were performed in compliance with the internal procedure, which sets forth rules designed to ensure the transparency and fairness of the transactions in accordance with Consob Regulation 17221/2010. The current procedure is available on the website gruppotim.it, under the Group section/Governance Tools channel.

The effects of related party transactions on the TIM Group separate consolidated income statement line items for the first half of 2021 and the first half of 2020 are as follows:

SEPARATE INCOME STATEMENT LINE ITEMS FOR THE FIRST HALF OF 2021

(million euros)	Total (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Key managers	Total related parties (b)	% of financial statement item (b/a)
Revenues	7,567	22				22	0.3
Acquisition of goods and services	3,120	176	53			229	7.3
Employee benefits	1,715			36	8	44	2.6
Other operating expenses	424	1				1	0.2
Depreciation and amortization	2,268	26				26	1.1
Finance expenses	1,128	9				9	0.8

(*) Vivendi group and Companies belonging to the group that it belongs to; other related parties through directors, statutory auditors and key managers.

SEPARATE INCOME STATEMENT LINE ITEMS FOR THE FIRST HALF OF 2020

(million euros)	Total (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Key managers	Total related parties (b)	% of financial statement item (b/a)
Revenues	7,759	24	1			25	0.3
Acquisition of goods and services	2,840	121	53			174	6.1
Employee benefits	1,372			38	9	47	3.4
Depreciation and	2,348	13				13	0.6
Finance expenses	1,104	2				2	0.2

(*) Vivendi group and Companies belonging to the group that it belongs to; other related parties through directors, statutory auditors and key managers.

The effects of related party transactions on the Group separate consolidated statement of financial position line items at June 30, 2021 and December 31, 2020, are as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION LINE ITEMS AT 6/30/2021

(million euros)	Total (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties (b)	% of financial statement item (b/a)
Net financial debt						
Non-current financial liabilities for lease contracts	4,106	292			292	7.1
Current financial liabilities for lease contracts	660	64			64	9.7
Current financial liabilities for financing contracts and others	4,582	5			5	0.1
Other statement of financial position line items						
Rights of use assets	4,898	324			324	6.6
Trade and miscellaneous receivables and other current assets	4,349	41	2		43	1.0
Miscellaneous payables and other non-current liabilities	3,157	2	1		3	0.1
Trade and miscellaneous payables and other current liabilities	6,803	219	39	26	284	4.2

(*) Vivendi group and Companies belonging to the group that it belongs to; other related parties through directors, statutory auditors and key managers.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS AT 12/31/2020

(million euros)	Total (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties (b)	% of financial statement item (b/a)
Net financial debt						
Non-current financial liabilities for lease contracts	4,199	313			313	7.5
Current financial liabilities for lease contracts	631	50			50	7.9
Other statement of financial position line items						
Right of use assets	4,992	347			347	7.0
Trade and miscellaneous receivables and other current assets	4,280	57	4		61	1.4
Miscellaneous payables and other non-current liabilities	3,602	2	1		3	0.1
Trade and miscellaneous payables and other current liabilities	6,567	101	40	22	163	2.5

(*) Vivendi group and Companies belonging to the group that it belongs to; other related parties through directors, statutory auditors and key managers.

The effects of the related party transactions on the significant TIM Group consolidated statements of cash flows line items for the first half of 2021 and the first half of 2020 are as follows:

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS FIRST HALF 2021

(million euros)	Total (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties (b)	% of financial statement item (b/a)
Purchases of intangible assets, tangible assets and right of use assets on an accrual basis	2,061	2	5		7	0.3
Dividends paid	336		36		36	10.7

(*) Vivendi group and Companies belonging to the group that it belongs to; other related parties through directors, statutory auditors and key managers.

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS FIRST HALF 2020

(million euros)	Total (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties (b)	% of financial statement item (b/a)
Purchases of intangible assets, tangible assets and right of use assets on an accrual basis	1,891	372			372	19.7

(*) Vivendi group and Companies belonging to the group that it belongs to; other related parties through directors, statutory auditors and key managers.

Transactions with associates, subsidiaries of associates and joint ventures

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
Revenues			
INWIT S.p.A.	25	23	Voice and data transmission services for company use, Desktop Management ICT services, IRU transfer of Dark Optic Fiber and Local Infrastructure, Easy IP ADSL service, small cell design and construction services, property leasing, site maintenance, electricity supply and administrative outsourcing.
TIMFIN S.p.A.	(4)		Miscellaneous costs for loans.
Other minor companies	1	1	The amount shown in 2020 included, in addition to the minor companies, Asscom S.r.l., which was sold in June 2020.
Total revenues	**22**	**24**	
Acquisition of goods and services			
INWIT S.p.A.	172	117	Supply of services for BTS sites, such as the provision of passive infrastructure and power supply systems, monitoring and security services (alarms), management and maintenance services
W.A.Y. S.r.l.	4	3	Supply, installation and technical assistance services for geolocation equipment provided as part of offers to TIM customers, developments of the CCS software platform dedicated to TIM's Company Car Sharing service.
Other minor companies		1	
Total acquisition of goods and services	**176**	**121**	
Other operating expenses	**1**		Penalties for breach of contract on maintenance management services to INWIT S.p.A.
Depreciation and amortization	**26**	**13**	Amortization of rights of use related to the recognition of greater non-current assets amortized over the residual contractual term, towards INWIT S.p.A.
Finance expenses			
INWIT S.p.A.	8	2	Finance expenses for interest related to financial liabilities for rights of use.
TIMFin S.p.A.	1		
Total finance expenses	**9**	**2**	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	6/30/2021	12/31/2020	TYPE OF CONTRACT
Net financial debt			
Non-current financial liabilities for lease contracts	**292**	**313**	Non-current financial liabilities related to the recognition of rights of use for lease liabilities with INWIT S.p.A.
Current financial liabilities for lease contracts	**64**	**50**	Current financial liabilities related to the recognition of rights of use for lease liabilities with INWIT S.p.A.
Current financial liabilities for financing contracts and others	**5**		Financial payables due to TIMFin
Other statement of financial position line items			
Right of use assets	**324**	**347**	Rights of use related to the recognition of greater non-current assets amortized over the residual contractual term, towards INWIT S.p.A.
Trade and miscellaneous receivables and other current assets			
INWIT S.p.A.	38	55	Voice and data transmission services for company use, Microsoft licenses, supply of apparatus, evolved hosting, Desktop Management ICT services, Vai services and SAP maintenance, email assistance, IoT platform implementation and management, SAG security services for the judicial authorities, IRU transfer of Dark Optic Fiber and Local Infrastructure, Easy IP ADSL service, small cell design and construction services, property leasing, administrative outsourcing and dividends to collect.
TIMFin	1		
W.A.Y. S.r.l.	2	2	Deferred costs for supply of customized platforms, application offers and fixed and mobile voice services.
Total trade and miscellaneous receivables and other current assets	**41**	**57**	
Miscellaneous payables and other non-current liabilities	**2**	**2**	Deferred contractual revenues from INWIT S.p.A.
Trade and miscellaneous payables and other current liabilities			
INWIT S.p.A.	215	98	Supply of services for BTS sites, monitoring and security services, management and maintenance services.
Movenda S.p.A.		1	Supply and certification of SIM-cards, software systems.
W.A.Y. S.r.l.	3	2	Supply, installation and technical assistance services for geolocation equipment provided as part of offers to TIM customers, developments of the CCS software platform dedicated to TIM's Company Car Sharing service.
TIMFin S.p.A.	1		
Total trade and miscellaneous payables and other current liabilities	**219**	**101**	

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS

(million euros)	1st Half 2021	1st Half 2020	TYPE OF CONTRACT
Purchases of intangible assets, tangible assets and right of use assets on an accrual basis			
INWIT S.p.A.	2	371	Higher value of rights of use as a result of new contracts or changes in existing lease contracts.
Other minor companies		1	
Total purchase of intangible, tangible and rights of use assets on an accrual basis	**2**	**372**	

At June 30, 2021, TIM S.p.A. had issued guarantees in favor of the joint venture INWIT S.p.A. for 14 million euros.

Transactions with other related parties (through directors, statutory auditors and key managers, as well as participants in shareholder agreements pursuant to Article 122 of the Consolidated Law on Finance)

Details are provided below of the transactions with:

- Vivendi Group and the companies of the group that it belongs to;
- Related companies through Directors.

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
Revenues		1	Circuit rental services and feasibility study for routing and submarine cable interface solutions in America to the Vivendi Group.
Acquisition of goods and services			
Havas Group	51	51	Purchase of media space on behalf of the TIM Group and, to a lesser extent, development and delivery of advertising campaigns.
Vivendi group	2	2	Purchase of musical and television digital content (TIMmusic and TIMvision) and supply of D&P cloud-based games (TIMgames).
Total acquisition of goods and	**53**	**53**	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	6/30/2021	12/31/2020	TYPE OF CONTRACT
Other statement of financial position line items			
Trade and miscellaneous receivables and other current assets			
Other Directors or through		3	Fixed-line and mobile voice services and devices.
Havas Group	2		Prepaid expenses related to costs for advertising
Vivendi group		1	TV series rights.
Total trade and miscellaneous receivables and other current assets	**2**	**4**	
Miscellaneous payables and other non-current liabilities	**1**	**1**	Deferred income for IRU sale to the Vivendi group.
Trade and miscellaneous payables and other current liabilities			
Other Directors or through		1	
Havas Group	34	37	Purchase of media space on behalf of the TIM Group and, to a lesser extent, development and delivery of advertising campaigns.
Vivendi group	4	2	Purchase of musical and television digital content (TIMmusic and TIMvision) and supply of D&P cloud-based games (TIMgames).
Total trade and miscellaneous payables and other current liabilities	**38**	**40**	

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS

(million euros)	1st Half 2021	1st Half 2020	TYPE OF CONTRACT
Purchases of intangible assets, tangible assets and right of use assets on an accrual basis			
Vivendi group	5		Supplies and integrated platform services
Total purchase of intangible, tangible and rights of use assets on an accrual basis	**5**		
Dividends paid			
Vivendi group	36		
Total Dividends paid	**36**		

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
Employee benefits expenses			Contributions to pension funds.
Fontedir	4	5	
Telemaco	30	31	
Other pension funds	2	2	
Total employee benefits expenses	**36**	**38**	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(million euros)	6/30/2021	12/31/2020	TYPE OF CONTRACT
Trade and miscellaneous payables and other current liabilities			Payables for contributions to pension funds.
Fontedir	3	3	
Telemaco	22	19	
Other pension funds	1		
Total trade and miscellaneous payables and other current liabilities	**26**	**22**	

Remuneration to key managers

In the first half of 2021, the total remuneration recorded on an accrual basis by TIM or by companies controlled by the Group in respect of key managers amounted to 8.4 million euros (9.3 million euros at June 30, 2020). The figure breaks down as follows:

(million euros)	1st Half 2021	1st Half 2020
Short-term remuneration	5.5	5.8
Long-term remuneration		
Employment termination benefit incentives		2.3
Share-based payments (*)	2.9	1.2
Total	**8.4**	**9.3**

(*) These refer to the fair value of the rights, accrued at June 30, under the share-based incentive plans of TIM S.p.A. and its subsidiaries (Long Term Incentive and Plans of the subsidiaries).

Short-term remuneration is paid during the period it pertains to, at the latest within the six months following the end of that period and, in 2021, do not include the effects of the reversal of the accruals related to the 2020 costs amounting to 0.9 million euros.

In the first half of 2021, contributions paid in to defined contribution plans (Assida and Fontedir) by TIM S.p.A. or by subsidiaries of the Group on behalf of key managers amounted to 65,000 euros (70,000 euros in the first half of 2020).

In the first half of 2021, “Key managers”, i.e. those who have the power and responsibility, directly or indirectly, for the planning, direction and control of the operations of the TIM Group, including directors, were the following:

Directors:		
Luigi Gubitosi		Managing Director and Chief Executive Officer of TIM S.p.A. General Manager
Executives:		
Pietro Labriola		Diretor Presidente Tim S.A.
Federico Rigoni		Chief Revenue Officer
Michele Gamberini	(1) (2)	Chief Technology & Information Officer Chief Innovation & Information Officer
Stefano Grassi		Head of Security
Luciano Sale		Head of Human Resources, Organization & Real Estate
Giovanni Gionata Massimiliano Moglia		Chief Regulatory Affairs & Wholesale Market Officer
Carlo Nardello		Chief Strategy, Customer Experience & Transformation Officer
Agostino Nuzzolo		Head of Legal and Tax
Giovanni Ronca		Chief Financial Officer
Nicola Grassi		Head of Procurement
Stefano Siragusa	(1) (2)	Chief Operations Officer Chief Technology & Operations Officer

(1) To April 8, 2021;
(2) From April 9, 2021.

Starting July 05, 2021, the following assignments of responsibilities have been defined:

- the Chief Revenue Office is entrusted to Stefano Siragusa;
- the Chief Technology & Operations Office is entrusted to Nicola Grassi;
- the Procurement Department is entrusted to Paolo Chiriotti.

NOTE 29
EQUITY COMPENSATION PLANS

Equity compensation plans in force at June 30, 2021, are used for attraction and retention purposes, and as a long-term incentive for the managers and employees of the Group.

However, it should be noted that these plans do not have any significant effect on the economic result or on the financial position or on cash flows at June 30, 2021.

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

Description of stock option plans

TIM S.A. Stock Option Plans

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.

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.

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.

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.

Description of other compensation plans

TIM S.p.A. - Long Term Incentive Plan 2018-2020

The Plan, approved by the Shareholders' Meeting of Telecom Italia S.p.A. of April 24, 2018, provided for a three-year vesting period (2018-2020) and the bonus allocation of Telecom Italia S.p.A. ordinary shares subject to the achievement of two performance conditions, as assessed by the Board of Directors when approving the TIM Group's consolidated financial statements at December 31, 2020:

- average performance of TIM ordinary shares versus the average market performance of a peer basket in the quarters preceding the start and the end of the period (70% weighting). The peer basket consists of the following Companies: Deutsche Telekom AG, Vodafone Group PLC, Telefonica SA, Orange SA, BT Group PLC, Telenor ASA, Swisscom AG, Telia Co AB, Koninklijke KPN NV, Proximus SADP, Elisa OYJ;
- cumulative equity free cash flow over the period 2018-2020 (30% weighting). This parameter is linked to the generation of cash flow, understood as net cash flow before dividends and investments in frequencies. Represents the Free Cash Flow available for the payment of dividends, the repayment of the debt, the impact of IAS 17 (finance leases) and the investment in frequencies, and do not include the financial impact of any acquisition and/or disposal of equity investments (M&A).

Following approval of the 2020 financial statements, the parameter of stock performance has not reached the minimum level for accessing the premium, while the cumulative equity free cash flow parameter (30%) has reached an achievement level of 88.47% (between the minimum and target), thereby quantifying the number of shares accrued by beneficiaries as 6,715,617 shares, subject to a two-year lock-up from the accrual date.

TIM S.p.A. - Long Term Incentive Plan 2020-2022

The Shareholders' Meeting of April 23, 2020 approved the launch of the new rolling and equity based long-term incentive plan called LTI 2020-2022.

Each cycle of the plan is divided into two parties:

- **Performance Share**: free allocation of Company ordinary shares, the maturity of which is subject to an access gate linked to the value of the share and to two share and industrial performance conditions, given below.
- **Attraction/Retention Share**: free allocation of Company ordinary shares, the maturity of which is subject to the continuity of the employment relationship with TIM or TIM Group companies.

In relation to the Performance Share component, the performance conditions are as follows:

- access gate, represented by the value of the security, which at the end of each cycle must be equal to or greater than the value of the security at the start of the same cycle (refer to the normal value of the share equal to the average of the official closing prices of the Stock Exchange 30 days prior to the start and end of the Plan cycle);
- NFP/EBITDA ratio, with relative weighting equal to 40%;
- Relative performance (TSR) of the ordinary share compared to a basket of Peers, with a relative weighting of 60%

A payout bonus/malus mechanism equal to 4% will be applied to both components (Performance Share and Attraction/Retention Share), linked, in equal measure,

- to the % growth of use of renewable energy out of total energy and to the reduction of indirect emissions of CO2 (2020-2022 cycle)
- to the % growth of use of renewable energy out of total energy and the increase in the female presence in the managerial population (2021-2023 cycle).

For the CEO, 100% of the pay opportunity is linked to the Performance Share component. For the remaining recipient managers, 70% of the Pay Opportunity is linked to the Performance Share and the remaining 30% to the Attraction/Retention Shares.

2020-2022 Cycle

On May 18, 2020, the Board of Directors launched the first cycle of the new Plan, for the three-year period 2020-2022, simultaneously assigning it to the CEO. At June 30, 2021, the first incentive cycle intended for 146 resources of the TIM Group establishes the right of beneficiaries to receive attribution of 62,591,925 shares upon reaching the target, without prejudice to:

- the gate condition and application of the ESG correction for performance shares
- application of the ESG correction and continuity of the contract of employment for attraction/retention shares.

2021-2023 Cycle

On April 28, 2021, the Board of Directors resolved the start of the second 2021-2023 cycle of incentives of the 2020-2022 Long Term Incentive Plan, at the same time assigning it to the CEO.

The second cycle is aimed at around 162 TIM Group staff: the CEO, Top Management and a selected segment of TIM Group management. At June 30, 2021, the new cycle has not been assigned to any beneficiaries other than TIM's Chief Executive Officer.

TIM S.p.A. – Broad-Based Share Ownership Plan 2020

In implementation of the resolutions passed on April 23, 2020 by the Extraordinary Shareholders' Meeting, and on May 18, 2020 by the Board of Directors of Telecom Italia S.p.A., the campaign for the 2020 Broad-Based Share Ownership Plan was commenced on June 16, 2020.

To service the initiative, a maximum of 127,500,000 new shares were to be issued, to be offered for paid subscription and, subsequently, a maximum 42,500,000 new shares, without capital increase, for the free allocation of 1 Bonus Share for every 3 subscribed shares.

The shares were offered from June 16 to October 30, 2020; the shares were subscribed at the unit price of 0.31 euros, corresponding to the mathematical average of the official prices recorded from May 17, 2020 to June 15, 2020, with a 10% discount.

On November 27, 2020, 126,343,913 Telecom Italia ordinary shares were issued to subscribers. In compliance with said shareholders' meeting resolution, the issue of the new shares did not result in a share capital increase and the related equivalent value of subscription was allocated to the share premium reserve.

Employees who hold the subscribed shares for a period of one year following assignment, subject to their retaining the status of employees, shall receive ordinary shares of the Company free of charge allotted to them at a ratio of 1 free share (the "Bonus Share") for every 3 shares subscribed for cash.

TIM S.A. - Long Term Incentive Plan 2018-2020

On April 19, 2018, the General Meeting of Shareholders of Tim Participações S.A. (now incorporated into TIM S.A.) approved the long-term incentive plan for managers in key positions in the company. The plan aimed to reward participants with shares issued by the company, subject to specific temporal and performance conditions (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.

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, 100% of the rights assigned were considered as vested.

- **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, 473,073 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.

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.

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.

TIM S.A. - Long Term Incentive Plan 2021-2023

On March 30, 2021, the General Meeting of Shareholders of TIM S.A. approved the long-term incentive plan for managers in key positions in the company. The plan aims to reward participants with shares issued by the company, according to specific time (restricted shares) and performance (performance shares) conditions. The vesting period is 3 years and the company does not have the legal obligation to repurchase or liquidate the shares in cash or in any other form. The plan – in addition to transferring shares to beneficiaries – also includes the possibility of rewarding participants through the settlement of the amount corresponding in cash.

2021

On May 5, 2021, plan beneficiaries were granted the right to receive a total of 2,921,776 shares, of which 2,725,819 performance shares restricted to performance conditions and with gradual vesting over 3 years and 195,957 restricted shares, with a total vesting period of 3 years.

As at June 30, 2021, the first vesting period has not yet finished.

NOTE 30

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

The effect of non-recurring events and transactions in the first half of 2021 on the equity, profit, net financial debt and cash flows of the TIM Group is set out below in accordance with Consob Communication DEM/6064293 of July 28, 2006. The non-recurring effects on Equity and Profit (loss) for the period are shown net of tax effects.

(million euros)		Equity	Profit (loss) for the period	Net financial debt carrying amount	Cash flows (*)
Carrying amount	**(a)**	**30,598**	**(45)**	**22,327**	**412**
Other income		1	1	(1)	1
Acquisition of goods and services - Expenses related to agreements and the development of non-recurring projects and other costs		(21)	(21)	32	(32)
Personnel cost - Charges related to corporate reorganization/restructuring and other charges		(239)	(239)	220	(220)
Other operating expenses - Expenses related to disputes and regulatory sanctions and potential liabilities related to them, and expenses related to disputes with former employees and liabilities with customers and/or suppliers for other provisions and charges		(63)	(63)	174	(174)
Other income (expenses) from investments		(21)	(21)	—	—
Miscellaneous finance expenses		(1)	(1)	—	—
Total non-recurring effects	**(b)**	**(344)**	**(344)**	**425**	**(425)**
Income/(Expenses) relating to Discontinued operations	**(c)**	**—**	**—**	**—**	**—**
Figurative amount – financial statements	**(a-b-c)**	**30,942**	**299**	**21,902**	**837**

(*) Cash flows refer to the increase (decrease) in Cash and Cash equivalents during the period.

The impact of non-recurring items on the separate consolidated income statement line items is as follows:

(million euros)	1st Half 2021	1st Half 2020
Revenues:		
Revenue adjustments	—	(37)
Other income:		
Recovery of operating expenses	1	—
Other operating provisions absorption	—	1
Acquisition of goods and services, Change in inventories:		
Professional expenses, consulting services and other costs	(27)	(26)
Employee benefits expenses:		
Charges related to corporate reorganization/restructuring and other charges	(335)	(36)
Other operating expenses:		
Sundry expenses and other provisions	(86)	(39)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**(447)**	**(137)**
Impact on EBIT - Operating profit (loss)	**(447)**	**(137)**
Other income (expenses) from investments:		
Net gain INWIT transactions	—	448
Finance expenses:		
Miscellaneous finance expenses	(1)	(2)
Impact on profit (loss) before tax from continuing operations	**(448)**	**309**
Income taxes on non-recurring items	104	31
Impact on profit (loss) for the period	**(344)**	**340**

During the first half of 2021, the COVID-19 emergency meant that the TIM Group incurred non-recurring charges, gross of tax effects, for approximately 18 million euros, of which 15 million euros connected with credit management deriving from the forecast deterioration in the expected credit loss of some customers. In addition to this, the figures stated include both non-recurring charges connected with corporate reorganization/restructuring processes and provisions for disputes, transactions, regulatory sanctions and potential liabilities and expenses connected with agreements and the development of non-recurring projects. During the first half of 2020, the COVID-19 emergency had incurred non-recurring charges, gross of tax effects, for a total of 69 million euros, mainly connected with adjustments to revenues (37 million euros), following the commercial initiatives of TIM S.p.A. to support customers to fight the emergency and operating costs for 32 million euros mainly relating to provisions and expenses connected with credit management (21 million euros) and procurement and miscellaneous costs (11 million euros).

NOTE 31

POSITIONS OR TRANSACTIONS RESULTING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In accordance with Consob Communication DEM/6064293 of July 28, 2006, a statement is made to the effect that in during the first half of 2021 no atypical and/or unusual transactions, as defined by that Communication, were pursued.

NOTE 32
OTHER INFORMATION

a) Exchange rates used to translate the financial statements of foreign operations(*)

(local currency against 1 euro)		Period-end exchange rates (statements of financial position)		Average exchange rates for the period (income statements and statements of cash flows)	
		6/30/2021	12/31/2020	1st Half 2021	1st Half 2020
Europe					
BGN	Bulgarian Lev	1.95580	1.95580	1.95580	1.95580
CZK	Czech koruna	25.48800	26.24200	25.86068	26.34094
CHF	Swiss franc	1.09800	1.08020	1.09469	1.06412
TRY	Turkish lira	10.32100	9.11310	9.52051	7.15048
GBP	Pound sterling	0.85805	0.89903	0.86800	0.87442
RON	Romanian leu	4.92800	4.86830	4.90150	4.81743
RUB	Russian ruble	86.77250	91.46700	89.56573	76.68222
North America					
USD	U.S. dollar	1.18840	1.22710	1.20504	1.10186
Latin America					
VES	Venezuelan bolivar – Soberano	3,810,792.45430	1,356,945.08000	2,684,523.87137	132,204.41000
BOB	Bolivian Boliviano	8.17620	8.47930	8.32095	7.61360
PEN	Peruvian nuevo sol	4.57170	4.44260	4.49323	3.76249
ARS	Argentine peso	113.42120	103.24940	110.07095	71.02728
CLP	Chilean peso	867.39000	872.52000	867.72767	895.68208
COP	Colombian peso	4,445.23000	4,202.34000	4,370.95736	4,066.25808
BRL	Brazilian real	5.94461	6.37680	6.48919	5.40843
Other countries					
ILS	Israeli shekel	3.87630	3.94470	3.93700	3.86353
NGN	Nigerian Naira	486.28660	465.68500	485.11946	370.13161

(*) Source: data processed by the European Central Bank, Reuters and major Central Banks.

b) Research and development

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

(million euros)	1st Half 2021	1st Half 2020
Research and development costs expensed during the period	19	30
Capitalized development costs	333	293
Total research and development costs (expensed and capitalized)	**352**	**323**

The increase recorded in the first half of 2021 is mainly due to the greater implementation activities connected with the new generation networks and software developments on corporate information systems.

In the first half of 2021, in the separate consolidated income statements, a total of 479 million euros of amortization expense was recorded for development costs, capitalized during the year and in prior years.
Research and development activities carried out by the TIM Group are described in detail in the Interim Management Report (“Research and Development” section).

NOTE 33
EVENTS SUBSEQUENT TO JUNE 30, 2021

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 34
LIST OF COMPANIES OF THE TIM GROUP

In accordance with Consob Communication DEM/6064293 dated July 28, 2006, the list of companies is provided herein.
The list is divided by type of investment, consolidation method and operating segment.
The following is indicated for each company: name, head office, country and share capital in the original currency. In addition to the percentage ownership of share capital, the percentage of voting rights in the ordinary shareholders' meeting, if different from the percentage holding of share capital, and which companies hold the investment.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting y rights	Participating companies
PARENT COMPANY						
TIM S.p.A.	MILAN	EUR	11,677,002,855			
SUBSIDIARIES CONSOLIDATED LINE-BY-LINE						
DOMESTIC BU						
CD FIBER S.r.l. (design, construction, maintenance and management of network infrastructure services and high-speed electronic communication systems)	ROME	EUR	50,000	100.0000		TIM S.p.A.
DAPHNE 3 S.p.A. (assumption, holding, management and disposal of equity investments in INWIT)	MILAN	EUR	100,000	51.0000		TIM S.p.A.
FIBERCOP S.p.A. (infrastructures, networks, passive cabled access services to the premises of end users to be offered to TLC operators throughout Italy)	MILAN	EUR	10,000,000	58.0000		TIM S.p.A.
GLOBAL SPACE TRE S.r.l. (in liquidation) (ICT services)	ROME	EUR	10,000	100.0000		NOOVLE S.r.l.
MED 1 SUBMARINE CABLES Ltd (construction and management of the submarine cable lev1)	RAMAT GAN (ISRAEL)	ILS	55,886,866	100.0000		TELECOM ITALIA SPARKLE S.p.A.
NOOVLE S.p.A. (design, implementation and management of infrastructures and data center services)	MILAN	EUR	100,000	100.0000		TIM S.p.A.
NOOVLE AI S.r.l. (ICT services)	ROVERETO	EUR	10,000	100.0000		NOOVLE S.r.l.
NOOVLE FRANCE Sasu (ICT services)	PARIS (FRANCE)	EUR	20,000	100.0000		NOOVLE S.r.l.
NOOVLE INTERNATIONAL SAGL (ICT services)	PREGASSONA (SWITZERLAND)	CHF	20,000	100.0000		NOOVLE S.r.l.
NOOVLE MALTA Ltd (ICT services)	GZIRA (MALTA)	EUR	10,000	90.0000		NOOVLE INTERNATIONAL SAGL
NOOVLE S.r.l. (ICT services)	MILAN	EUR	300,000	100.0000		NOOVLE S.p.A.
NOOVLE SICILIA S.c.a.r.l. (ICT services)	PALERMO	EUR	50,000	80.0000		NOOVLE S.r.l.
NOOVLE SLOVAKIA S.R.O. (ICT services)	BRATISLAVA (SLOVAKIA)	EUR	5,000	85.0000 15.0000		NOOVLE S.r.l. TELECOM ITALIA FINANCE S.A.
OLIVETTI S.p.A. (production and sale of office equipment and information technology services)	IVREA (TURIN)	EUR	11,000,000	100.0000		TIM S.p.A.
TELECOM ITALIA SAN MARINO S.p.A. (San Marino telecommunications management)	BORGO MAGGIORE (SAN MARINO)	EUR	1,808,000	100.0000		TIM S.p.A.
TELECOM ITALIA SPARKLE S.p.A. (completion and management of telecommunications services for public and private use)	ROME	EUR	200,000,000	100.0000		TIM S.p.A.
TELECOM ITALIA TRUST TECHNOLOGIES S.r.l. (other operations related to non-classified IT services)	POMEZIA (ROME)	EUR	7,000,000	100.0000		OLIVETTI S.p.A.
TELECOM ITALIA VENTURES S.r.l. (investment holding company)	MILAN	EUR	10,000	100.0000		TIM S.p.A.
TELECONTACT CENTER S.p.A. (telemarketing services)	NAPLES	EUR	3,000,000	100.0000		TIM S.p.A.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting y rights	Participating companies
TELEFONIA MOBILE SAMMARINESE S.p.A. (development and management of mobile telecommunications plants and services)	BORGO MAGGIORE (SAN MARINO)	EUR	78,000	51.0000		TELECOM ITALIA SAN MARINO S.p.A.
TELENERGIA S.r.l. (import, export, purchase, sale and trade of electricity)	ROME	EUR	50,000	100.0000		TIM S.p.A.
TELSY S.p.A. (production, installation, maintenance, reconditioning and sale of terminals, radio telephones, telecommunications and electronic systems in general)	TURIN	EUR	5,390,000	100.0000		TIM S.p.A.
TI SPARKLE AMERICAS Inc. (managed bandwidth services)	MIAMI (UNITED STATES OF AMERICA)	USD	10,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ARGENTINA S.A. (managed bandwidth services)	BUENOS AIRES (ARGENTINA)	ARS	9,998,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE AUSTRIA GmbH (telecommunications services)	VIENNA (AUSTRIA)	EUR	2,735,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE BELGIUM S.P.R.L. – B.V.B.A. (telecommunications services)	BRUSSELS (BELGIUM)	EUR	2,200,000	99.9967 0.0033		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
TI SPARKLE BRASIL PARTIÇIPAÇÕES Ltda (investment holding company)	RIO DE JANEIRO (BRAZIL)	BRL	71,563,866	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE BRASIL TELECOMUNICAÇÕES Ltda (managed bandwidth services)	RIO DE JANEIRO (BRAZIL)	BRL	69,337,363	99.9999 0.0001		TI SPARKLE BRASIL PARTIÇIPAÇÕES Ltda TI SPARKLE AMERICAS Inc.
TI SPARKLE BULGARIA EOOD (telecommunications)	SOFIA (BULGARIA)	BGN	100,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE CHILE S.p.A. (managed bandwidth services)	SANTIAGO (CHILE)	CLP	5,852,430,960	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE COLOMBIA Ltda (managed bandwidth services)	BOGOTA' (COLOMBIA)	COP	12,635,774,000	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE CZECH S.R.O. (telecommunications services)	PRAGUE (CZECH REPUBLIC)	CZK	6,720,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE FRANCE S.A.S. (installation and management of telecommunications services for fixed network and related activities)	PARIS (FRANCE)	EUR	18,295,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE GERMANY Gmbh (telecommunications services)	FRANKFURT (GERMANY)	EUR	25,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE GREECE S.A. (telecommunications)	ATHENS (GREECE)	EUR	368,760	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ISRAEL Ltd (international wholesale telecommunication services)	RAMAT GAN (ISRAEL)	ILS	1,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE NETHERLANDS B.V. (telecommunications services)	AMSTERDAM (NETHERLANDS)	EUR	18,200	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE NORTH AMERICA, Inc. (telecommunications and promotional services)	NEW YORK (UNITED STATES OF AMERICA)	USD	15,550,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE PANAMA S.A. (managed bandwidth services)	PANAMA	USD	10,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE PERU' S.A. (managed bandwidth services)	LIMA (PERU)	PEN	57,101,788	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE PUERTO RICO LLC (managed bandwidth services)	SAN JUAN (PUERTO RICO)	USD	3,050,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ROMANIA S.r.l. (telecommunications services)	BUCHAREST (ROMANIA)	RON	3,021,560	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE RUSSIA LLC (telecommunications services)	MOSCOW (RUSSIA)	RUB	8,520,000	99.0000 1.0000		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
TI SPARKLE SINGAPORE Pte.Ltd (telecommunications services)	SINGAPORE	USD	5,121,120	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE NORTH AMERICA, Inc.
TI SPARKLE SLOVAKIA S.R.O. (telecommunications services)	BRATISLAVA (SLOVAKIA)	EUR	300,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE SPAIN TELECOMMUNICATIONS S.L. (telecommunications services)	MADRID (SPAIN)	EUR	1,687,124	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ST. CROIX LLC (managed bandwidth services)	VIRGIN ISLANDS (UNITED STATES OF AMERICA)	USD	1,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting y rights	Participating companies
TI SPARKLE SWITZERLAND GmbH (telecommunications services)	ZURICH (SWITZERLAND)	CHF	2,000,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE TURKEY TELEKOMÜNIKASYON ANONIM SIRKETI (telecommunications services)	ISTANBUL (TURKEY)	TRY	65,000,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE UK Ltd (value-added and networking services)	LONDON (UNITED KINGDOM)	EUR	3,983,254	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE VENEZUELA C.A. (managed bandwidth services)	CARACAS (VENEZUELA)	VES	10	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TIESSE S.c.p.A. (installation and assistance for electronic, IT, telematics and telecommunications equipment)	IVREA (TURIN)	EUR	103,292	61.0000		OLIVETTI S.p.A.
TIM MY BROKER S.r.l. (Insurance brokerage)	ROME	EUR	10,000	100.0000		TIM S.p.A.
TIM RETAIL S.r.l. (ex 4G RETAIL S.r.l.) (sale of fixed and mobile telecommunications products and services and all analog and digital broadcasting equipment)	MILAN	EUR	2,402,241	100.0000		TIM S.p.A.
TIS LAGOS LIMITED (telecommunications services)	LAGOS (NIGERIA)	NGN	10,000,000	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
BRAZIL BU						
TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A. (investment holding company)	RIO DE JANEIRO (BRAZIL)	BRL	7,169,029,859	99.9999 0.0001		TELECOM ITALIA FINANCE S.A. TIM S.p.A.
TIM S.A. (telecommunications services)	RIO DE JANEIRO (BRAZIL)	BRL	13,477,890,508	66.6454 0.0515	66.6768	TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A. TIM S.A.
OTHER OPERATIONS						
OLIVETTI DEUTSCHLAND GmbH (sale of office equipment and supplies)	NURNBERG (GERMANY)	EUR	25,600,000	100.0000		OLIVETTI S.p.A.
OLIVETTI UK Ltd. (sale of office equipment and supplies)	NORTHAMPTON (UNITED KINGDOM)	GBP	6,295,712	100.0000		OLIVETTI S.p.A.
TELECOM ITALIA CAPITAL S.A. (financial company)	LUXEMBOURG	EUR	2,336,000	100.0000		TIM S.p.A.
TELECOM ITALIA FINANCE S.A. (financial company)	LUXEMBOURG	EUR	1,818,691,979	100.0000		TIM S.p.A.
TELECOM ITALIA LATAM PARTICIPAÇÕES E GESTÃO ADMINISTRATIVA Ltda (telecommunications and promotional services)	SAO PAULO (BRAZIL)	BRL	118,925,804	100.0000		TIM S.p.A.
TIAUDIT COMPLIANCE LATAM S.A. (in liquidation) (internal audit services)	RIO DE JANEIRO (BRAZIL)	BRL	1,500,000	69.9996 30.0004		TIM S.p.A. TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A.
SUBSIDIARIES HELD FOR SALE						
FIBERCO SOLUÇÕES DE INFRAESTRUTURA S.A. (telecommunications services)	RIO DE JANEIRO (BRAZIL)	BRL	1,000	100.0000		TIM S.A.

Company name	Reg. office	Currency	Share Capital	% Ownership	% of voting y rights	Participating companies
ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD						
AREE URBANE S.r.l. (in liquidation) (real estate management)	MILAN	EUR	100,000	32.6200		TIM S.p.A.
INFRASTRUTTURE WIRELESS ITALIANE S.p.A. (installation and operation of installations and infrastructure for the management and the sale of telecommunications services)	MILAN	EUR	600,000,000	30.2000		DAPHNE 3 S.p.A.
MOVENDA S.p.A. (design, construction and diffusion of Internet sites, products and computer media)	ROME	EUR	133,333	24.9998		TELECOM ITALIA FINANCE S.A.
NORDCOM S.p.A. (application service provider)	MILAN	EUR	5,000,000	42.0000		TIM S.p.A.
PEDIUS S.r.l. (implementation of specialized telecommunications applications, telecommunications services over telephone connections, VOIP services)	ROME	EUR	181	(*)		TELECOM ITALIA VENTURES S.r.l.
SATISPAY S.p.A (production of software not connected with publishing)	MILAN	EUR	825,312	(*)		TELECOM ITALIA VENTURES S.r.l.
TIGLIO I S.r.l. (real estate management)	MILAN	EUR	1,000,000	47.8020		TIM S.p.A.
TIMFIN S.p.A. (formerly TIM-SCB JV S.p.A.) (carrying out in regard to the public of the concession of loans in any form and, notably, of any type of finance disbursed in the form of a personal and consumer loan)	TURIN	EUR	40,000,000	49.0000		TIM S.p.A.
W.A.Y. S.r.l. (development and sale of geolocation products and systems for security and logistics)	TURIN	EUR	136,383	39.9999		OLIVETTI S.p.A.
WEBIDOO S.p.A. (ICT services)	MILAN	EUR	200,000	(*)		TELECOM ITALIA VENTURES S.r.l.
WESCHOOL S.r.l. (formerly OILPROJECT S.r.l.) (research, development, marketing and patenting of all intellectual property related to technology, information technology and TLC)	MILAN	EUR	16,108	(*)		TELECOM ITALIA VENTURES S.r.l.
WIMAN S.r.l. (development, management and implementation of platforms for social-based Wi-Fi authentication)	MATTINATA (FOGGIA)	EUR	22,233	(*)		TELECOM ITALIA VENTURES S.r.l.

(*) Associate over which TIM S.p.A., directly or indirectly, exercises significant influence pursuant to IAS 28 (Investments in Associates and Joint Ventures).

CERTIFICATION OF THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF THE CONSOB REGULATION 11971 DATED MAY 14, 1999, WITH AMENDMENTS AND ADDITIONS

1. We, the undersigned, Luigi Gubitosi, as Chief Executive Officer, and Giovanni Ronca, as Manager responsible for preparing TIM S.p.A. financial reports, certify, having also considered the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58 of February 24, 1998:
   - the adequacy in relation to the characteristics of the company and
   - the effective application of the administrative and accounting procedures used in the preparation of the Half-Year Condensed Consolidated Financial Statements for the period January 1 – June 30, 2021.

2. TIM has adopted the Internal Control – Integrated Framework Model (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission, as its framework for the establishment and assessment of its internal control system, with particular reference to the internal controls for the preparation of the financial statements.

3. The undersigned also certify that:

   3.1. the Half-Year Condensed Consolidated Financial Statements at June 30, 2021:

   a) have been prepared in compliance with the international accounting standards adopted by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council of July 19, 2002 (International Financial Reporting Standards – IFRS), as well as the legislative and regulatory provisions in force in Italy, including, in particular, the measures enacted for the implementation of Article 9 of Italian Legislative Decree 38 of February 28, 2005;

   b) agree with the results of the accounting records and entries;

   c) provide a true and fair view of the financial condition, the results of operations and the cash flows of the Company and its consolidated subsidiaries;

   3.2. The interim management report includes reliable analysis of references to important events occurring in the first six months of 2021 and their impact on the half-year condensed consolidated financial statements at June 30, 2021, along with a description of the main risks and uncertainties for the remaining six months of 2021. The Interim Management Report also contains a reliable analysis of information concerning significant related party transactions.

7/27/2021

Chief Executive Officer	**Manager Responsible for Preparing the Corporate Financial Reports**
/ signed /	/ signed /
Luigi Gubitosi	Giovanni Ronca

INDEPENDENT AUDITORS' REPORT

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Building a better working world

Review report on the half-year condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
TIM S.p.A.

Introduction

We have reviewed the half-year condensed consolidated financial statements, comprising the consolidated statements of financial position, the separate consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows and the related explanatory notes of TIM S.p.A. and its subsidiaries (the "TIM Group") as of 30 June 2021. The Directors of TIM S.p.A. are responsible for the preparation of the half-year condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these half-year condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of half-year condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the half-year condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the half-year condensed consolidated financial statements of TIM Group as of June 30, 2021 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Turin, 3 August 2021

EY S.p.A.
Signed by: Ettore Abate, Statutory Auditor

This report has been translated into the English language solely for the convenience of international readers

EY S.p.A.
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Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

USEFUL INFORMATION

The 2021 Half-Year Financial Report is available online at gruppotim.it/report/ita and gruppotim.it/report/eng.

Information on TIM is also available at gruppotim.it and information on products and services at tim.it.

Finally, the following numbers are available:

Free Number 800.020.220 (for calls from Italy) or +39 0112293603 (for calls from abroad) available for information and assistance to shareholders.

+39 06 36881 (switchboard) or investor_relations@telecomitalia.it

TIM S.p.A.

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Share Capital 11,677,002,855.10 euros, fully paid up

Tax Code/VAT no. and Milan-Monza Brianza-Lodi Companies Register file no. 00488410010