TIM S.A. and TIM S.A. and subsidiary

Quarterly information on
June 30, 2021

TIM S.A. and TIM S.A. and SUBSIDIARY

QUARTERLY INFORMATION

June 30, 2021

Contents

INDEPENDENT AUDITOR'S REVIEW REPORT ON QUARTERLY INFORMATION

The shareholders, board of directors and officers
TIM S.A.
Rio de Janeiro - RJ

Introduction

We have reviewed the accompanying individual and consolidated interim financial information, contained in the Quarterly Information Form (ITR) of TIM S.A. ("Company") for the quarter ended June 30, 2021, comprising the balance sheet as of June 30, 2021 and the statements of income and of comprehensive income for the three and six-month periods then ended, and the statements of changes in shareholders' equity and of cash flows for the six month period then ended, including the explanatory notes.

Management is responsible for preparation of the individual and consolidated interim financial information in accordance with NBC TG 21 – *Demonstração Intermediária*, and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information Form (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and international standards on review engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information performed by the Independent Auditor of the Entity, respectively). A review of interim financial information 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 auditing standards 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.

Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the quarterly information referred to above are not prepared, in all material respects, in accordance with NBC TG 21 and IAS 34 applicable to the preparation of Quarterly Information Form (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Statements of value added

The quarterly information referred to above includes the individual and consolidated statements of value added (DVA) for the six-month period ended June 30, 2021, prepared under the responsibility of the Company's management and presented as supplementary information for IAS 34 purposes. These statements have been subject to review procedures performed in conjunction with the review of quarterly information to conclude that they are reconciled with interim financial information and accounting records, as applicable, and if their form and content are consistent with the criteria defined in NBC TG 09 “Statement of Added Value”. Based on our review, we are not aware of any fact that leads us to believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria established in the Technical Pronouncement and is consistent with respect to the individual interim financial information and consolidated taken as whole.

Rio de Janeiro, July 26, 2021.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Fernando Alberto S. Magalhães
Accountant CRC-1SP133169/O-0

TIM S.A. and TIM S.A. and SUBSIDIARY

BALANCE SHEETS

June 30, 2021 and December 31, 2020

(In thousands of reais)

		Parent company		Consolidated	
	Note	**June 2021**	**December 2020**	**June 2021**	**December 2020**
Assets		43,857,937	41,654,417	43,857,785	41,654,417
Current assets		12,709,416	10,411,555	12,709,264	10,411,556
Cash and cash equivalents	4	3,749,164	2,575,290	3,749,165	2,575,291
Marketable securities	5	3,375,504	2,070,438	3,375,504	2,070,438
Trade accounts receivable	6	2,828,139	3,051,834	2,828,139	3,051,834
Inventories	7	225,723	246,602	225,723	246,602
Indirect taxes, charges and contributions recoverable	8	406,992	374,015	406,992	374,015
Direct taxes, charges and contributions recoverable	9	1,244,609	1,421,112	1,244,609	1,421,112
Prepaid expenses	11	338,783	149,796	338,783	149,796
Derivative financial instruments	37	202,511	262,666	202,511	262,666
Leases	17	28,336	5,357	28,336	5,357
Other amounts recoverable	18	42,498	43,906	42,498	43,906
Other assets		267,157	210,539	267,004	210,539
Assets held for sale	16	2,172,500	-	2,172,500	-
Non-current assets		28,976,021	31,242,862	28,976,021	31,242,861
Long-term receivables		4,091,382	4,115,088	4,091,382	4,115,088
Marketable securities	5	6,996	7,061	6,996	7,061
Trade accounts receivable	6	90,023	128,827	90,023	128,827
Indirect taxes, charges and contributions recoverable	8	827,095	856,786	827,095	856,786
Direct taxes, charges and contributions recoverable	9	802,244	1,277,127	802,244	1,277,127
Deferred income tax and social contribution	10	897,530	550,646	897,530	550,646
Judicial deposits	12	765,374	794,755	765,374	794,755
Prepaid expenses	11	82,478	73,598	82,478	73,598
Derivative financial instruments	37	379,071	239,423	379,071	239,423
Leases	17	210,341	156,841	210,341	156,841
Other assets		30,230	30,024	30,230	30,024
Investments	13	-	1	-	-
Property, plant and equipment	14	17,423,018	18,100,698	17,423,018	18,100,698
Intangible assets	15	7,461,621	9,027,075	7,461,621	9,027,075

See the accompanying notes to the individual and consolidated quarterly information.

TIM S.A. and TIM S.A. and SUBSIDIARY

BALANCE SHEETS

June 30, 2021 and December 31, 2020

(In thousands of reais)

		Parent company		Consolidated	
	Note	**June 2021**	**December 2020**	**June 2021**	**December 2020**
Total liabilities and shareholders' equity		43,857,937	41,654,417	43,857,785	41,654,417
Total liabilities		20,083,478	18,471,672	20,083,326	18,471,672
Current liabilities		7,608,660	8,301,956	7,608,661	8,301,956
Suppliers	19	2,589,997	3,128,732	2,589,997	3,128,732
Loans and financing	21	1,445,736	1,689,385	1,445,736	1,689,385
Leases	17	1,186,239	1,054,709	1,186,239	1,054,709
Derivative financial instruments	37	82,619	7,273	82,619	7,273
Labor obligations		271,204	272,635	271,204	272,635
Indirect taxes, charges and contributions payable	22	1,155,850	935,778	1,155,850	935,778
Direct taxes, charges and contributions payable	23	176,897	296,299	176,898	296,299
Dividends and interest on shareholders´ equity	26	354,142	538,576	354,142	538,576
Authorizations payable	20	131,053	102,507	131,053	102,507
Deferred revenues	24	197,343	266,436	197,343	266,436
Other liabilities		17,580	9,626	17,580	9,626
Liabilities related to assets held for sale	16	402,331	-	402,331	-
Non-current liabilities		12,072,487	10,169,716	12,072,334	10,169,716
Loans and financing	21	2,780,485	655,647	2,780,485	655,647
Derivative financial instruments	37	71,780	28,893	71,780	28,893
Leases	17	7,238,010	7,324,126	7,238,010	7,324,126
Indirect taxes, charges and contributions payable	22	3,151	3,102	3,151	3,102
Direct taxes, charges and contributions payable	23	14,937	212,444	14,937	212,444
Provision for legal and administrative proceedings	25	953,946	886,947	953,946	886,947
Pension plan and other post-employment benefits	38	7,346	7,346	7,346	7,346
Authorizations payable	20	213,997	232,940	213,997	232,940
Deferred revenues	24	722,093	755,488	722,093	755,488
Other liabilities		66,742	62,783	66,589	62,783
Shareholders' equity	26	23,774,459	23,182,745	23,774,459	23,182,745
Share capital		13,477,891	13,477,891	13,477,891	13,477,891
Capital reserves		405,056	397,183	405,056	397,183
Profit reserves		9,317,356	9,317,356	9,317,356	9,317,356
Accumulated other comprehensive income		(4,848)	(4,848)	(4,848)	(4,848)
Treasury shares		(20,102)	(4,837)	(20,102)	(4,837)
Profit for the period		599,106	-	599,106	-

See the accompanying notes to the individual and consolidated quarterly information.

TIM S.A.

STATEMENT OF INCOME

Periods ended June 30, 2021 and 2020

(In thousands of reais, except as otherwise stated)

		Parent company			
	Notes	**2Q21**	**June 2021**	**2Q20**	**June 2020**
Net revenue	28	4,407,000	8,746,763	3,987,106	8,202,414
Cost of services rendered and goods sold	29	(2,096,087)	(4,188,914)	(1,867,102)	(3,828,550)
Gross profit		2,310,913	4,557,849	2,120,004	4,373,864
Operating income (expenses):					
Selling expenses	29	(1,131,907)	(2,295,373)	(1,005,566)	(2,214,607)
General and administrative expenses	29	(421,860)	(842,329)	(397,101)	(826,788)
Equity in net income of subsidiaries	13	(77)	(154)	-	-
Other income (expense), net	30	(93,766)	(164,202)	(82,410)	(174,862)
		(1,647,610)	(3,302,058)	(1,485,077)	(3,216,257)
Operating profit		663,303	1,255,791	634,927	1,157,607
Financial revenues (expenses):					
Financial income	31	377,964	654,895	181,423	544,121
Financial expenses	32	(414,245)	(916,412)	(449,344)	(1,063,340)
		(36,281)	(261,517)	(267,921)	(519,219)
Profit before income tax and social contribution		627,022	994,274	367,006	638,388
Income tax and social contribution	33	45,195	(45,168)	(99,518)	(198,157)
Net profit for the period		672,217	949,106	267,488	440,231
Earnings per share attributable to the Company's shareholders (expressed in R $ per share)					
Basic earnings per share	34	0.28	0.39	0.11	0.18
Diluted earnings per share	34	0.28	0.39	0.11	0.18

See the accompanying notes to the individual and consolidated quarterly information.

TIM S.A. and TIM S.A. and SUBSIDIARY

STATEMENT OF INCOME

Periods ended June 30, 2021

(In thousands of reais, except as otherwise stated)

		Consolidated	
	Notes	**2Q21**	**June 2021**
Net revenue	28	4,407,000	8,746,763
Cost of services rendered and goods sold	29	(2,096,087)	(4,188,914)
Gross profit		2,310,913	4,557,849
Operating income (expenses):			
Selling expenses	29	(1,131,907)	(2,295,373)
General and administrative expenses	29	(421,872)	(842,353)
Other income (expense), net	30	(93,831)	(164,332)
		(1,647,610)	(3,302,058)
Operating profit		663,303	1,255,791
Financial revenues (expenses):			
Financial income	31	377,964	654,895
Financial expenses	32	(414,245)	(916,412)
		(36,281)	(261,517)
Profit before income tax and social contribution		627,022	994,274
Income tax and social contribution	33	45,195	(45,168)
Net profit for the period		672,217	949,106
Earnings per share attributable to the Company's shareholders (expressed in R $ per share)			
Basic earnings per share	34	0.28	0.39
Diluted earnings per share	34	0.28	0.39

TIM S.A.

STATEMENT OF COMPREHENSIVE INCOME

Periods ended June 30, 2021 and 2020

(In thousands of reais)

	Parent company			
	2Q21	**June 2021**	**2Q20**	**June 2020**
Net income for the period	672,217	949,106	267,488	440,231
Other items in comprehensive income				
Item that will not be reclassified to income (loss):				
Pension plans and other post-employment benefits	-	-	-	-
Deferred taxes	-	-	-	-
Total comprehensive income for the period	672,217	949,106	267,488	440,231

See the accompanying notes to the individual and consolidated quarterly information.

TIM S.A.

STATEMENT OF COMPREHENSIVE INCOME

Periods ended June 30, 2021

(In thousands of reais)

	Consolidated	
	2Q21	**June 2021**
Net profit for the period	672,217	949,106
Other items in comprehensive income		
Item that will not be reclassified to income (loss):		
Pension plans and other post-employment benefits	-	-
Deferred taxes	-	-
Total comprehensive income for the period	672,217	949,106

TIM S.A.

STATEMENT OF CHANGES IN EQUITY

Periods ended June 30, 2021

(In thousands of reais)

			Revenue reserves						
	Capital	**Capital reserve**	**Legal reserve**	**Reserve for expansion**	**Tax incentive reserve**	**Treasury shares**	**Equity valuation adjustments**	**Retained earnings**	**Total**
Balances at December 31, 2020	13,477,891	397,183	1,036,194	6,499,602	1,781,560	(4,837)	(4,848)	-	23,182,745
Total comprehensive income for the period									
Net income for the period	-	-	-	-	-	-	-	949,106	949,106
Total comprehensive income for the period	-	-	-	-	-	-	-	949,106	949,106
Total contribution from shareholders and distribution to shareholders									-
Long-term incentive plan (Note 26.b)	-	7,873	-	-			-	-	7,873
Purchase of treasury shares, net of disposals	-	-	-	-		(15,265)	-	-	(15,265)
Interest on equity (Note 26)	-	-	-	-				(350,000)	(350,000)
Total contributions from shareholders and distributions to shareholders	-	7,873	-	-	-	(15,265)	-	(350,000)	(357,392)
Balances at June 30, 2021	13,477,891	405,056	1,036,194	6,499,602	1,781,560	(20,102)	(4,848)	599,106	23,774,459

See the accompanying notes to the individual and consolidated quarterly information.

TIM S.A.

STATEMENT OF CHANGES IN EQUITY

Periods ended June 30, 2020

(In thousands of reais)

			Profit reserves					
	Capital	Capital reserve	Legal reserve	Reserve for expansion	Tax incentive reserve	Equity valuation adjustments	Retained earnings	Total
Balances on December 31, 2019	13,476,172	36,154	952,486	5,985,793	1,612,019	(3,817)	-	22,058,807
Total comprehensive income for the period								
Net income for the period	-	-	-	-	-	-	440,231	440,231
Total comprehensive income for the period	-	-	-	-	-	-	440,231	440,231
Total shareholder contributions and distributions to shareholders								
Long-term incentive plan (Note 26.b)	-	2,210	-	-		-	-	2,210
Purchases of treasury shares, net of disposals	-	2,210	-	-	-	-	-	2,210
Balances at June 30, 2020	13,476,172	38,364	952,486	5,985,793	1,612,019	(3,817)	440,231	22,501,248

See the accompanying notes to the individual quarterly information.

TIM S.A.
CASH FLOW STATEMENT
Periods ended June 30
(In thousands of reais)

		Parent company		Consolidated
	Note	June 2021	June 2020	June 2021
Operating activities				
Income before income tax and social contribution		994,274	638,388	994,274
Adjustments to reconcile income to net cash generated by operating activities:				
Depreciation and amortization	29	2,851,823	2,757,973	2,851,823
Equity in net income of subsidiaries	13	154	-	-
Residual value of written-off fixed and intangible assets		8,203	14,224	8,203
Interest on asset retirement obligation		214	(140)	214
Provision for administrative and judicial proceedings	25	170,832	153,720	170,832
Inflation adjustment on judicial deposits and legal and administrative proceedings		(49,356)	73,870	(49,356)
Interest, inflation adjustment and foreign exchange variations on loans and other financial adjustments		(32,651)	127,999	(32,651)
Interest on leases payable	32	396,496	399,272	396,496
Interest on leases receivable	31	(11,448)	(750)	(11,448)
Provision for expected credit losses	29	284,090	347,455	284,090
Long-term incentive plan	27	8,724	2,210	8,724
		4,621,355	4,514,221	4,621,201
Decrease (increase) in operating assets				
Trade accounts receivable		(8,880)	(51,892)	(8,880)
Recoverable taxes, fees and contributions		641,069	385,336	641,069
Inventories		20,879	(463)	20,879
Prepaid expenses		(197,867)	(21,968)	(197,867)
Dividends and interest on shareholders' equity received		-	-	-
Judicial deposits		153,571	81,383	153,571
Other assets		(55,583)	(70,419)	(55,429)
Increase (decrease) in operating liabilities				
Labor obligations		2,043	64,302	2,043
Suppliers		(512,713)	(1,874,632)	(512,713)
Taxes, fees and contributions payable		(142,113)	196,057	(142,112)
Authorizations payable		(5,266)	(22,971)	(5,266)
Payments of lawsuits and administrative proceedings	25	(178,666)	(194,962)	(178,666)
Deferred revenues		(102,488)	(90,274)	(102,488)
Other liabilities		(46,432)	(87,527)	(46,432)
Cash generated by operations		**4,188,909**	**2,826,191**	**4,188,909**
Income tax and social contribution paid		(6,829)	(33,445)	(6,829)
Net cash generated by operating activities		**4,182,080**	**2,792,746**	**4,182,080**

TIM S.A. and TIM S.A. and SUBSIDIARY

CASH FLOW STATEMENT

Periods ended June 30

(In thousands of reais)

		Parent company		Consolidated
	Note	**June 2021**	**June 2020**	**June 2021**
Investment activities				
Marketable securities		(1,305,001)	387,314	(1,305,001)
Additions to property, plant and equipment and intangible		(2,229,757)	(1,577,297)	(2,229,757)
Receipt of leases		2,648	2,367	2,648
Net cash (invested in) generated by investment activities		**(3,532,110)**	**(1,187,616)**	**(3,532,110)**
Financing activities				
New borrowings		2,672,000	1,374,200	2,672,000
Amortization of borrowings		(649,860)	(737,010)	(649,860)
Interest paid- Borrowings		(16,539)	(40,575)	(16,539)
Lease payment		(555,909)	(528,581)	(555,909)
Interest paid on leases		(406,492)	(330,593)	(406,492)
Derivative financial instruments		31,257	16,661	31,257
Purchase of treasury shares, net of disposals		(16,119)	-	(16,119)
Dividends and interest on shareholders´ equity paid		(534,434)	(597,550)	(534,434)
Net cash (invested in) generated by financing activities		**523,904**	**(843,448)**	**523,904**
Increase in cash and cash equivalents		**1,173,874**	**761,682**	**1,173,874**
Cash and cash equivalents at the beginning of the period		**2,575,290**	**2,284,048**	**2,575,291**
Cash and cash equivalents at the end of the period		**3,749,164**	**3,045,730**	**3,749,165**

See the accompanying notes to the individual and consolidated quarterly information.

TIM S.A. and TIM S.A. and SUBSIDIARY

STATEMENT OF VALUE ADDED

Periods ended June 30, 2021 and 2020

(In thousands of reais)

	Parent company		Consolidated
	June 2021	**June 2020**	**June 2021**
Income			
Gross operating revenue	12,289,742	11,749,971	12,289,742
Losses on doubtful accounts receivable	(284,090)	(347,455)	(284,090)
Discounts granted, returns and others	(1,206,709)	(1,265,720)	(1,206,709)
	10,798,943	10,136,796	10,798,943
Supplies acquired from third parties			
Costs of services rendered and goods sold	(1,318,025)	(1,173,920)	(1,318,025)
Materials, energy, third-party services and others	(1,559,333)	(1,401,446)	(1,559,487)
	(2,877,358)	(2,575,366)	(2,877,512)
Retentions			
Depreciation and amortization	(2,851,823)	(2,757,973)	(2,851,823)
Net added value generated	5,069,762	4,803,457	5,069,608
Value added received in transfer			
Equity in net income of subsidiaries	(154)	-	-
Financial income	654,895	544,121	654,895
	654,741	544,121	654,895
Total added value to be distributed	5,724,503	5,347,578	5,724,503
Added value distribution			
Personnel and expenses			
Direct remuneration	280,682	252,756	280,682
Benefits	96,203	100,344	96,203
FGTS	31,324	28,810	31,324
Other	33,469	15,658	33,469
	441,678	397,568	441,678
Taxes, fees and contributions			
Federal	1,008,570	1,143,172	1,008,570
State	1,891,710	1,834,955	1,891,710
Municipal	64,487	60,221	64,487
	2,964,767	3,038,348	2,964,767
Third-party Capital Remuneration			
Interest	915,217	1,062,443	915,217
Rentals	448,669	406,916	448,669
	1,363,886	1,469,359	1,363,886
Other			
Social investment	5,066	2,072	5,066
	5,066	2,072	5,066
Shareholder's Equity Remuneration			
Dividends and interest on shareholders´ equity	350,000	-	350,000
Retained earnings	599,106	440,231	599,106
	949,106	440,231	949,106

See the accompanying notes to the individual and consolidated quarterly information.

2021 SECOND QUARTER RESULTS (Including the effects of IFRS 9, 15 and 16)

Operational Resilience and Quick Recovery of Market Dynamics

- **Mobile ARPU posted strong growth of 10.3% YoY,** reaching R$ 25.8;
- **Prepaid ARPU was up by 11.2% YoY,** reaching R$12.7 while **human postpaid ARPU (ex-M2M) increased by 5.6% YoY,** reaching R$ 45.8;
- **TIM Live's UBB customer base was up by 10.0% YoY,** totaling 666k connections;
- **TIM Live's ARPU posted robust growth of 8.2% YoY,** reaching R$ 90.8.

Continuous infrastructure expansion, offering the best customer experience

- **Leader in 4G coverage, reaching 4,277k cities**, with emphasis to 700MHz frequency expansion, now serving 3,608 cities;
- **VoLTE technology available in 4,262k cities,** improving users' voice experience;
- **Expansion of 4.5G coverage to 1,493 cities** in 2Q21;
- **Acceleration of FTTH expansion with 3.8 million homes passed** by fiber optic in 28 cities plus 7 administrative regions in the Federal District by the end of June.

Accelerated Revenue and EBITDA growth, maintaining their recovery trend

- **Total Net Revenues accelerated growth to 10.5% YoY, and Total Service Revenues up by 8.7% YoY** in 2Q21;
- **Mobile Service Revenues continued to increase, posting an 8.5% YoY growth**, driven by better performances of **postpaid (+8.9% YoY)** and **prepaid (5.3% YoY)** segments;
- **Customer Platform Revenues amounted to R$ 29 million** in 2Q21;
- **TIM Live Revenues maintained its strong growth pace, up by 21.0% YoY** in 2Q21;
- **Product Revenue resumed its recovery trend, and grew 130.5% YoY** in the quarter;
- **Normalized EBITDA* reached R$ 2.1 billion, up 5.9% YoY**, in 2Q21, and **Normalized EBITDA Margin* stood at 47.7%**, mainly due to revenue improvement;
- **Normalized Net Income was up by 154.7% YoY,** totaling R$ 681 million in 2Q21.
- **Investments totaled R$ 906 million,** with the pick-up of projects reprioritized in 2020 and the preparation to receive Oi Mobile assets.

	DESCRIPTION	2Q21	2Q20	% YoY	1Q21	% QoQ	6M21	6M20	% YoY
Operational	**Mobile Customer Base ('000)**	**51,341**	**52,031**	**-1.3%**	**51,728**	**-0.7%**	**51,341**	**52,031**	**-1.3%**
	Prepaid	29,185	30,713	-5.0%	29,509	-1.1%	29,185	30,713	-5.0%
	Postpaid	22,156	21,318	3.9%	22,219	-0.3%	22,156	21,318	3.9%
	Human Postpaid	18,150	17,457	4.0%	18,279	-0.7%	18,150	17,457	4.0%
	4G Users Base ('000)	44,357	39,275	12.9%	43,971	0.9%	44,357	39,275	12.9%
	TIM Live Customer Base ('000)	**666**	**606**	**10.0%**	**662**	**0.7%**	**666**	**606**	**10.0%**
Financial (R$ million)	**Net Revenues**	**4,407**	**3,987**	**10.5%**	**4,340**	**1.5%**	**8,747**	**8,202**	**6.6%**
	Services Revenues	4,266	3,926	8.7%	4,228	0.9%	8,495	8,017	6.0%
	Mobile Service	3,983	3,671	8.5%	3,947	0.9%	7,930	7,512	5.6%
	Fixed Service	283	255	11.1%	281	0.7%	564	506	11.6%
	Normalized* Operating Expenses	(2,306)	(2,003)	15.1%	(2,319)	-0.6%	(4,625)	(4,284)	8.0%
	Normalized* EBITDA	**2,101**	**1,984**	**5.9%**	**2,020**	**4.0%**	**4,121**	**3,918**	**5.2%**
	Normalized* EBITDA Margin	**47.7%**	**49.8%**	**-2.1p.p.**	**46.6%**	**1.1p.p.**	**47.1%**	**47.8%**	**-0.6p.p.**
	Normalized* Net Income	681	267	154.7%	277	146.0%	958	443	116.4%
	Capex (Ex-licenses aquisition)	906	673	34.5%	1,324	-31.6%	2,230	1,577	41.4%

*Normalized EBITDA according to the items in the Costs section (+R$ 13.7 million in 2Q21 and +R$ 2.6 million in 1Q20). Net income normalized by tax credit (-R$ 4.6 million in 2Q21).

FINANCIAL PERFORMANCE (Including the effects of IFRS 9, 15 and 16)

OPERATING REVENUE

DESCRIPTION	2Q21	2Q20	% YoY	1Q21	% QoQ	6M21	6M20	% YoY
R$ million								
Net Revenues	**4,407**	**3,987**	**10.5%**	**4,340**	**1.5%**	**8,747**	**8,202**	**6.6%**
Services Revenues	**4,266**	**3,926**	**8.7%**	**4,228**	**0.9%**	**8,495**	**8,017**	**6.0%**
Mobile Service	**3,983**	**3,671**	**8.5%**	**3,947**	**0.9%**	**7,930**	**7,512**	**5.6%**
Client Generated	3,623	3,360	7.8%	3,600	0.6%	7,222	6,913	4.5%
Interconnection	131	139	-5.8%	136	-3.8%	266	250	6.6%
Customer Platform*	29	-	n.a.	17	64.9%	46	-	n.a.
Others	201	172	16.8%	194	3.7%	395	348	13.4%
Fixed Service	**283**	**255**	**11.1%**	**281**	**0.7%**	**564**	**506**	**11.6%**
of which TIM Live	179	148	21.0%	174	3.1%	353	292	20.7%
Product Revenues	**141**	**61**	**130.5%**	**112**	**26.2%**	**252**	**185**	**36.3%**

*The Customer Platform includes revenues from new initiatives, such as Financial Services and Mobile Advertising.

In 2Q21, Net Revenues totaled R$4,407 million, up 10.5% YoY, in an accelerated growth pace if compared to 1Q21 (+3.0% YoY) and maintaining the recovery trend seen since 3Q20. This scenario stems from operational improvements and the country's economic recovery, even after the 2nd coronavirus wave between March and April, and it is confirmed by a growth of 1.5% compared to 1Q21. A lower comparison base also contributed to this stronger growth, since the main COVID-19 pandemic impacts were felt in 2Q20, during the 1st wave.

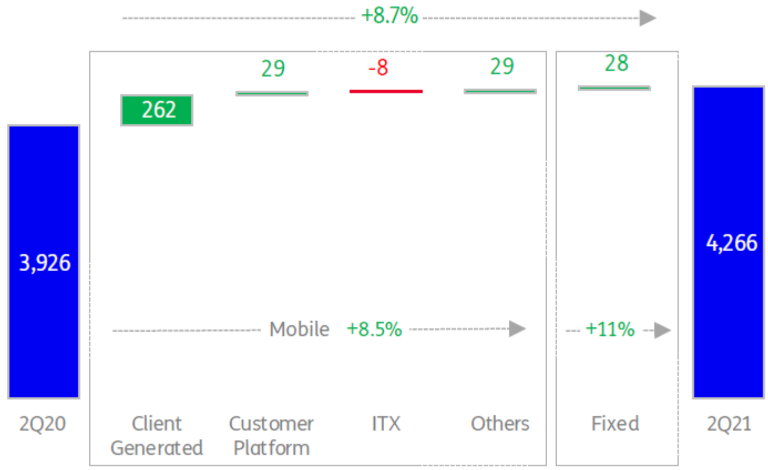
In 6M21, Net Revenues totaled R$8,747, a 6.6% increase, boosted by higher Service and Product Revenues.

Net Service Revenues increased by 8.7% YoY in 2Q21, once again boosting its growth compared to previous quarters. The main service items positively contributed to this acceleration.

On the other hand, **Net Product Revenues were up by 130.5% YoY in 2Q21**, even with many sales points still facing restrictions to their regular operation throughout the quarter – around 30% of TIM's own stores and resellers were still impacted by lockdowns in June 2021.

Net Service Revenues Breakdown

(R$ mln)



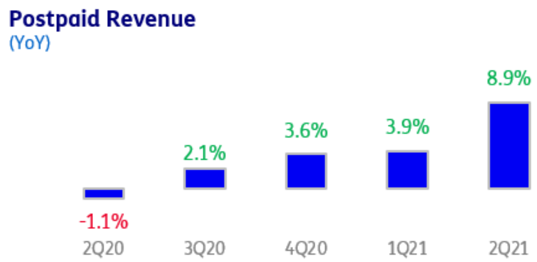
Breakdown of Mobile Segment (net of taxes and deductions):

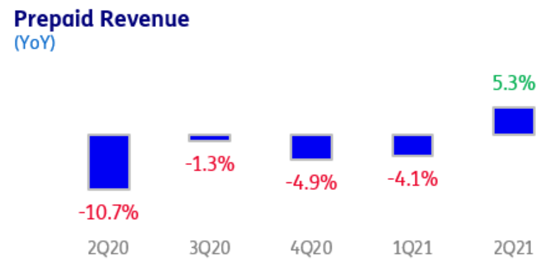
Mobile Service Revenues (MSR) totaled R$3,983 million, up by 8.5% and by 0.9% compared to 2Q20 and 1Q21 respectively. This growth stems from better performances both in prepaid and postpaid segments and also a more favorable YoY comparison basis. Year to date, MSR increased by 5.6% YoY.

Breaking down each mobile segment in the second quarter:

(i) Prepaid segment maintained the gradual recovery seen since the beginning of the second half of 2020. This growth is driven by: (I) the 4.0% YoY increase in rechargers, (ii) ARPU growth by 11.2% YoY and (iii) 0.9 p.p. decrease in churn YoY. Thus, **Prepaid Revenues were up by 5.3% YoY,** recording positive results versus the drop posted in 1Q21 (-4.1% YoY).

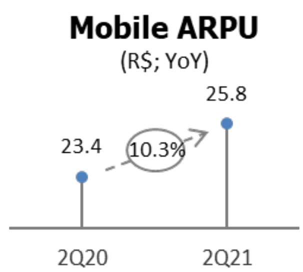
(ii) In Postpaid segment, our focus remained in a value approach giving emphasis to churn management, offer portfolio and ARPU. In May, Control plan prices were partially readjusted, which positively contributed to this line. **Postpaid Revenues were up by 8.9% YoY in the quarter**, boosting their growth pace when compared to the 1Q21 figure (+3.9% YoY).

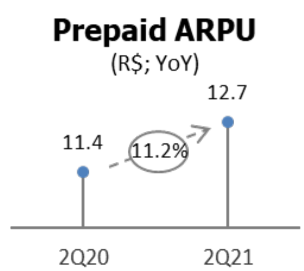


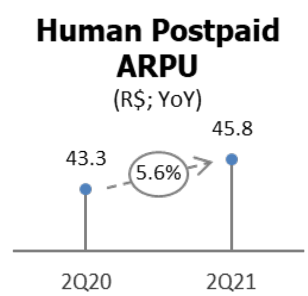


ARPU's (Average Monthly Revenues per User) continues to drive MSR growth. **Consolidated mobile indicator grew 10.3% YoY and reached R$25.8**, reflecting TIM's successful efforts to continually monetize its customer base through migrations to higher value prepaid and postpaid plans.

Likewise, segments' ARPU, which excludes Other Mobile Revenues and Customer Platform, also posted consistent growth, **up by 11.2% YoY in prepaid and by 5.6% YoY in human postpaid (ex-M2M)**, contributing to the Company's Volume to Value strategy.







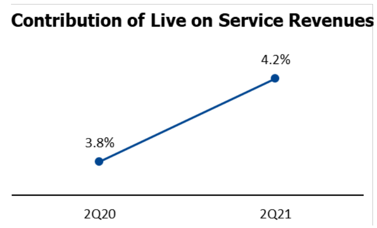
In 2Q21, Interconnection Revenues (ITX) decreased 5.8% YoY, reflecting the lower incoming traffic in the period. Furthermore, this line was impacted by the comparison basis, given that the traffic hiked in 2Q20 due to the social distancing measures imposed by the pandemic. **The incidence of MTR on Net Service Revenues reached 2.6% in the quarter.** In 6M21, this line was up by 6.6% YoY mainly from the impact of a higher MTR rate (Mobile Termination Revenue) at the beginning of the year.

Customer Platform Revenues totaled R$ 29 million in 2Q21, of which R$ 20 million were generated by Financial Services, and **R$ 9 million by Mobile Advertising.** Year to date, Customer Platform Revenues totaled R$ 46 million, of which R$ 30 million were generated by Financial Services, and R$ 16 million by Mobile Advertising.

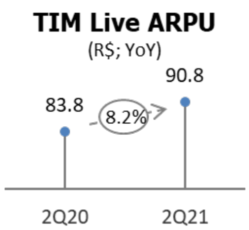
The Other Revenues line was up by 16.8% YoY in 2Q21, mainly due to increased revenues from network sharing and swap agreements, in line with the Company's strategy to expand the fiber optic transport infrastructure (backbone and backhaul) with higher efficiency in asset allocation (Capex and Opex). Year to date, this line was up by 13.4% YoY.

Breakdown of Fixed Segment (net of taxes and deductions):

Fixed Service Revenues totaled R$ 283 million in the quarter, an 11.1% increase from 2Q20. TIM Live remains the main performance driver, **up by 21.0% YoY in 2Q21, accounting for nearly** 63% of fixed service revenues. On the other hand, other fixed services were down by 2.6% YoY.



In 6M21, Fixed Service Revenues came to R$ 564 million, up 11.6% YoY. In turn, TIM Live revenues increased by 20.7% YoY, following the ultra-broadband coverage evolution, which was present in 28 cities plus 7 administrative regions in the Federal District by the end of the period.



TIM Live's ARPU (Average Monthly Revenues per User) was up by 8.2% YoY. The performance is explained by the penetration of higher-value FTTH offers with faster speeds (connections over 100 Mbps accounts for more than 50% of customer base) and price readjustments as of July 2020 in part of the plans.

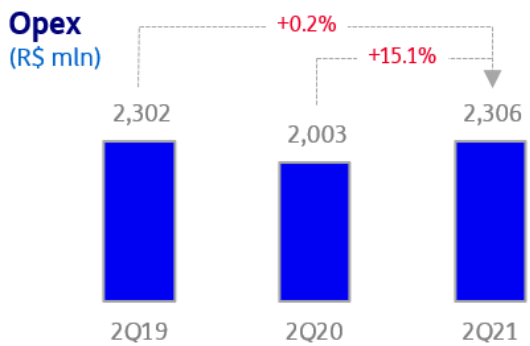
OPERATING COSTS AND EXPENSES

DESCRIPTION	2Q21	2Q20	% YoY	1Q21	% QoQ	6M21	6M20	% YoY
R$ million								
Reported Operating Expenses	**(2,320)**	**(2,003)**	**15.8%**	**(2,319)**	**0.0%**	**(4,639)**	**(4,287)**	**8.2%**
Normalized* Operating Expenses	**(2,306)**	**(2,003)**	**15.1%**	**(2,319)**	**-0.6%**	**(4,625)**	**(4,284)**	**8.0%**
Personnel	(260)	(237)	9.9%	(277)	-6.1%	(538)	(494)	8.9%
Selling and Marketing	(749)	(640)	16.9%	(815)	-8.1%	(1,564)	(1,442)	8.4%
Network & Interconnection	(685)	(671)	2.1%	(720)	-4.9%	(1,405)	(1,298)	8.2%
General & Administrative	(174)	(131)	32.5%	(167)	3.8%	(341)	(289)	18.0%
Cost Of Goods Sold (COGS)	(183)	(82)	123.1%	(146)	25.9%	(329)	(241)	36.5%
Bad Debt	(161)	(159)	1.1%	(123)	30.0%	(284)	(347)	-18.2%
Other operational revenues (expenses)	(94)	(82)	13.8%	(70)	33.1%	(164)	(172)	-4.7%
Normalized* Operating Expenses Ex-COGS	**(2,123)**	**(1,921)**	**10.5%**	**(2,174)**	**-2.4%**	**(4,296)**	**(4,043)**	**6.3%**

*Operating Costs normalized by specialized legal and administrative services (+R$ 13.7 million in 2Q21) and adjustments to towers' sale-leaseback contract (+R$ 2.6 million in 1Q20).

Reported Operating Costs and Expenses totaled R$ 2,320 million in 2Q21 (+15.8% YoY). This quarter, this line was impacted by non-recurring expenses – in the amount of R$13.7 million, related to specialized legal and administrative services associated with the acquisition/restructuring projects of the Oi's and FiberCo's assets. The comparison is slightly impacted by non-recurring items accounted for in 1Q20 – in the amount of R$2.6 million – related to adjustment to towers' sale-leaseback contract.

In 2Q21, Normalized Operating Costs and Expenses came to R$ 2,306 million, up by +15.1% YoY. This performance stems from the resumption of variable and fixed costs related to a more intense pick-up of commercial activities, mainly in the Selling and Marketing and Cost of Goods Sold lines, especially considering the comparison basis, since 2Q20 was the quarter most impacted by the drop in economic activity during the pandemic. In the **QoQ comparison, Normalized Costs and Expenses were down by 0.6%.**



Breakdown of Costs and Expenses Performance:

Personnel Costs increased by 9.9% YoY in 2Q21. This performance was mainly influenced by the resumption of expenses with sales teams after the reopening of sales channels. Compared to 1Q21, personnel costs were down by 6.1%, stemming from lower expenses with social security labor contingencies. In 6M21, this line was up by 8.9% YoY, also impacted by the resumption of expenses with sales teams and organic effects, such as inflation on salaries and benefits.

Selling and Marketing Expenses were up by 16.9% YoY in 2Q21, mainly impacted by increased commercial activity compared to the same period in 2020. Cost lines that led to this increase were: (i) marketing and advertising expense, due to the launch of the mothers' day campaigns, new prepaid and the Brazilian Olympic Committee campaigns; and (ii) sales commissions. Selling and marketing costs were also down by 8.1% QoQ due to (i) lower marketing and advertising expenses compared to 1Q21; and (ii) drop in Fistel expenses. In 6M21, this line was up by 8.4% YoY mainly stemming from higher marketing and advertising expenses.

The Network and Interconnection group rose 2.1% YoY in 2Q21, boosted by higher infrastructure sharing agreements and maintenance costs, offset by a decrease in interconnection subgroup, which, despite the higher mobile termination rate (MTR), recorded less traffic. In 6M21, the Network and Interconnection group grew 8.2% due to higher costs with infrastructure sharing agreements and higher mobile termination rate (MTR) in February 2021.

Normalized General and Administrative[1] (G&A) Expenses were up by 32.5% YoY in the quarter. This increase is mostly explained by: higher expenses with maintenance services as a result of the IT infrastructure migration to the Cloud, and by specialized consulting services for strategic projects. Compared to 1Q21, G&A was up by 3.8% due to in the increase in specialized services, as previously mentioned.

Cost of Goods Sold (COGS) totaled R$ 183 million in 2Q21 (+123.1% YoY), following the increase in Product Revenues from the higher handset sales volume, also benefiting from a weaker comparison basis in 2Q20. In the QoQ comparison, this line was up by 25.9% for the same reasons explained above.

In 2Q21, the Provisions for Doubtful Accounts (Bad Debt) were slightly up by 1.1% YoY. In the quarter, Bad Debt was mainly impacted by a recognition of Bad Debt from a wholesale customer. **In absolute figures, Bad Debt came to R$ 161 million, accounting for 2.60% of TIM's Gross Revenue.**

Other Operating Expenses were up by 13.8% YoY in 2Q21, explained by higher expenses with labor contingencies and increased provisions for tax lawsuits. This line's share over the total normalized Opex stood at 4.1% in 2Q21 (versus 4.1% in 2Q20).

Subscriber Acquisition Costs (SAC = subsidy + commissioning + advertising expenses) totaled R$ 58.0 per gross addition in 2Q21, up by 63.5% YoY, impacted by the higher selling and advertising costs.

2.2
Months payback

The SAC/ARPU ratio (payback per client) fell YoY, reaching 2.2 months from 1.5 month in 2Q20.

[1] General and Administrative Expenses were positively impacted by non-recurring item (+R$ 13.7 million) in 2Q21 related to specialized legal and administrative services.

FROM EBITDA TO NET INCOME

DESCRIPTION	2Q21	2Q20	% YoY	1Q21	% QoQ	6M21	6M20	% YoY
R$ million								
Normalized* EBITDA	**2,101**	**1,984**	**5.9%**	**2,020**	**4.0%**	**4,121**	**3,918**	**5.2%**
Normalized* EBITDA Margin	47.7%	49.8%	-2.1p.p.	46.6%	1.1p.p.	47.1%	47.8%	-0.6p.p.
Depreciation & Amortization	**(1,424)**	**(1,349)**	**5.5%**	**(1,428)**	**-0.3%**	**(2,852)**	**(2,758)**	**3.4%**
Depreciation	(989)	(881)	12.2%	(980)	0.9%	(1,969)	(1,816)	8.4%
Amortization	(435)	(468)	-7.0%	(448)	-2.8%	(883)	(942)	-6.2%
Normalized* EBIT	**677**	**635**	**6.6%**	**592**	**14.3%**	**1,269**	**1,160**	**9.4%**
Normalized* EBIT Margin	15.4%	15.9%	-0.6p.p.	13.7%	1.7p.p.	14.5%	14.1%	0.4p.p.
Normalized Net Financial Results	**(36)**	**(268)**	**-86.5%**	**(225)**	**-83.9%**	**(262)**	**(519)**	**-49.6%**
Financial expenses	(392)	(319)	22.8%	(293)	34.0%	(685)	(639)	7.1%
Financial income	360	56	543.6%	67	439.6%	426	117	263.6%
Net exchange variation	(4)	(4)	-12.2%	1	n.a.	(3)	3	n.a.
Normalized* EBT	**641**	**367**	**74.6%**	**367**	**74.5%**	**1,008**	**641**	**55.7%**
Normalized* Income tax and social contribution	41	(100)	n.a.	(90)	n.a.	(50)	(198)	-74.9%
Normalized* Net Income	**681**	**267**	**154.7%**	**277**	**146.0%**	**958**	**443**	**116.4%**
Total Normalized Items	(9)	-	n.a.	-	n.a.	(9)	(3)	248.5%
Reported EBITDA	**2,087**	**1,984**	**5.2%**	**2,020**	**3.3%**	**4,108**	**3,916**	**4.9%**
Reported EBITDA Margin	47.4%	49.8%	-2.4p.p.	46.6%	0.8p.p.	47.0%	47.7%	-0.8p.p.
EBIT	**663**	**635**	**4.5%**	**592**	**12.0%**	**1,256**	**1,158**	**8.5%**
EBIT Margin	15.1%	15.9%	-0.9p.p.	13.7%	1.4p.p.	14.4%	14.1%	0.2p.p.
Net Financial Results	**(36)**	**(268)**	**-86.5%**	**(225)**	**-83.9%**	**(262)**	**(519)**	**-49.6%**
Income before taxes	**627**	**367**	**70.8%**	**367**	**70.7%**	**994**	**638**	**55.7%**
Income tax and social contribution	45	(100)	n.a.	(90)	n.a.	(45)	(198)	-77.2%
Net Income	**672**	**267**	**151.3%**	**277**	**142.8%**	**949**	**440**	**115.6%**

*EBITDA normalized according to the items in the Costs section (+R$ 13.7 million in 2Q21 and +R$ 2.6 million in 1Q20). Net income normalized by tax credit (-R$ 4.6 million in 2Q21).

EBITDA[2] (Earnings before Interest, Taxes, Depreciation and Amortization)

Normalized EBITDA[2] in 2Q21 totaled R$ 2,101 million, up by 5.9% YoY. The main performance drivers were: (i) solid growth of the Mobile Service Revenues, with positive contributions from both Prepaid and Postpaid segments; and (ii) the maintenance of Fixed Services Revenues growth, reflecting TIM Live's consistent growth.

As a result of 2Q21, TIM has posted positive EBITDA growth for 20 quarters, showing the consistency of its strategy and the commitment to business profitability.

Normalized EBITDA Margin[2] reached 47.7%, translating in a 2.1 p.p. decrease compared to 2Q20. This performance stems from the current momentum of economic reopening, in which fixed and variable costs of the operation were mostly resumed due to the gradual pickup of commercial activities during the quarter, after new social distancing measures in some Brazilian regions.

In 6M21, Normalized EBITDA was up by 5.2% YoY and Normalized EBITDA Margin stood at 47.1% (-0.6 p.p.), mainly due to the reasons above.

[2] EBITDA normalized according to items in the Operating Costs and Expenses section.

DEPRECIATION AND AMORTIZATION (D&A) / EBIT

In 2Q21, D&A was up by 5.5% YoY, explained by increased Depreciation of 4G equipment and right of use related to larger lease agreement base, even though it was offset by lower software Amortization. In 6M21, D&A increased by 3.4% YoY, explained by the same reasons that impacted 2Q21 figures.

Normalized EBIT[3] in 2Q21 grew 6.6% YoY, reflecting higher EBITDA growth, partially impacted by the increase in D&A. Normalized EBIT Margin ended the quarter at 15.4%, 0.6 p.p. down compared to 2Q20. Year to date, Normalized EBIT rose 9.4% YoY and Normalized EBIT Margin reached 14.5%, up 0.4 p.p.

NET FINANCIAL RESULTS

Net Financial Results in 2Q21 were negative by R$ 36 million, representing an improvement of R$ 232 million compared to 2Q20. This difference is mainly related to:

(i) Higher financial revenue from: (1) positive impact from the accounting of mark-to-market of the 2nd vesting reached by TIM, which gives the Company rights in the share subscription of C6 Bank capital; and (2) positive impact from the monetary restatement of the reversal of financial expenses recorded throughout time due to a provision of Income Tax and Social Contribution recorded in 2009, due to the partial successful outcome in an administrative proceeding related to the merger of the Group's operational companies at the time, TIM Nordeste by TIM Celular (Financial Statements, Note 33);

(ii) Despite increased financial expenses with: (1) higher interest on taxes related to the non-payment of TFF; and (2) higher losses from passive hedge.

INCOME TAX AND SOCIAL CONTRIBUTION

In 2Q21, Reported Income Tax and Social Contribution totaled R$ 45 million compared to -R$ 100 million in 2Q20. This improvement mainly stems from better comparison basis due to the IoE declared in 2Q21 and the positive impact from the reversal of Income Tax/Social Contribution provision recorded in 2009, due to the partial successful outcome of an administrative proceeding related to the merger of operational companies TIM Nordeste by TIM Celular, as mentioned before. On a Normalized basis, Income Tax/ Social Contribution totaled R$41 million compared to -R$100 million in the same period the previous year, for the reasons already explained above.

[3] EBIT normalized according to items in the Operating Costs and Expenses section.

In 2Q21, the effective rate stood at 6.3% vs. -27.1% in 2Q20 (on a Normalized basis). In 6M21, the effective rate was -4.9% vs. -30.9% in 6M20, on a normalized basis, explained by the same reasons seen in 2Q21, in addition to the increased use of tax benefits in 6M21.

NET INCOME[4]

In 2Q21, **Normalized Net Income[4] increased by 154.7% compared to 2Q20, totaling R$ 681 million.** Normalized Earnings per Share (EPS) was R$ 0.28 vs. R$ 0.11 in 2Q20. In 6M21, Normalized Net Income reached R$ 958 million, up 116.4% YoY.

[4] Net Income normalized according to items in the Operating Costs and Expenses section.

CASH FLOW, DEBT AND CAPEX

DESCRIPTION	2Q21	2Q20	%YoY	1Q21	% QoQ	6M21	6M20	% YoY
R$ million								
EBITDA Normalized*	2,101	1,984	5.9%	2,020	4.0%	4,121	3,918	5.2%
Capex	(906)	(673)	34.5%	(1,324)	-31.6%	(2,230)	(1,577)	41.4%
EBITDA - Capex	**1,195**	**1,311**	**-8.8%**	**696**	**71.7%**	**1,892**	**2,341**	**-19.2%**
Δ Working Capital	**40**	**279**	**-85.5%**	**(74)**	**n.a.**	**(34)**	**(1,146)**	**-97.1%**
Non recurring operating items	(14)	-	n.a.	-	n.a.	(14)	(3)	428.1%
Operating Free Cash Flow	**1,222**	**1,589**	**-23.1%**	**622**	**96.5%**	**1,844**	**1,192**	**54.8%**

*Normalized EBITDA according to the items in the Costs section (+R$ 13.7 million in 2Q21 and +R$ 2.6 million in 1Q20).

Operating Free Cash Flow (OFCF) in 2Q21 was positive by R$ 1,222 million, down by R$ 367 million, compared to R$1,589 million in 2Q20. This result shows an increase in Capex. It is also important to note the positive impact from the postponement of Fistel payment related to Condecine in 2Q20 – which also contributed to the OFCF drop in the annual comparison.

In 2Q21, EBITDA-Capex came to R$ 1,195 million, a decrease of 8.8% YoY, taking EBITDA-Capex over Net Revenues to 27.1% (vs 32.9% in 2Q20).

In an exercise to exclude the financial lease effects from these indicators, 2Q21 EBITDA was recalculated considering these lease agreements on operating expenses. Therefore, EBITDA-AL (After Lease) for the quarter would be R$ 1,615 million (+3.5% YoY) and EBITDA-AL minus Capex would sum up to R$ 709 million (-20.0% YoY).

CAPEX

Capex totaled R$ 906 million in 2Q21, up by 34.5% compared to 2Q20, mainly explained by the comparison basis that was impacted by project reassessment due to social distancing measures. Additionally, the company has begun to prepare its infrastructure for the integration of Oi’s Mobile assets.

Investments are still being allocated to infrastructure (88% of the total), mainly to projects in IT, 4G technology through 700MHZ, transport network and FTTH expansion (which received approximately 15.7% of 2Q21 total investments).

CHANGE IN WORKING CAPITAL

The Change in Working Capital was positive by R$ 40 million, compared to positive R$ 279 million in 2Q20, mostly due to the payment of Condecine 2021 fee in April.

Furthermore, it is important to note that, regarding Fistel fees, in 1Q20 their payment was postponed (about R$ 790 million) – usually due in March – to August 31, 2020. In 3Q20, we paid nearly R$ 300 million related to said taxes, related to Condecine and CFRP, negatively impacting Change in Working Capital and Cash Flow for that quarter. In the 6M21, the Company partially paid CFRP and Condecine fees in the amount of R$ 300 million. The remaining Fistel (TFF) amount of R$ 480 million for 2021 is still suspended, without a defined payment date (Financial Statements, Note 22).

DEBT AND CASH

Gross Debt in 2Q21 was R$ 12,307 million, up by R$ 1,950 million YoY. The current balance includes (i) leasing recognition in the total amount of R$ 8,186 million (related to the sale of towers, the LT Amazonas project and leasing contracts with terms exceeding 12 months, pursuant to IFRS 16); (ii) bank debt in the amount of R$ 4,226 million and (ii) hedge position[5] in the amount of R$ 104 million (reducing gross debt).

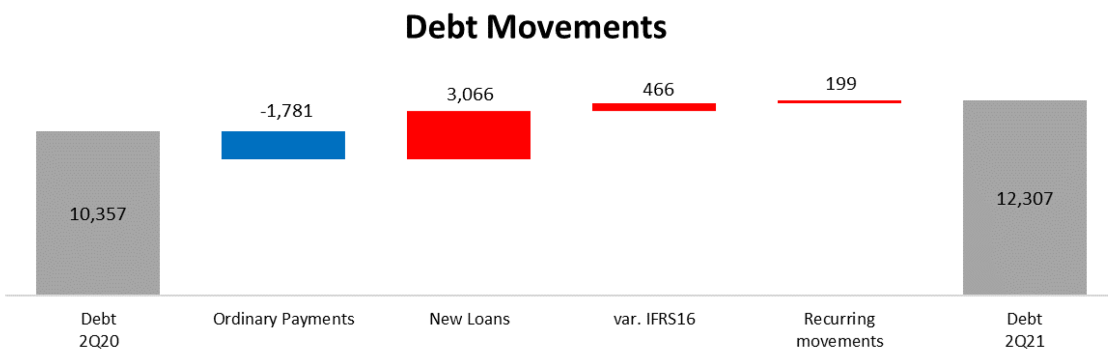
At the end of 2Q21, financings (after hedge) totaled R$4,122 million, comprised of agreements with foreign private banks and fully hedged in local currency. **The average cost of debt excluding leases was 4.3% p.y. in the quarter**, up when compared to 3.4% p.y. in 2Q20.

In March 2021, TIM's Board of Directors approved the Company's financing plan. The approved financial strategy consists of contracting foreign loans in domestic or foreign currency – with exchange rate coverage – in the amount of up to R$4 billion, for the term of up to 4 years. In April 2021, the Company executed 2 contracts with foreign banks, in the total amount of R$1.072 billion.

In April, the Company received authorization from the Ministry of Communications to issue up to R$ 5.75 billion in incentive debentures, the highest approval ever made by the Government within the scope of the program. The contribution may be used to finance TIM's infrastructure project, which covers the evolution of the fixed and mobile network, including 5G, and the virtualization of the telecommunication network, with the purpose of increasing the quality and availability of services offered.

As part of the abovementioned project, in June, the Company completed the settlement of the 2nd debenture issuance in the total amount of R$ 1.6 billion, maturing in June 2028. This is the Company's first debentures offer to consider ESG aspects in its issuance, bringing benefits to both society and the environment, thus endorsing the goals of the Company's Strategic Plan. Cost of debt is IPCA + 4.1682% p.y., subject to step-down adjustments that can reach a reduction of up to 0.25% p.y. if ESG goals are achieved. At the same time, the Company also contracted a swap to fully hedge interest rates risks, which the final rate was CDI+0.95%. Net funds from this issue will be allocated to finance fixed and mobile network implementation, expansion and modernization projects in different technologies, including 5G, with the purpose of placing TIM in the forefront in terms of service quality and availability.

[5] The Derivatives position excludes the subscription bonus in C6 Bank capital – TIM S.A. Financial Statements, Note 37.



At the end of the quarter, Cash and Securities totaled R$ 7,125 million, an increase of R$ 3,824 million YoY.

The average cash yield was 3.9% p.y. in 2Q21, up compared to 2.9% p.y. in 2Q20, a result of better fund allocation and the last Selic rate increases.

In 2Q21, Net Debt totaled R$ 5,183 million, down by R$ 1,874 million compared to the same period of the prior year, when net debt was R$ 7,057 million. This reduction is explained by the stronger cash generation during the first half of 2021. Net Debt excluding leasing effects, Net Debt-AL, would reach -R$ 3,003 million, in other words, a "net cash" position with an improvement of R$ 2,383 million compared to the same period of the previous year.

Net Debt/EBITDA ratio stood at 0.60x in the quarter. Excluding financial leases, Net Debt-AL/EBITDA-AL was -0.44x in 2Q21, compared to -0.09x in 2Q20.

QUARTERLY EVENTS AND SUBSEQUENT EVENTS

PARTNERSHIP BETWEEN TIM AND COGNA

On July 7th, 2021, TIM S.A. informed its shareholders, the market in general and other interested parties that, jointly with Anhanguera Educacional Participações S.A. ("AESAPAR"), subsidiary of Cogna Educação S.A ("Cogna"), jointly referred as "Partners", concluded the negotiations regarding a strategic partnership ("Partnership") with the objective of developing combined offers with special benefits aiming the access to distance education through the Ampli platform.

The Partners highlight the innovative character of the agreement, by combining a digital learning platform developed in mobile-first concept, with the largest 4G infrastructure in Brazil. This is a powerful combination that will expand and encourage access to university courses and free courses for all TIM customers. This approach offers great potential to generate value for both companies through customer base growth and revenue growth.

The Partnership is aligned with the Customer Platform strategy that the Company has been working on since 2020. This strategy seeks to monetize the assets that TIM holds as a mobile operator through strategic partnerships that create value for our customers and for the company itself.

This agreement does not create a joint venture and, therefore, the Partners maintains the independence of their operations. Through a compensation mechanism based on objectives and depending on the evolution of the results of the partnership, TIM will become a minority shareholder of AESAPAR in a new company to be created as a result of the separation of assets from the Ampli platform ("Ampli Co"). The formation and operation of Ampli Co will be submitted to the competent authorities, in particular the Ministry of Education (MEC).

This equity interest can reach up to 30% of the new company's capital and the subscription of shares must be previously approved by the Administrative Council for Economic Defense – CADE. In the defined plan, there is an expectation of seeking a future IPO (Initial Public Offering).

OPERATING AND MARKETING PERFORMANCE

DESCRIPTION	2Q21	2Q20	% YoY	1Q21	% QoQ	6M21	6M20	% YoY
Mobile Customer Base ('000)	**51,341**	**52,031**	**-1.3%**	**51,728**	**-0.7%**	**51,341**	**52,031**	**-1.3%**
Prepaid	29,185	30,713	-5.0%	29,509	-1.1%	29,185	30,713	-5.0%
Postpaid	22,156	21,318	3.9%	22,219	-0.3%	22,156	21,318	3.9%
Human Postpaid	18,150	17,457	4.0%	18,279	-0.7%	18,150	17,457	4.0%
4G Users Base ('000)	44,357	39,275	12.9%	43,971	0.9%	44,357	39,275	12.9%
Market Share*	**21.1%**	**23.1%**	**-2.0p.p.**	**21.5%**	**-0.4p.p.**	**21.1%**	**23.1%**	**-2.0p.p.**
Prepaid*	25.0%	27.0%	-2.0p.p.	25.4%	-0.4p.p.	25.0%	27.0%	-2.0p.p.
Postpaid*	17.6%	19.1%	-1.6p.p.	17.9%	-0.3p.p.	17.6%	19.1%	-1.6p.p.
Human Postpaid*	19.0%	20.4%	-1.4p.p.	19.4%	-0.4p.p.	19.0%	20.4%	-1.4p.p.
Net Additions ('000)	**(387)**	**(794)**	**-51.2%**	**296**	**n.a.**	**(92)**	**(2,415)**	**-96.2%**
Fixed Telephony Customer Base ('000)	**837**	**1,037**	**-19.3%**	**887**	**-5.7%**	**837**	**1,037**	**-19.3%**
TIM Live Customer Base ('000)	**666**	**606**	**10.0%**	**662**	**0.7%**	**666**	**606**	**10.0%**

*2Q21 and 6M21 numbers as of May 2021.

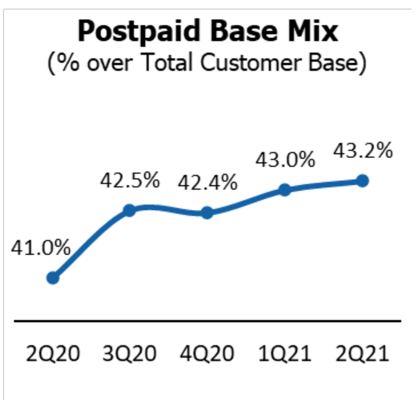
MOBILE SEGMENT:

GENERAL MARKET[6]

The mobile market reported growth of 8.2% YoY in 2Q21, reinforcing the positive base expansion, observed in the last quarter for the first time since 2015. In the past 12 months, postpaid net additions reached 15.7 million users, of which 66% were human postpaid lines. Prepaid reached 2.8 million new lines.

TIM

TIM ended 2Q21 with a total of 51.3 million users, reporting a slight 1.3% decrease in the period.



The postpaid base ended the 2Q21 with 22.2 million lines (+3.9% YoY), of which 81.9% refer to human postpaid lines. In the period, this segment's mix over total base reached 43.2%, +2.2 p.p. YoY.

At the end of the quarter, **human postpaid reached 18.2 million lines** (+4.0% YoY), with net additions of 694 thousand lines in the last 12 months. Monthly churn rate remained at lowest levels (3.0% in 2Q21), as recorded in the last quarters.

The M2M base ended the quarter with 4.0 million users (+3.7% YoY). In the last 12 months, net additions totaled 144k users.

In 2Q21, the prepaid base reached 29.2 million lines down by 5.0% YoY. The segment's base posted churn volume lower than previous periods, 1.5 million in the last 12 months. The segment was also impacted by restriction measures at some locations during the quarter.

[6] 2Q21 numbers as of May 2021.

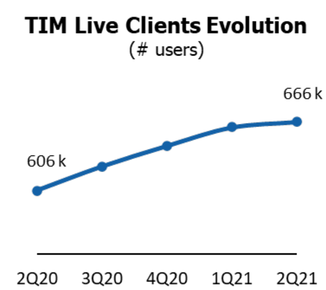
Deezer GO in prepaid plans

In 2Q21, TIM once again reinforced its commitment to delivering the best customer experience and began to offer the Deezer GO service free-of-charge for prepaid plans. One of the Company's greatest competitive advantages is to be the world's first operator to offer this product version and include music streaming services in its prepaid plans.

The 4G base ended the quarter with 44.4 million users, once again accelerating its pace and resuming double-digit growth (+12.9% YoY). The 4G handset mix in the total human lines base reached its highest historical level, 94% (+12.2 p.p. YoY).

FIXED SEGMENT:

TIM Live ended the 2Q21 with 666k connections, maintaining the accelerated growth pace (+10.0% YoY). In the last 12 months, net additions reached 61k lines, and above 200 mbps speed plans were responsible for the period's expansion dynamics. Higher-value plans, with speed above 100 mbps, accounted for 55% of the total base. The segment was negatively impacted by the COVID-19 pandemic in the quarter, especially in April until the federal government resumed the emergency allowance.



The network's rollout continued to accelerate, prioritizing the consolidation of already active clusters. Accordingly, total homes passed grew 38.3% YoY, with the total number of locations growing compared with the previous quarter (28 cities and 7 administrative regions of the Federal District).

TIM Live launched new plans of up to 600 Mb

In 2Q21, TIM Live began to offer two new speed options for TIM Live Ultrafibra, 500 and 600 Mb, expanding its portfolio of home broadband options in all Brazilian cities served by TIM Live. These new options also offer two video streaming services available in Brazil: Netflix and Paramount+. These offers seek to transform customer's experience at their homes and boost even further TIM Live Ultrafibra's navigation power.

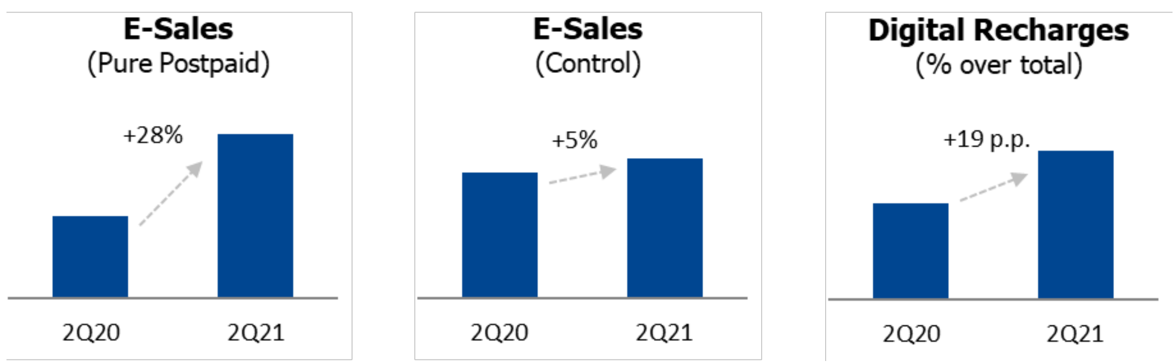
Quality and Network

QUALITY AND CUSTOMER EXPERIENCE

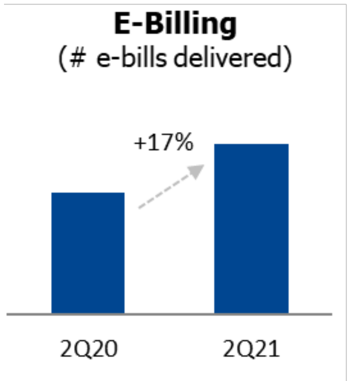
In the second quarter of 2021, TIM once again reinforced its commitment to delivering the best experience to its customers based on its **digital transformation** strategy. Given the recovery from COVID-19 pandemic impacts, several actions undertaken by the Company to ensure the quality and availability of its services and the ongoing improvement of its network have brought solid results.

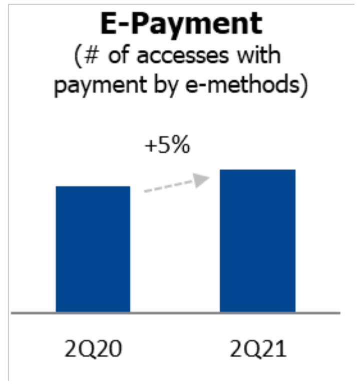
These figures were possible mainly due to the Company's initiatives throughout the years to strengthen our market position and provide differentiation, with the purpose of offering greater customer empowerment and satisfaction through a superior experience. This strategy reinforces TIM's purpose of "**evolving together, with courage, transforming technology into freedom**".

For yet another quarter, efforts to simplify self-care and boost digital sales channels have generated positive results. In 2Q21, digital channel sales posted consistent results: pure postpaid sales were up by 28.2% YoY, while *consumer* Control increased by 4.8% YoY. Additionally, the digital recharge mix continued to speed up (+18.7 p.p. vs. 2Q20).

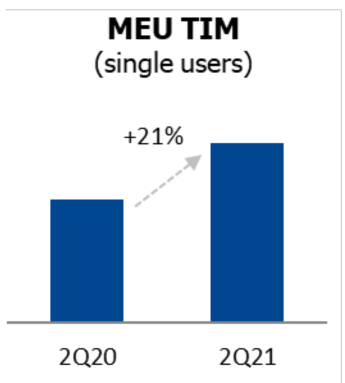


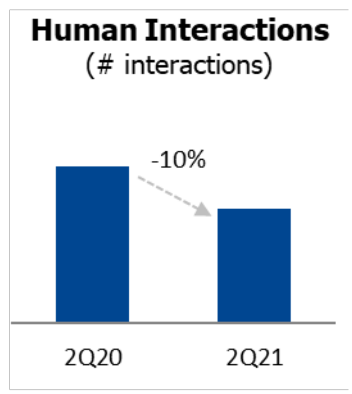
Accordingly, digital billing and payment mechanisms kept their growth pace throughout 2Q21. Invoices delivered through these channels posted a 16.7% YoY growth, with a base penetration of 78.2% (+8.5 p.p. YoY). Meanwhile, total customers digitally paying their invoices increased by 4.6% YoY compared to the same period the previous year, reaching a penetration of 76.7% (+3.8 p.p. YoY). Another convenience offered to TIM's customers is the possibility to recharge and/or check balances and usage limits, as well as the opportunity to receive their invoices through WhatsApp.





The quality of our customer caring processes continues to be greatly important to the Company in the ongoing pursuit of efficiency. Therefore, we have developed mechanisms to simplify self-service, which continue to bring positive results. In the quarter, Meu TIM once again proved to be a fundamental tool to simplify caring processes – providing customers with greater transparency and control to manage their plans. The 20.9% YoY growth in the app's monthly average of unique users in 2Q21 demonstrates the Company's success in encouraging and offering functionalities of interest to customers through this channel. Furthermore, the 9.8% YoY decline in human interactions also corroborates to the channel's importance, reducing dependency on call centers.





Another innovative initiative explored by the Company is the use of artificial intelligence at the customer service center. The use of this cognitive technology has transformed TIM's automatic service into a new customer experience, which is more customized, diversified, and agile. Through this new approach consumer needs are predictively and automatically detected, creating corrective solutions and measures to the customer. The approach combines natural language voice, journeys according to each customer's context, analysis of customers' feeling and curatorship. **Since its implementation in 2020, over 44 million calls have come through the cognitive IVR, of which 10 million only in 2Q21.** We expect to boost the use of cognitive tools even further, by making new services available, in addition to 100% cognitive services for Broadband and *Pós* Concierge customers. Thus, we expect to reach 47 million cognitive services by the end of the year.

NETWORK DEVELOPMENT

For another quarter, the TIM reinforces its commitment to the enhancement of its services and continuous quality improvement to ensure the best user experience for its customers. Focus on the expansion and improvement of its network infrastructure remains a pivotal pillar in our business plan.

Therefore, **Capex allocated to infrastructure projects (Network + IT) of approximately 90%,** by using analytical tools to ensure efficient allocation of resources. Some of the most important initiatives:

- Expansion of the fiber optic network (backbone, backhaul and FTTH);
- Network sharing agreements;
- Frequency refarming;
- Carrier aggregation;
- Site densification.

Among the main actions and projects underway, which are focused on the modernization and enhancement of our infrastructure, we highlight:

- Anticipation of the TAC (Conduct Adjustment Term) delivery targets for 2021;
- Installation of multiple data centers to enhance experience, being 14 DCC (Data Center Core) and 20 DCE (Data Center Edge) - 34 totaled at the end of 2Q21;
- Expansion of **4.5G coverage to 1,493 cities in 2Q21;**
- Expansion of **700MHz frequency 4G use for 3,608 cities** by the end of the year;
- Expansion of **VoLTE, available in 4,262 cities;**
- Expansion of **refarming of 2.1 GHz frequency in 4G, reaching 343 cities;**
- Infrastructure virtualization project;
- Expansion of network capacity through the **Massive MIMO** solution;
- Mobile infrastructure sharing agreement with Vivo, geared towards efficiency in Capex and Opex allocation;
- Expansion to **224 sites installed in the Sky Coverage project** (sustainable and extreme low-cost solution with social benefits to provide coverage in remote areas);
- Consolidation of **NB-IoT network, present in more than 3,656 municipalities by the end the 2Q21**, enabling the creation of IoT solutions in big cities as well as in distant municipalities.

DESCRIPTION	2Q21	2Q20	% YoY	1Q21	% QoQ	6M21	6M20	% YoY
4G Cities	**4,277**	**3,517**	**21.6%**	**4,121**	**3.8%**	**4,277**	**3,517**	**21.6%**
of which 700 MHz enabled	3,608	2,640	36.7%	3,468	4.0%	3,608	2,640	36.7%
of which VoLTE enabled	4,262	3,495	21.9%	4,086	4.3%	4,262	3,495	21.9%
Urban Population Coverage (4G)	**96%**	**94%**	**2.0p.p.**	**96%**	**n.a.**	**96%**	**94%**	**2.0p.p.**
of which 700 MHz enabled	92%	85%	7.0p.p.	92%	n.a.	92%	85%	7.0p.p.
of which VoLTE enabled	95%	93%	2.0p.p.	95%	n.a.	95%	93%	2.0p.p.
3G Cities	3,891	3,287	18.4%	3,821	1.8%	3,891	3,287	18.4%
Urban Population Coverage (3G)	94%	92%	2.0p.p.	93%	n.a.	94%	92%	2.0p.p.

Once again, **TIM maintains the leadership in 4G coverage, reaching 4,277 cities or 96% of the country's urban population.** Therefore, the Company continues its mission to offer the best 4G coverage to all Brazilian cities. Moreover, the 23% YoY growth in this technology's network elements in the period reinforces the Company's commitment to the evolution of the quality and capacity of mobile network infrastructure. As a result, 4G data traffic once again reached a high level ever in the quarter, accounting for approximately 91% of the total data volume (+4 p.p. YoY).

The expansion of fixed broadband coverage also evolved positively throughout the quarter, surpassing 3.8 million homes passed with FTTH, while FTTC ended June at 3.5 million units, totaling 6.6 million homes passed. In the quarter, FTTH also began commercial activities in the city of Taboão da Serra (SP) and in the Gama region, in the Federal District. Hence, TIM's BL technology (FTTH + FTTC)[7] is present in 30 cities plus 7 administrative regions in the Federal District.

In transport infrastructure, TIM reached **nearly 111k km with fiber optic** for backbone and backhaul, a 6.6% YoY increase, and in the FTTCity project reached 1,068 cities. This evolution continues to support the increase in traffic in both Mobile and Fixed services.

Finally, with **1,739 active Biosites at the end of 2Q21,** the development of Biosite installation projects is also aligned with the company's corporate social responsibility values. These structures provide a solution for the densification of the mobile access network (antennas/towers) with an extremely low visual and urban impact. Biosites also contribute to the harmonization with the environment and urban infrastructure – having a multifunctional capability of aggregating telecommunications transmission, lighting, and security cameras – besides being cheaper and faster to install.

[7] (+) Rio de Janeiro (RJ), São Gonçalo (RJ), Nilópolis (RJ), Nova Iguaçu (RJ), São João do Meriti (RJ), Duque de Caxias (RJ), São Paulo (SP), Mauá (SP), Poá (SP), Suzano (SP), Francisco Morato (SP), Franco da Rocha (SP), Diadema (SP), Guarulhos (SP), Salvador (BA), Lauro de Freitas (BA), Camaçari (BA), Feira de Santana (BA), Recife (PE), Olinda (PE), Jaboatão dos Guararapes (PE), Paulista (PE), Goiânia (GO), Aparecida de Goiânia (GO), Anápolis (GO), Manaus (AM), Belo Horizonte (MG), Betim (MG), Contagem (MG), Taguatinga (DF), Samambaia (DF), Ceilândia (DF), Águas Claras (DF), Guará (DF) and Candangolândia (DF).

ENVIRONMENTAL, SOCIAL & GOVERNANCE

2Q21 ESG HIGHLIGHTS

TIM has established a new and more ambitious target plan named ESG Plan, for the 2021-23 three-year period. Based on the ambitions assumed in the previous Industrial Plan (2020-2022), the Company introduces new goals related to a set of initiatives, which are part of its strategy, contributing to a consistent conjunction between ESG aspects, business operation and organizational accountability.

7 new goals were added to the 8 previously created and improved:

*Base year 2019.

ENVIRONMENTAL

- In June, TIM reached 77.8% of its energy matrix from renewable sources, with 38 owned plants in operation, including solar, hydroelectric generating plants (CGHs) and biogas generators. The average consumption of renewable energy in the period was 75.7%. By the end of 2021, the expectation is to reach 80% renewable sources.
- To contribute to the goal of becoming carbon neutral by 2030, TIM created the Sky Coverage project that aims to prioritize the use of simplified structures and renewable energy, such as solar panels, to connect towers and antennas in remote areas of the country.
- 1,739 biosites are active in TIM's network. Besides being a solution to reduce the number of antennas and towers, reducing the visual and urbanistic impact, these structures can also add other functions, such as public lighting and security cameras.

- Since 2010, the Company has recorded its emissions in the Public Emission Record of the Brazilian GHG Protocol Program.
- The Company is part of the B3's Carbon Efficiency Index, a portfolio of companies that release greenhouse gas inventories and are committed to climate change cause. TIM is also part of the ICDPR-70 and the CDP Brazil's Climate Resilience Index.
- TIM is certified by ISO 9001 standard, since 2000, and ISO 14001, since 2010.

SOCIAL

- TIM surpassed the mark of 4,000 municipalities with 4G throughout Brazil, eight months ahead of the goal set for the end of 2021. By 2023, the company is committed to serve 100% of the municipalities.
- First telecom operator to receive the international 2021 Diversity in Tech Award, from the GSMA, a group that brings together more than a thousand telecom companies from around the world. The award was a recognition of TIM's internal and external actions to promote diversity and inclusion.
- TIM has become a signatory of the LGBTI+ Companies and Rights Forum. As part of this new commitment, the Company also announced the creation of a talent bank for LGBTI+ people in the company and the creation of a training and hiring program for transgender people.
- For the second year running, TIM sponsored #ParadaSPaoVivo, a virtual edition of the São Paulo LGBT Pride Parade. To encourage dialogue and the fight of LGBTphobia. The Company carried out several actions during June, of which the highlight was the update of the conscious keyboard that originally warned about the use of racist terms and now also includes LBGTphobic expressions.
- The Company is a signatory to the UN Women's Empowerment Principles (WEP).
- TIM joined the Business Coalition for Racial and Gender Equity, an initiative promoted by Instituto Ethos, the Center for the Study of Labor Relations and Inequalities (Ceert) and the Institute for Human Rights and Business (IHRB).

GOVERNANCE

- TIM released its ESG Report for 2020. The document - formerly called the Sustainability Report - was developed with a focus on TIM's ESG practices and aligned with its material themes. Following the Global Reporting Initiative (GRI) standards methodology , the report also reported the Sustainability Accounting Standards Board (SASB) indicators and was externally audited by EY.

- TIM announced that raised R$1.6 billion through the issuance of an infrastructure debentures linked to ESG commitments. The operation - classified as a sustainability-linked debenture (SLD), according to the principles established by the International Capital Markets Association - was considered the first of its kind in the telecommunications sector in the country.
- The first year of execution of the TAC signed by TIM with Anatel was concluded. The investments in connectivity infrastructure made as a result of the agreement benefited about 12 million people in 22 states of the federation, including 210 municipalities in the north and northeast regions where 4G technology was not available.
- Since 2011, the Company is listed in Novo Mercado segment, B3's highest governance level.
- It has been the first and so far, the only telecommunications company to receive the *Pró-Ética* Seal of the Brazilian Office of the Comptroller General ("CGU").
- First telecom operator to achieve ISO 37001 certification, which attests to the safety and effectiveness of the anti-bribery management system.

To have access to the Environmental, Social & Governance quarterly Report, go to: http://www.tim.com.br/ri/ESG Quarterly Report.

DISCLAIMER

The consolidated financial and operating information disclosed in this document, except where otherwise indicated, is presented in accordance with the International Financial Reporting Standards (IFRS) and in Brazilian Reais (R$), in compliance with the Brazilian Corporate Law (Law 6,404/76). Comparisons refer to the second quarter of 2021 (2Q21), except when otherwise indicated.

This document may contain forward-looking statements. Such statements are not statements of historical fact and reflect the beliefs and expectations of the Company's management. The words "anticipates," "believes," "estimates," "expects," "forecasts," "plans," "predicts," "projects," "targets" and similar words are intended to identify these statements, which necessarily involve known and unknown risks and uncertainties foreseen, or not, by the Company. Therefore, the Company's future operating results may differ from current expectations and readers of this report should not base their assumptions exclusively on the information given herein. Forward-looking statements only reflect opinions on the date on which they are made and the Company is not obliged to update them in light of new information or future developments.

ATTACHMENTS

Attachment 1: Operating Indicators

Attachment 1
TIM S.A.
Operating Ratios

DESCRIPTION	2Q21	2Q20	% YoY	1Q21	% QoQ	6M21	6M20	% YoY
Mobile Customer Base ('000)	51,341	52,031	-1.3%	51,728	-0.7%	51,341	52,031	-1.3%
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Market Share*	21.1%	23.1%	-2.0p.p.	21.5%	-0.4p.p.	21.1%	23.1%	-2.0p.p.
Prepaid*	25.0%	27.0%	-2.0p.p.	25.4%	-0.4p.p.	25.0%	27.0%	-2.0p.p.
Postpaid*	17.6%	19.1%	-1.6p.p.	17.9%	-0.3p.p.	17.6%	19.1%	-1.6p.p.
Postpaid (ex-M2M)*	19.0%	20.4%	-1.4p.p.	19.4%	-0.4p.p.	19.0%	20.4%	-1.4p.p.
Gross Additions ('000)	5,180	5,190	-0.2%	6,664	-22.3%	24,587	24,249	1.4%
Net Additions ('000)	(387)	(794)	-51.2%	296	n.a.	(92)	(2,415)	-96.2%
Prepaid	(325)	(440)	-26.2%	(94)	246.5%	(419)	(2,270)	-81.6%
Postpaid	(63)	(354)	-82.4%	389	n.a.	327	(145)	n.a.
Postpaid (ex-M2M)	(129)	(423)	-69.6%	243	n.a.	114	(364)	n.a.
Monthly Churn (%)	3.6%	3.8%	-0.2p.p.	4.1%	-0.5p.p.	4.4%	3.9%	0.5p.p.
Mobile ARPU (R$)	25.8	23.4	10.3%	25.5	1.2%	24.9	23.7	4.9%
Prepaid	12.7	11.4	11.2%	12.6	1.0%	12.6	12.0	4.9%
Postpaid	37.8	36.0	5.1%	37.7	0.3%	37.7	38.0	-1.0%
Postpaid (ex-M2M)	45.8	43.3	5.6%	45.3	0.9%	45.6	44.1	3.4%
SAC/Gross (R$)	58	35	63.5%	52	11.3%	46	52	-11.6%
Fixed Telephony Customer Base ('000)	837	1,037	-19.3%	887	-5.7%	837	1,037	-19.3%
TIM Live Customer Base ('000)	666	606	10.0%	662	0.7%	666	606	10.0%
TIM Live Net Additions ('000)	5	22	-77.7%	16	-70.3%	21	40	-46.6%
TIM Live ARPU (R$)	90.8	83.9	8.2%	89.6	1.3%	87.2	80.9	7.8%
Handsets Sold ('000)	172	88	95.4%	154	11.3%	326	261	24.7%
Headcount	9,246	9,608	-3.8%	9,189	0.6%	9,246	9,608	-3.8%

*2Q21 and 6M21 numbers as of May 2021.

1. Operations

Corporate structure

TIM S.A. ("TIM" "Company" and/or "Enterprise") is a public limited company with Registered office in the city of Rio de Janeiro, RJ, and a subsidiary of TIM Brasil Serviços e Participações S.A. ("TIM Brasil"). TIM Brasil is a subsidiary of the Telecom Italia Group and held 66.65% of the capital of TIM S.A on June 30, 2021 (66.58% on December 31, 2020).

The Company provides Landline Switched Telephone Service ("STFC") in Local, National Long-Distance and International Long-Distance modes, as well as Personal Mobile Service ("SMP") and Multimedia Communication Service ("SCM"), in all Brazilian states and in the Federal District.

The Company's shares are traded on B3 (formerly BM&F/Bovespa). Additionally, TIM S.A. has American Depositary Receipts (*ADRs*), Level II, traded on the New York Stock Exchange (NYSE) – USA. As a result, the company is subject to the rules of the Securities and Exchange Commission ("CVM") and the *Securities and Exchange Commission* ("SEC"). In order to comply with good market practices, the company adopts as a principle the simultaneous disclosure of its financial information in both markets, in reais, in Portuguese and English.

In December 2020, TIM's Board of Directors, after analyzing the studies prepared and the non-binding proposals received, approved, in a meeting held on December 10, 2020, the incorporation of a company, as preparation for future segregation of assets and provision of infrastructure services for residential fiber optical of TIM S.A., called FiberCo Soluções de Infraestrutura Ltda.

In May 2021, FiberCo Soluções de Infraestrutura Ltda. had its corporate name changed to FiberCo Soluções de Infraestrutura S.A. ("FiberCo").

Corporate Reorganization

On July 29, 2020, the Board of Directors of the Company approved the submission to the Extraordinary General Meeting of the proposed Corporate restructure of TIM Participações by TIM S.A.

The Extraordinary General Meeting was held on August 31, 2020, and approved, by a majority of votes, the takeover of TIM Participações by TIM S. A, in accordance with the protocol and justification of merger concluded between the administrations of the Companies on July 29, 2020.

As a result the Company's Management proceeded with the merger on August 31, 2020, based on the net book assets of TIM Participações, in the amount of R$ 355,323.

The changes in TIM Participações's equity between the date of the report (March 31, 2020) and the merger (August 31, 2020) were transferred, absorbed and incorporated into the operating income of TIM Participações S.A. (incorporated), as set forth in the protocol of incorporation. As a result of the merger, all operations of TIM Participações were transferred to TIM S.A., which succeeded it in all its assets, rights and obligations, universally and for all purposes of law. This transaction had no economic or tax impact and the incorporated goodwill will not be used for the purposes of any tax offsets.

(In thousands of Reais, except as otherwise stated)

This corporate reorganization aimed to provide greater efficiency and simplification of the organizational structure of the TIM Group, making the structure of internal controls more efficient. In addition, the corporate reorganization provides a better tax efficiency in future distributions of Interest on Equity, and also, greater integration of administrative and financial unities allowing a cut-off in operational costs and expenses, as well as improvement of synergies, which shall result in a more efficient operation. As a result from this transaction, there was no impact on the controlling and non-controlling shareholders.

After the merger, TIM S.A. started to be traded with the codes TIMS3 on B3 and TIMB on the NYSE.

For the purposes of presenting the comparative balance, TIM S.A.'s asset and financial information remains unchanged, meeting the concept of legal entity for the presentation of the individual and consolidated quarterly information.

Net assets on merger date on September 01, 2020 are summarized as follows:

	09/01/2020
Assets	
Current	
Cash and cash equivalents	21,959
Taxes, fees and contributions to be recovered	28,515
Other assets	166
Total current assets	50,640
Non-current	
Judicial deposits	72,346
Other assets	1,254
Goodwill (1)	308,761
Total non-current assets	382,361
Total assets	433,001

	09/01/20
Liabilities	
Current	
Taxes, fees and contributions to be collected	368
Other liabilities	10,708
Total current liabilities	11,076
Non-current	
Provision for legal and administrative proceedings	36,850
Other liabilities	29,752
Total non-current liabilities	66,602
Shareholders' equity	
Share capital	1,719
Booking	353,604
Total equity	355,323
Total liabilities and shareholders' equity	433,001

(1) The Incorporated goodwill has the following breakdown:

Goodwill - Future profitability	367,571
Surplus of liabilities (provision for lawsuits) in business combination	(89,106)
Deferred income tax on surplus	30,296
	308,761

2. Preparation basis and presentation of individual and consolidated quarterly information

The individual and consolidated quarterly information was prepared in accordance with accounting practices adopted in Brazil which include the resolutions issued by the CVM and the pronouncements, guidelines and interpretations issued by *Comitê de Pronunciamentos Contábeis* [Accounting pronouncements committee] (CPC) and the International Financial Reporting Standards (*International Financial Reporting Standards* ("IFRS"), issued by the *International Accounting Standards Board* (IASB) and show all relevant information specific to the quarterly information, and only this information, which is consistent with that used by management in its management. Additionally, the Company considered the guidelines provided for in Technical Guideline OCPC 07 - Evidencing upon Disclosure of General Purpose Financial-Accounting Reports in the preparation of its quarterly information. In this way, the relevant information specific to the quarterly information is being evidenced and correspond to those used by the management in its duties.

The main accounting policies applied in the preparation of this quarterly information are defined below and / or presented in their respective notes. Those policies were consistently applied in the years presented.

a. General criteria for preparation and disclosure

The individual and consolidated quarterly information was prepared considering the historical cost as value basis and financial assets and liabilities (including derivative financial instruments) measured at fair value.

Assets and liabilities are classified according to their degree of liquidity and collectability. They are reported as current when they are likely to be realized or settled over the next 12 months. Otherwise, they are recorded as non-current. The exception to this procedure involves deferred income tax and social contribution balances (assets and liabilities) and contingent liabilities that are fully classified as long-term.

The presentation of Statement of Value Added (Demonstração do Valor Adicionado – "DVA") is required by the Brazilian Corporate Legislation and accounting practices adopted in Brazil applicable to listed companies. The DVA was prepared according to the criteria set forth in CPC Technical Pronouncement No. 09 - "Statement of Value Added". IFRS does not require the presentation of this statement. As a consequence, according to the IFRS, this statement is presented as supplementary information, without affecting the quarterly information.

Interests paid are classified as financing cash flow in the statement of cash flows as it represents costs of obtaining financial resources.

b. Functional currency and presentation currency

The currency of presentation of the quarterly information is the Real (R$), which is also the Company´s functional currency.

Foreign currency transactions are recognized at the exchange rate on the date of the transaction. Monetary items in foreign currency are converted into reais at the exchange rate on the balance sheet date, informed by Banco Central do Brasil [Central Bank of Brazil]. Foreign exchange gains and losses linked to these items are recorded in the statement of income.

c. Segment information

Operating segments are components of the entity that carry out business activities from which revenues can be obtained and expenses incurred. Its operating results are regularly reviewed by the entity's main operations manager, who makes decisions on resource allocation and evaluates segment performance. For the segment to exist, individualized financial information is required.

The main operational decision maker in the Company, responsible for the allocation of resources and periodically evaluating performance, is the Executive Board, which, along with the Board of Directors, are responsible for making the strategic decisions of the company and its management.

The Group's strategy is focused on optimizing results, and from the corporate reorganization mentioned in Note 1, all the operating activities of the group are concentrated exclusively in TIM S.A. Although there are diverse activities, decision makers understand that the company represents only one business segment and do not contemplate specific strategies focused only on one service line. All decisions regarding strategic, financial planning, purchases, investments and investment of resources are made on a consolidated basis. The aim is to maximize the consolidated result obtained by operating the SMP, STFC and SCM licenses.

d. Consolidation procedures

Subsidiaries are all the entities in which the Group retains control. The Group controls an entity when it is exposed to or has a right over the variable returns arising from its involvement with the entity and has the ability to interfere in those returns due to its power over the entity. The subsidiaries are fully consolidated as of the date control is transferred to the Group. Consolidation is interrupted beginning as of the date in which the Group no longer holds control.

The purchase accounting method is used to record the acquisition of subsidiaries by the Group. The acquisition cost is measured as the fair value of the assets acquired, equity instruments (i.e..: shares) and liabilities incurred or assumed by the acquirer on the date of the change of control. Identifiable assets acquired, contingencies and liabilities assumed in a business combination are initially measured at fair value on the date of acquisition, regardless of the proportion of any minority interest. The portion exceeding the acquisition cost of the Group's interest in the acquired identifiable net assets, is recorded as goodwill. Should the acquisition cost be less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the statement of income as a revenue, once concepts and calculations applied are reviewed.

Intercompany transactions, as well as the balances and unrealized gains and losses in those transactions, are eliminated. The base date of the financial information used for consolidation purposes is the same for all the companies in the Group.

The comparative consolidated balances for June 2020 have not been presented, since the subsidiary FiberCo was only incorporated in December 2020. Thus, there are no consolidated balances in June 2020.

e. Approval of quarterly information

This quarterly information was approved by the Company's Board of Directors on July 26, 2021.

f. New standards, amendments and interpretations of standards

The following new standards/amendments were issued by the Accounting Pronouncement Committee ("CPC") and International Accounting Standards Board (IASB), are effective for the year ended June 30, 2021.

- **Changes to CPC 15 (R1): Definition of business**

The amendments to CPC 15 (R1) clarify that, to be considered a business, an integrated set of activities and assets must include, at least, an inflow of funds and a substantive process that together contribute significantly to the capacity to generate the outflow of funds. Moreover, it clarified that a business can exist without including all the inflows of funds and processes necessary to create outflows of funds. These amendments had no impact on the Company's individual and consolidated quarterly information but may impact future periods if the Group enters into any business combination.

- **Changes in CPC 38, CPC 40 (R1) and CPC 48: Benchmark Interest Rate Reform**

The amendments to Pronouncements CPC 38, CPC 48 and CPC 40 provide exemptions that apply to all hedge relationships directly affected by the benchmark interest rate reform. A hedge relationship is directly affected if the reform raises uncertainties about the period or the value of cash flows based on the benchmark interest rate of the hedged item or hedging instrument. These changes have no impact on the Company's individual and consolidated quarterly information, as it does not have interest rate hedging relationships.

- **Changes in CPC 26 (R1) and CPC 23: Definition of material**

The amendments provide a new definition of material, stating that: "information is material if its omission, distortion or obfuscation can reasonably influence decisions that the main users of the general purpose quarterly information make based on these quarterly information, which provide financial information on entity's specific report". The amendments clarify that the materiality will depend on the nature or magnitude of the information, individually or in combination with other information, in the context of the financial statements. A distorted information is material if it could reasonably be expected to influence decisions made by primary users. These amendments had no impact on the individual and consolidated quarterly information, nor is it expected that there will be any future impact for the Company.

- **Review in CPC 00 (R2): Conceptual Framework for Financial Reporting**

The revised pronouncement provides some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These changes did not affect the individual and consolidated quarterly information of the Company.

- **Changes in CPC 06 (R2): Covid-19 related benefits granted to leaseholders in lease agreements.**

The amendments provide for the granting of benefits to lessees upon adoption of the guidelines of CPC 06 (R2) on the modification of the lease agreement, when accounting for the related benefits as a direct consequence of the Covid-19 pandemic.

As a practical expedient, a lessee may choose not to assess whether a benefit related to Covid-19 granted by the lessor is a modification of the lease agreement. The lessee who makes this option must account for any change in the lease payment resulting from the benefit granted in the lease agreement related to Covid-19 in the same way that it would account for the change by adopting CPC 06 (R2) if the change was not a modification of the lease agreement.

The following new standards were issued by *Comitê de Pronunciamentos Contábeis* [Accounting pronouncements committee] (CPC) and the *International Accounting Standards Board (IASB*), but are not in effect for the period ended on June 30, 2021.

- **CPC 11- Insurance Contracts**

In May 2017, the IASB issued IFRS 17 - Insurance Contracts (a standard not yet issued by CPC in Brazil, but which will be codified as CPC 50 - Insurance Contracts and will replace CPC 11 - Insurance Contracts), a new comprehensive accounting standard for insurance contracts that includes recognition and measurement, presentation and disclosure. As soon as it comes into force, IFRS 17 (CPC 50) will replace IFRS 4 - Insurance Contracts (CPC 11), issued in 2005. IFRS 17 applies to all types of insurance contracts (such as life, non-life, direct insurance and reinsurance), regardless of the type of entity that issues them, as well as certain guarantees and financial instruments with discretionary participation characteristics. Some scope exceptions apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements of IFRS 4, which are largely based on local accounting policies in force in previous periods, IFRS 17 provides for a comprehensive model for insurance contracts, covering all relevant accounting aspects. The focus of IFRS 17 is the general model, covering the following:

• A specific adaptation for contracts with direct participation characteristics (variable rate approach).

• A simplified approach (premium allocation approach), mainly for short-term contracts. IFRS 17 is effective for periods beginning on or after January 1, 2023, requiring the presentation of comparative amounts. Early adoption is allowed if the entity also adopts IFRS 9 and IFRS 15 on the same date or before the first-time adoption of IFRS 17.

This standard does not apply to the Company.

- **Amendments to IAS 1: Classification of liabilities as current or non-current**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1, related to CPC 26, aiming to specify the requirements for classifying the liabilities as current or non-current. The amendments clarify the following:

• What a right to postpone settlement means;
• That the right to postpone settlement must exist on the base date of the report;
• That this classification is not affected by the likelihood that an entity will exercise its right to postpone settlement;
• That only if a derivative embedded in a convertible liability is itself an equity instrument would the terms of a liability not affect its classification. Amendments are valid for periods started on January 1, 2023 and must be applied on a retrospective basis.

The Company currently assesses the impact that the changes will have on current practice and whether existing loan agreements may require renegotiation.

COVID-19 impacts

Since March 2020 a pandemic was declared by the World Health Organization due to the outbreak of the new Coronavirus (COVID-19). The main impacts and first cases were recorded in Brazil and in the world also in the first quarter of 2020.

The outbreak of COVID-19 developed rapidly in 2020 and continues until 2021. The measures taken to contain the virus greatly affected economic activity, including some impacts on the operating results and cash flows of the Companies in Brazil. Throughout 2020, lockdowns were decreed in several states in Brazil, lasting from March to June 2020.

In 2020, the Company has a robust infrastructure and is part of an extremely important segment in this period of crisis, essential for the population, government and health system. After an internal analysis, there was no indication of impairment of assets or risks associated with the fulfilment of obligations, since the Company is not highly leveraged and still has credit lines available to be used in the event of a significant reduction in cash volume.

In 2021, the crisis worsened with an increase in the number of cases. Consequently, there was a need for new restrictive measures, including the closing of the trade, impacting the operation of stores. Said restrictions were implemented mainly in March in different cities in Brazil.

In June 2021, Brazil advanced its vaccination levels, so that there was a slight improvement in economic activities. We have not suffered any material impact on our operations so far. The Company continues to present positive results, and the main impact of the restriction measures was verified in the product sales line due to the closing of stores in the first quarter, an effect already normalized in the second quarter of 2021.

We continue assessing government responses, such as the progress of vaccination and economic performance, as well as possible impacts on the Company's businesses.

3. Estimates and areas where judgment is significant in the application of the company's accounting policies

Accounting estimates and judgments are continuously assessed. They are based on the Company's historical experience and on other factors, such as expectations of future events, considering the circumstances present on the base date of quarterly information.

By definition, the resulting accounting estimates will rarely be the same as the actual results. The estimates and assumptions that present a significant risk, with the probability of causing a material adjustment to the carrying amounts of assets and liabilities for the fiscal period, are covered below.

(a) Impairment loss on non-financial assets

Impairment losses occur when book value of an asset or cash generating unit exceeds its recoverable value, which is the highest of fair value less selling costs and value in use. Calculation of fair value less selling costs is based on information available on similar assets' selling transactions or market prices less additional costs to dispose of the asset. The calculation of value in use is based on the discounted cash flow model.

Any reorganization activities with which the Company is not committed to on the reporting date of the quarterly information or significant future investments that could improve the asset base of the cash generating unit under test are excluded for *impairment* testing purposes.

The main non-financial assets for which this assessment was made are goodwill recorded by the Company (Note 15) and its tangible and intangible assets.

(b) Income tax and social contribution (current and deferred)

Income tax and social contribution (current and deferred) are calculated according to interpretations of current legislation and CPC 32 / IAS 12. This process typically involves complex estimates to determine taxable income and temporary differences. In particular, the deferred assets on tax losses, negative basis of social contribution and temporary differences is recognized in proportion to the probability that future taxable income is available and can be used. The measurement of the recoverability of deferred income tax on tax losses, negative basis of social contribution and temporary differences takes the history of taxable income into account, as well as the estimate of future taxable income (Note 10).

(c) Provision for legal and administrative proceedings

The legal and administrative proceedings are analyzed by the Management along with its legal advisors (internal and external). The Company considers factors in its analysis such as hierarchy of laws, precedents available, recent court judgments, their relevance in the legal system and payment history. These assessments involve Management's judgment (note 25).

(d) Fair value of derivatives and other financial instruments

The financial instruments presented in the balance sheet at fair value are measured using valuation techniques that consider observable data or observable data derived from market (Note 37).

(e) Unbilled revenues

Since some cut dates for billing occur at intermediate dates within the months of the year, as the end of each month there are revenues earned by the Company, but not actually invoiced to its customers. These unbilled revenues are recorded based on estimate that takes into consideration historical consumption data, number of days elapsed since the last billing date, among others (Note 28).

(f) Leases

The Company has a significant number of the lease contracts in which it acts a lessee (Note 17), and with the adoption of the accounting standard IFRS 16 / CPC 06 (R2) – Lease, on 01/01/2019, certain judgments were exercised by Company´s management in measuring lease liabilities and right-of-use assets, such as: (i) estimate of the lease term, considering non-cancellable period and the period covered by options to extend the contract term, when the exercise depends only from the Company, and this exercise is reasonably certain; and (ii) using certain assumptions to calculate the discount rate.

The company is not able to readily determine the interest rate implicit on the lease and, therefore, considers its incremental rate on loans to measure lease liabilities. Incremental rate on the lessee's loan is the interest rate that the lessee would have to pay when borrowing, for a similar term and with a similar guarantee, the resources necessary to obtain the asset with a value similar to the right of use asset in a similar economic environment. The company estimates the incremental rate using observable data (such as market interest rates) when available and considers aspects that are specific to the Company (such as the cost of debt) in this estimate.

(g) Assets classified as held for sale (and related liabiliteis)

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 the same day, an agreement between TIM S.A. and IHS Fiber Brasil - Cessão of Infrastructures Ltd. ("IHS") was approved for the acquisition, by IHS, of an equity interest in FiberCo Soluções de Infraestrutura S.A. ("FiberCo"), an entity incorporated by the Company to segregate network assets and provide infrastructure services. Thus, the Company identified the assets and liabilities within the scope of the transaction that guarantee the sale of 51% of the infrastructure operation and the classification of these assets and liabilities in the "held for sale" group.

The Board of Directors considered that said business met the criteria to be classified as held for sale at that date for the following reasons:

• FiberCo and the set of assets and liabilities that will be transferred to it as a prerequisite for the transaction are available for immediate sale and may be sold to a potential buyer at its current state;
• The measures required to complete the sale have started and are expected to be completed within one year as of the classification date;
• Preliminary negotiations with a potential buyer have already been carried out and the agreement was signed. The Company and IHS are currently only waiting approval from regulatory bodies, and said approval is expected to take place in the coming months.

For further details on the operation, see note 16.

(In thousands of Reais, except as otherwise stated)

4. Cash and cash equivalents

These are financial assets measured at amortized cost through the effective interest rate method.

The Company's Management determines the classification of its financial assets upon initial recognition.

	Parent company		Consolidated	
	June 2021	December 2020	June 2021	December 2020
Cash and banks	75,852	100,008	75,853	100,009
Free availability financial investments:				
CDB's / Repurchases	3,673,312	2,475,282	3,673,312	2,475,282
	3,749,164	2,575,290	3,749,165	2,575,291

Bank certificates of deposit ("CDBs") and committed transactions are nominative securities issued by banks and sold to the public as a form of fund raising. Such securities may be traded during the contracted term, at any time, without significant loss in their value and are used for the fulfilment of short-term obligations by the company.

The annual average remuneration of the Company's investments related to CBD's and Repurchase and Resale Agreements is 101.35% (101.24% on December 31, 2020) of the variation of the Interbank Deposit Certificate – CDI.

5. Marketable securities

Comprise financial assets measured at fair value through profit or loss.

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

	June 2021	December 2020
FUNCINE (1)	6,996	7,061
Fundo Soberano (2)	3,090	5,220
FIC: (3)		
Government bonds (3)	2,046,501	1,345,797
CDB (4)	27,953	17,370
Financial bills (5)	539,711	292,500
Other (6)	758,249	409,551
	3,382,500	2,077,499
Current portion	(3,375,504)	(2,070,438)
Non-current portion	6,996	7,061

(1) On December 2017, the Company, with the aim of using tax deductibility benefit for income tax and social contribution purposes, started investing in the National Film Industry Financing Fund (FUNCINE). The average remuneration in 2021 is -0.15% p.a. (-3.34% p.a. on December 31, 2020).

(2) “Fundo Soberano” is composed only of federal government bonds. The average remuneration in 2021 is 88.77% (87.71% on December 31, 2020) of the variation of the Interbank Deposit Certificate – CDI.

(3) In August 2017, the Company invested in open FIC's (Quota Investment Fund). Funds are mostly made up of government bonds and papers from top-tier financial institutions. The average remuneration in 2021 of the FIC's was 125.95% (112.72% on December 31, 2020) of the variation of the Interbank Deposit Certificate – CDI. Government bonds are fixed income financial instruments issued by the National Treasury to finance the activities of the Federal Government.

(4) The CDB operations are emitted by the banks with the commitment of stock buyback by the bank itself and with predetermined taxes.

(5) The Financial bills is a fix income tittle emitted by financial institutions with the objective of a long-term fund raising

(6) It is represented by: Debentures, FIDC, commercial notes, promissory notes, bank credit note.

6. Trade accounts receivable

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

These are financial assets measured at amortized cost, and refer to accounts receivable from users of telecommunications services, from network use (interconnection) and from sales of handsets and accessories. Accounts receivable are recorded at the price charged at the time of the transaction. The balances of accounts receivable also include services provided and not billed (“unbilled”) up to the balance sheet date. Accounts receivable from clients are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method less the provision for expected credit losses ("impairment").

The provision for expected credit losses was recognized as a reduction in accounts receivable based on the profile of the subscriber portfolio, the aging of overdue accounts receivable, the economic situation, the risks involved in each case and the collection curve, at an amount deemed sufficient by Management, as adjusted to reflect current and prospective information on macroeconomic factors that affect the customers’ ability to settle the receivables.

The fair value of trade accounts receivable is close to the book value recorded on June 30, 2021 and December 31, 2020.

The average rate considered in calculating the present value of accounts receivable recorded in the long term is 0.19% (0.22% on December 31, 2020).

(In thousands of Reais, except as otherwise stated)

	June 2021	December 2020
Trade accounts receivable	2,918,162	3,180,661
Gross accounts receivable	3,660,408	3,831,921
Billed services	1,967,612	2,039,403
Unbilled services	804,193	817,669
Network use	432,504	399,083
Goods sold	436,730	552,962
Contractual assets (Note 24)	11,479	14,914
Other accounts receivable	7,890	7,890
Provision for expected credit losses	(742,246)	(651,260)
Current portion	(2,828,139)	(3,051,834)
Non-current portion	90,023	128,827

The movement of the provision for loss on expected settlement credits, accounted for as an asset reduction account, was as follows:

	June 2021	December 2020
	(6 months)	(12 months)
Opening balance	651,260	774,077
Supplement to expected losses	284,090	552,817
Write-off	(193,104)	(675,634)
Closing balance	742,246	651,260

The aging of accounts receivable is as follows:

	June 2021	December 2020
Total	3,660,408	3,831,921
Undue	2,527,947	2,785,469
Overdue (days):		
Up to 30	282,671	248,955
Up to 60	90,888	84,218
Up to 90	97,953	71,635
More than 90 days	660,949	641,644

(In thousands of Reais, except as otherwise stated)

7. Inventories

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

Inventories are presented at the average acquisition cost. A loss is recognized to adjust the cost of Handsets and accessories to the net realizable value (selling price), when this value is less than the average acquisition cost.

	June 2021	December 2020
Total Inventories	225,723	246,602
Inventories	235,190	257,477
Mobile handsets and tablets	158,844	186,961
Accessories and prepaid cards	55,706	55,558
TIM chips	20,640	14,958
Losses on adjustment to realizable amount	(9,467)	(10,875)

8. Indirect taxes, charges and contributions to be recoverable

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

	June 2021	December 2020
Indirect taxes, charges and contributions to be recoverable	1,234,087	1,230,801
ICMS	1,191,238	1,188,018
Other	42,849	42,783
Current portion	(406,992)	(374,015)
Non-current portion	827,095	856,786

The amounts of recoverable ICMS (state VAT) are mainly comprised by:

(i) credits on the acquisition of property, plant and equipment directly related to the provision of telecommunication services (credits divided over 48 months).

(ii) ICMS amounts paid under the tax substitution regime from goods acquired for resale, mainly mobile handsets, chips, tablets and modems sold by TIM.

(iii) In May 2021, we received the final and unappealable decision for a lawsuit involving the repetition of ICMS undue payments in Santa Catarina, in the amount of R$ 52 million, increasing the asset account “Long Term ICMS recoverable - Other”, in addition to having a positive impacting on net and financial income.

(In thousands of Reais, except as otherwise stated)

9. Direct taxes, charges and contributions recoverable

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

	June 2021	December 2020
Direct taxes, charges and contributions recoverable	2,046,853	2,698,239
Income tax (IR) and social contribution (CS) (i)	233,185	381,905
PIS / COFINS (ii)	1,741,980	2,253,545
Other	71,688	62,789
Current portion	(1,244,609)	(1,421,112)
Non-current portion	802,244	1,277,127

(i) Income tax and social contribution amounts are mainly related to other income tax and social contribution credits from previous years, whose current estimated term for use is later than 12 months.

(ii) The Recoverable PIS/COFINS amounts mainly refer to credits from a legal proceeding filed by TIM Celular S.A. (ultimately merged into TIM S.A., as well as TIM S.A. itself), with a favorable final decision in Higher Courts which discussed the exclusion of the ICMS from the PIS and COFINS calculation bases. According to the Company's internal assessment, we expect to use these credits by the end of the year 2022.

In March 2017, the Federal Supreme Court ("STF") recognized the unconstitutionality of including ICMS amounts in the calculation base of PIS and COFINS contributions. TIM S.A. (previously named "Intelig Telecomunicações Ltda."), as the surviving company from the merger of TIM Celular S.A. and other entities existing in the Group in the past, which had filed proceedings of the same nature, has been challenging this issue in court since 2006, with effects retroactive to five years, as permitted by the legislation. The total amount recorded in 2019 related to these credits was R$ 3,023 million, of which R$ 1,795 relates to principal and R$ 1,228 million was monetary restatement.

The amount recorded are updated monthly at the interest rate equivalent to the reference rate of the Special Settlement and Custody System (Selic), available on the website of the Brazilian Federal Revenue.

In 2020, TIM had utilized credits arising from the process of exclusion of ICMS from the calculation bases of PIS and COFINS, for payments of federal taxes, in the total amount of R$ 1,516 million. In the first and second quarters of 2021, total offsetting of R$ 466 million was made for said PIS and COFINS credits.

In May 2021, the Brazilian Supreme Court (STF) closed the discussion regarding the credit rights of the Companies, defining that the exclusion of ICMS from the PIS and COFINS calculation basis is valid from March 15, 2017, the date when the general repercussion thesis (Topic 69) was established in the judgment of Special Appeal (RE) No. 574706.

(In thousands of Reais, except as otherwise stated)

Considering that the judges ratified that the ICMS not included in the PIS/COFINS calculation basis is highlighted in the invoice, we confirm that the procedures adopted by TIM S.A., when providing for PIS/COFINS credits, are adequate.

In June 2021, after partial use of TIM S.A credits, in the amount of R$ 2,044 million, it is still recorded in the amounts of R$ 1,085 million, of which R$ 712 million as principal and R$ 374 million as inflation adjustments.

10. Deferred income tax and social contribution

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

Deferred income tax and social contribution are recognized on: (1) accumulated income tax carried forward losses and negative basis of social contribution, and (2) temporary differences arising from differences between the tax basis of assets and liabilities and their carrying values in the financial statements. Deferred income tax is determined using the tax rates (and tax laws) enacted, or substantially enacted, up to the balance sheet date. Subsequent changes in tax rates or tax legislation may modify the deferred tax credit and debit balances.

Deferred tax assets on income tax and social contribution are recognized only in the event of a profitable track record and/or when the annual forecasts prepared by the Company, examined by the Tax Council and Statutory Audit Committee and approved by other Management bodies, indicate the likelihood of the future realization of those tax credits.

The balances of deferred income tax assets and liabilities are presented at net value in balance sheet when there is the legal right and the intention of offsetting them upon calculation of current taxes, in general related to the same legal entity and the same tax authority. Thus, deferred tax assets and liabilities belonging to different entities are in general shown separately, not at their net amounts.

On June 30, 2021 and December 31, 2020, the prevailing tax rates were 25% for income tax and 9% for social contribution. In addition, there is no statute of limitation in regard to the income tax and social contribution carried forward losses, which it can be offset by up to 30% of the taxable profit reached at each fiscal year, according to the current tax legislation.

The amounts recorded are as follows:

	June 2021	December 2020
Losses carried forward – income tax and social contribution	386,683	475,128
Temporary differences:		
Provision for legal and administrative proceedings	326,662	303,948
Losses on doubtful accounts receivable	256,449	224,459
Adjustments to present value – 3G license	4,269	5,240
Lease of LT Amazonas infrastructure	31,156	29,971
Profit sharing	22,395	36,915
Taxes with suspended enforceability (1)	355,650	258,246
Amortized Goodwill – TIM Fiber (2)	(4,604)	(370,494)
Derivative financial instruments	(138,931)	(154,718)
Capitalized interest on 4G authorization	(248,020)	(262,608)

(In thousands of Reais, except as otherwise stated)

Deemed costs – TIM S.A.	(48,180)	(53,792)
IFRS16 Lease	328,137	303,833
Accelerated depreciation (3)	(391,453)	(266,464)
Other	17,317	20,982
	897,530	550,646
Deferred active tax portion	897,530	550,646

(1) Mainly represented by the Fistel fee for the financial years 2020 and 2021. The payment of the TFF for the year 2020 was postponed to August 2020, based on Provisional Measure No. 952, of April 15, 2020. Currently, the TFF rates for 2020 and 2021 had their payments suspended due to a process opened by the Company. See Note 22 for details.

(2) Represented by the goodwill on the business combination of companies TIM Fiber RJ and SP acquired by TIM in 2012. In June 2021, we had the reclassification of a portion of this goodwill and related deferred taxes to the held-for-sale group due to the sale transaction described in Note 16.

(3) as of the 1Q20, TIM S.A. excludes the portion of acceleration of depreciation of moveable assets belonging to fixed assets from the calculation basis of the IRPJ and CSLL, due to their uninterrupted use in three operating shifts, supported by technical expert report, as provided for in Article 323 of the RIR/2018, or by the adequacy to the tax depreciation provided for in IN 1700/2017. Such tax adjustment generated a deferred liability of R$ 391.5 million until June 30, 2021 (R$ 266.5 million up to December 31, 2020) and applied as of January 1, 2020.

Expectation of recovery of tax credits

The estimates of recoverability of tax credits were calculated taking into consideration financial and business assumptions available on June 30, 2021.

Based on these projections, the company has the following expectation of recovery of credits:

Deferred income tax and social contribution	Tax losses and negative basis	Temporary differences	
2021	123,894	1,050,983	
2022	233,751	(38,734)	
2023	29,038	(73,542)	
2024 onwards	-	(427,860)	
Total	**386,683**	**510,847**	**897,530**

The company based on a history of profitability and based on projections of future taxable results, constitutes deferred income tax credits and social contribution on all of its tax losses, negative social contribution basis and temporary differences.

The Company used credits from the negative basis of social contribution in the amount of R$ 88,445 during the year up to June 30, 2021 (R$ 325,583 on December 31, 2020, including tax losses).

(In thousands of Reais, except as otherwise stated)

11. Prepaid expenses

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

	June 2021	December 2020
	421,261	223,394
Fistel (1)	148,983	-
Advertisements not released	10,576	1,679
Rentals and insurance	75,392	69,208
Incremental costs for obtaining customer contracts (2)	133,801	125,114
Other	52,509	27,393
Current portion	(338,783)	(149,796)
Non-current portion	82,478	73,598

(1) In March 2021 there was a payment of R$ 73 million referring to the Contribution for the Promotion of Public Radio Broadcasting (CFRP), and, in April 2021, R$ 226 million from Condecine. The amounts related to these rates are monthly appropriated to profit (loss). For further details on amounts related to Fistel - TFF pending payment, see note 22.

(2) It is substantially represented by incremental costs related to sales commissions paid to partners for obtaining customer contracts arising from the adoption of IFRS 15/ CPC 47, which are deferred to the result in accordance with the term of the contract and/or economic benefit, usually from 1 to 2 years.

12. Judicial deposits

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

They are recorded at historical cost and updated according to current legislation:

	June 2021	December 2020
	765,374	794,755
Civil	275,369	315,312
Labor	144,913	149,390
Tax	178,972	181,670
Regulatory	111	111
Online attachment (*)	166,009	148,272

(*) Refer to legal blockages directly in the company's current accounts and financial investments linked to certain legal proceedings. This amount is periodically analyzed and when identified, reclassification is made to one of the other specific accounts of the legal deposit item.

Civil

These are court deposits to guarantee the execution of civil proceedings where the Company is challenging the amounts involved. Most of these proceedings refer to lawsuits filed by customers, involving issues of consumer rights, among others.

There are some processes with differentiated matters, in which the value set by ANATEL for vacating certain transmission sub-bands is discussed, enabling the implementation of 4G technology. In this case, the amount deposited updated in court under discussion is R$ 71,136 (R$ 70,560 on December 31, 2020).

Labor

These are amounts deposited in court as guarantees for the execution and the filing of appropriate appeals, where the relevant matters or amounts involved are still being discussed. The total amount has been allocated between the various claims filed by registered employees and third-party service providers.

Tax

The company has legal deposits, relating to tax matters, made to support several ongoing legal discussions. Such deposits mainly relate to the following discussions:

(a) Use of credit in the acquisition of electricity directly employed in the production process of companies, matter with positive bias in the judiciary. The current value of the deposits related to this discussion is R$ 35,232 (R$ 34,544 on December 31, 2020).

(b) CPMF levy on loan conversion operations into the Company's equity; recognition of the right not to collect the contribution allegedly levied on the simple change of ownership of current accounts due to merger. The current value of the deposits related to this discussion is R$ 8,923 (R$ 8,862 on December 31, 2020).

(c) Constitutionality of the collection of the functioning supervision fee (TFF - *Taxa de Fiscalização do Funcionamento*) by municipal authorities of different localities. The current value of the deposits related to this discussion is R$ 19,199 (R$ 18,883 as of December 31, 2020).

(d) Non-homologation of compensation of federal debts withholding income tax credits (IRRF) for the alleged insufficiency of credits, as well as the deposit made for the purposes of release of negative Certificate of debts. The current value of the deposits related to this discussion is R$ 11,093 (R$ 11,317 on December 31, 2020).

(e) Incidence of ISS on import services and third parties; alleged lack of collection in relation to ground cleaning and maintenance service of BRS (Base Radio Station), the ISS itself, the ISS incident on *co-billing* services and software licensing (*blackberry*). Guarantee of the right to take advantage of the benefit of spontaneous denunciation and search for the removal of confiscatory fines in the case of late payment. The current value of the deposits related to this discussion is R$ 7,903 (R$ 7,843 as of December 31, 2020).

(f) Accessory services provided for in the agreement 69/98 ICMS incident on the provision of communication services of the amounts charged for ACCESS, Membership, Activation, qualification, availability, subscription and use of the services, among others. The current value of the deposits related to this discussion is R$ 3,347 (R$ 3,329 on December 31, 2020).

(g) Requirement by ANATEL of the public price for the administration of numbering resources. The current value of the deposits related to this discussion is R$ 3,534 (R$ 3,514 on December 31, 2020).

(h) Deposit made by TIM S. A – unconstitutionality and illegality of the collection of FUST (Fund for Universalization of Telecommunications Services). The right not to collect FUST, failing to include in its calculation base the revenues transferred by way of interconnection and EILD (Industrial Exploitation of Dedicated Line), as well as the right not to suffer the retroactive collection of the differences determined in function of not observing sum 7/2005 of ANATEL. The current value of the deposits related to this discussion is R$ 59,222 (R$ 58,664 on December 31, 2020).

(i) ICMS – Miscellaneous. Deposits made in several processes that discuss ICMS charges, mainly related to discussions on loan, DIFAL, exempt and non-taxed services, ICAP and Covenant 39. The current value of the deposits related to this discussion is R$ 11,759 (R$ 14,505 as of December 31, 2020).

(j) CSLL - charges related to cases of *Jornal do Brasil* that were directed to the company, as well as charges related to successful Negative BC Compensation/Tax Loss. The current value of the deposits related to this discussion is R$ 11,534 (R$ 9,739 on December 31, 2020).

(In thousands of Reais, except as otherwise stated)

13. Investment

The ownership interest in subsidiary is valued using the equity accounting method.

TIM's Board of Directors, after analyzing the studies prepared and the non-binding proposals received, approved, in a meeting held on December 10, 2020, the incorporation of FiberCo Soluções de Infraestrutura Ltda. ("FiberCo"), a limited liability company, in preparation for a possible (or eventual) segregation of assets and provision of residential fiber optic infrastructure services. The Company was organized on December 16, 2020 and transformed on a limited liability corporation in May 2021.

This process is one of the intermediate steps in the transformation of TIM in a provider of broadband services, and aims to create an open fiber optic infrastructure vehicle ("FiberCo") with the acquisition of a strategic partner that will become a partner of FiberCo. FiberCo will operate in the wholesale market and can provide last-mile fiber connectivity and transportation services to market operators, with TIM as the client.

TIM S.A. holds 100% (100% on December 31, 2020) of FiberCo's equity interest.

(a) Interest in subsidiary:

	June 2021	**December 2020**
	FiberCo	**FiberCo**
Number of quotas/shares held	1,000	1,000
Interest in total capital	100%	100%
Shareholders' equity	(153)	1
Net profit for the period	(154)	-
Equity in net income of subsidiaries	(154)	-
Investment amount	(153)	1

Pursuant to IAS 28/CPC 18, the loss exceeding the amount invested was reclassified to "Other liabilities" in non-current liabilities and later classified as Liabilities related to assets held for sale, in the amount of R$ 153.

14. Property, plant and equipment

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

Property, plant and equipment are stated at acquisition and/or construction cost, less accumulated depreciation and impairment losses (the latter only if applicable). Depreciation is calculated based on the straight-line method over terms that take into account the expected useful lives of the assets and their residual values. On June 30, 2021 and December 31, 2020, the Company has no indication of impairment in its property, plant and equipment.

(In thousands of Reais, except as otherwise stated)

The estimated costs of dismantling towers and equipment on rented properties are capitalized and depreciated over the estimated useful lives of these assets. The Company recognizes the present value of these costs in property, plant and equipment with a counter-entry to the liability "provision for future asset retirement". Interest incurred on updating the provision is classified within financial expenses.

Gains and losses on disposal are determined by comparing the amounts of these disposals with the carrying values at the time of the transaction and are recognized in "other operating expenses (revenue), net" in the statement of income.

- Changes in property, plant and equipment

	Balance in December 2020	Additions	Write-offs (1)	Transfers	Assets held for sale (2)	**Balance in June 2020**
Total cost of property, plant and equipment,	47,429,167	2,498,764	(1,966,050)	-	(1,607,251)	46,354,630
Switching / transmission equipment	25,875,916	8,022	(1,657,501)	1,672,318	(1,075,179)	24,823,576
Fiber optic cables	878,100	-	-	9,134	(117,917)	769,317
Leased handsets	2,643,336	390	(3,294)	86,607	-	2,727,039
Infrastructure	6,436,572	-	(100,931)	127,297	(397,277)	6,065,661
IT assets	1,770,386	-	(32,858)	14,768	(2,937)	1,749,359
General use assets	902,287	-	(31,686)	23,362	(10,652)	883,311
Right of use in leases	8,367,895	591,021	(139,043)	-	-	8,819,873
Land	40,794	-	-	-	-	40,794
Construction in progress	513,881	1,899,331	(737)	(1,933,486)	(3,289)	475,700
Total accumulated depreciation	(29,328,469)	(1,968,558)	1,816,624	-	548,791	(28,931,612)
Commutation/transmission equipment	(18,130,526)	(1,007,806)	1,650,399	-	238,276	(17,249,657)
Fiber optic cables	(482,613)	(35,083)	-	-	26,149	(491,547)
Leased handsets	(2,398,217)	(72,004)	1,195	-	-	(2,469,026)
Infrastructure	(4,018,854)	(203,136)	100,681	-	277,026	(3,844,283)
IT assets	(1,617,970)	(30,095)	32,904	-	2,774	(1,612,387)
General use assets	(637,903)	(24,088)	31,445	-	4,566	(625,980)
Right of use in leases	(2,042,386)	(596,346)	-	-	-	(2,638,732)
Total property, plant and equipment, net	18,100,698	530,206	(149,426)	-	(1,058,460)	17,423,018
Commutation/transmission equipment	7,745,390	(999,784)	(7,102)	1,672,318	(836,903)	7,573,919
Fiber optic cables	395,487	(35,083)	-	9,134	(91,768)	277,770
Leased handsets	245,119	(71,614)	(2,099)	86,607	-	258,013
Infrastructure	2,417,718	(203,136)	(250)	127,297	(120,251)	2,221,378

(In thousands of Reais, except as otherwise stated)

IT assets	152,416	(30,095)	46	14,768	(163)	136,972
General use assets	264,384	(24,088)	(241)	23,362	(6,086)	257,331
Right of use in leases	6,325,509	(5,325)	(139,043)	-	-	6,181,141
Land	40,794	-	-	-	-	40,794
Work in progress	513,881	1,899,331	(737)	(1,933,486)	(3,289)	475,700

(1) The amount of R$ 139,043 in right of use in leases is represented by remeasurement of contracts and includes changes in the term and scope of rentals. Moreover, the write-offs of other tangible assets include inventory adjustments for assets that were fully depreciated, with a net impact of R$ 2.9 million.

(2) In June 2021, due to the sale transaction described in Note 16, we had the reclassification of items related to property, plant and equipment to the group of assets held for sale.

	Balance in December 2019	Additions	Write-offs	Transfers	**Balance in June 2020**
Total cost of property, plant and equipment, gross	43,358,751	1,542,540	(138,425)	-	44,762,866
Commutation/transmission equipment	22,817,681	412	(126,353)	1,830,857	24,522,597
Fiber optic cables	813,589	-	-	42,860	856,449
Leased handsets	2,489,995	452	(3,461)	74,410	2,561,396
Infrastructure	6,096,847	-	(1,796)	119,099	6,214,150
IT assets	1,721,251	1	(6,141)	41,908	1,757,019
General use assets	859,505	1	(335)	26,415	885,586
Right of use in leases	6,933,416	506,925	-	-	7,440,341
Land	40,794	-	-	-	40,794
Work in progress	1,585,673	1,034,749	(339)	(2,135,549)	484,534
					-
Total accumulated depreciation	(25,746,587)	(1,814,895)	129,447	-	(27,432,035)
Commutation/transmission equipment	(16,389,213)	(902,776)	120,545	-	(17,171,444)
Fiber optic cables	(410,567)	(36,591)	-	-	(447,158)
Leased handsets	(2,256,863)	(70,677)	745	-	(2,326,795)
Infrastructure	(3,593,833)	(218,172)	1,682	-	(3,810,323)
IT assets	(1,565,309)	(31,270)	6,140	-	(1,590,439)
General use assets	(590,658)	(23,721)	335	-	(614,044)
Right of use in leases	(940,144)	(531,688)	-	-	(1,471,832)
Total property, plant and equipment, net	17,612,164	(272,355)	(8,978)	-	17,330,831
Commutation/transmission equipment	6,428,468	(902,364)	(5,808)	1,830,857	7,351,153
Fiber optic cables	403,022	(36,591)	-	42,860	409,291
Leased handsets	233,132	(70,225)	(2,716)	74,410	234,601
Infrastructure	2,503,014	(218,172)	(114)	119,099	2,403,827
IT assets	155,942	(31,269)	(1)	41,908	166,580
General use assets	268,847	(23,720)	-	26,415	271,542
Right of use in leases	5,993,272	(24,763)	-	-	5,968,509

(In thousands of Reais, except as otherwise stated)

Land	40,794	-	-	-	40,794
Work in progress	1,585,673	1,034,749	(339)	(2,135,549)	484,534

Work in progress represent the cost of projects in progress related to the construction of networks and/or other tangible assets in the period of their construction and installation, until the moment they come into operation, when they will be transferred to the corresponding accounts of these assets.

The lease rights of use are represented by leased agreements of identifiable assets within the scope of IFRS16 / CPC 06 (R2) standard. These rights refer to leases of network infrastructure, stores and kiosks, real estate, land (Network) and fibre, as below:

Right of use in leases	Network infrastructure	Shops & kiosks & real estate	Land (Networ k)	Fibre	Total
Balances at December 31, 2020	3,019,900	400,262	1,500,909	1,404,438	6,325,509
Additions	167,034	156,445	101,357	166,185	591,021
Remeasurement	(58,934)	(35,042)	(17,883)	(27,184)	(139,043)
Depreciation	(249,971)	(52,585)	(102,458)	(191,332)	(596,346)
Balances at June 30, 2021	2,878,029	469,080	1,481,925	1,352,107	6,181,141
Useful life - %	9.00%	9.19%	10.11%	6.46%	

- <u>Depreciation rates</u>

	Annual fee %
Switching / transmission equipment	08–14.29
Fiber optic cables	4–10
Leased handsets	14.28–50
Infrastructure	4–20
IT assets	10–20
General use assets	10–20

In 2020, pursuant to IAS 16 / CPC 27, approved by a CVM Deliberation, the Company assessed the useful life estimates for their fixed assets, and concluded that there were no significant changes or alterations to the circumstances on which the estimates were based that would justify changes to the useful lives currently in use.

15. Intangible assets

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

Intangible assets are measured at historical cost less accumulated amortization and impairment losses (if applicable) and reflect: (i) the purchase of authorizations and rights to use radio frequency bands, and (ii) software in use and/or development. Intangible assets also include: (i) infrastructure right-of-use of other companies, and (ii) goodwill on expectation of future profits in purchases of companies.

(In thousands of Reais, except as otherwise stated)

Amortization charges are calculated using the straight-line method over the estimated useful life of the assets contracted and over the terms of the authorizations. The useful life estimates of intangible assets are reviewed regularly.

Any financial charges on funds raised (that is, without a specific destination) and used to obtain a qualifying asset, meaning an asset that requires a significant time to be ready for use, are capitalized as a portion of the cost of the asset when it is likely to bring future economic benefits to the entity and such costs can be accurately measured. These costs are amortized throughout the estimated useful lives of the assets. Within this concept, we had the capitalization of charges for the acquisition of the 4G license and cleaning of the frequency of the 700 MHZ band acquired until September 2019, when the asset was considered in operation by the administration and from this date, being classified in the authorizations subgroup, the capitalization of interest and charges on this asset was terminated. These costs are amortized over the estimated useful lives.

On June 30, 2021, and December 31, 2020, the company does not present indications of *impairment* in its intangible assets of defined and indefinite useful life.

The values of permits for the operation of SMP and rights to use radio frequencies, as well as *software*, goodwill and others are demonstrated as follows:

(a) Changes in intangible

	Balance in December 2020	Additions/ Amortization	Transfers	Assets held for sale (1)	**Balance in June 2020**
Total gross intangible cost	31,444,050	408,944	-	(1,247,778)	30,605,216
Right to use software	19,117,515	-	532,486	(169,731)	19,480,270
Authorizations	9,931,248	15,469	9,298	(1,737)	9,954,278
Goodwill	1,527,220	-	-	(1,076,154)	451,066
Right to use infrastructure - LT Amazonas	177,866	-	8,355	-	186,221
Other assets	329,626	-	178	-	329,804
Intangible assets under development	360,575	393,475	(550,317)	(156)	203,577
Total accumulated amortization	(22,416,975)	(883,265)	-	156,645	(23,143,595)
Right to use software	(16,378,487)	(595,753)	-	155,874	(16,818,366)
Authorizations	(5,816,241)	(270,975)	-	771	(6,086,445)
Right to use infrastructure - LT Amazonas	(67,966)	(4,227)	-	-	(72,193)
Other assets	(154,281)	(12,310)			(166,591)
Total intangible assets, net	9,027,075	(474,321)	-	(1,091,133)	7,461,621
Right to use software (c)	2,739,028	(595,753)	532,486	(13,857)	2,661,904
Authorizations (f)	4,115,007	(255,506)	9,298	(966)	3,867,833
Goodwill (d)	1,527,220	-	-	(1,076,154)	451,066
Right to use infrastructure-LT Amazonas (E)	109,900	(4,227)	8,355	-	114,028
Other assets	175,345	(12,310)	178	-	163,213

(In thousands of Reais, except as otherwise stated)

Intangible assets under development	360,575	393,475	(550,317)	(156)	203,577

(1) In June 2021, due to the sale transaction described in Note 16, we had the reclassification of items related to property, plant and equipment to the group of assets held for sale.

	Balance in December 2019	Additions/ Amortization	Write-offs	Transfers	**Balance in June 2020**
Total gross intangible cost	29,861,788	541,050	(659)	-	30,402,179
Right to use software	18,184,382	-	(656)	499,952	18,683,678
Authorizations	9,811,794	18,859	-	35,597	9,866,250
Goodwill	1,159,649	-	-	-	1,159,649
Right to use infrastructure - LT Amazonas	169,327	-	-	-	169,327
Other assets	327,361	-	-	552	327,913
Intangible assets under development	209,275	522,191	(3)	(536,101)	195,362
Total accumulated amortization	(20,561,032)	(943,030)	656	-	(21,503,406)
Right to use software	(15,093,166)	(659,809)	656	-	(15,752,319)
Authorizations	(5,278,413)	(266,788)	-	-	(5,545,201)
Right to use infrastructure - LT Amazonas	(60,204)	(3,881)	-	-	(64,085)
Other assets	(129,249)	(12,552)	-	-	(141,801)
Total intangible assets, net	9,300,756	(401,980)	(3)	-	8,898,773
Right to use software	3,091,216	(659,809)	-	499,952	2,931,359
Authorizations	4,533,381	(247,929)	-	35,597	4,321,049
Goodwill	1,159,649	-	-	-	1,159,649
Right to use infrastructure - LT Amazonas	109,123	(3,881)	-	-	105,242
Other assets	198,112	(12,552)	-	552	186,112
Intangible assets under development	209,275	522,191	(3)	(536,101)	195,362

Intangible assets under development represents the cost of projects in progress related to the intangible assets in the period of their construction and installation, until the moment they come into operation, when they will be transferred to the corresponding accounts of these assets.

(In thousands of Reais, except as otherwise stated)

(b) Amortization rates

	Annual fee %
Software licenses	20
Authorizations	5–50
Right to use infrastructure	5
Other assets	7–10

(c) Software licenses

Software maintenance costs are recognized as expense, as incurred. Development costs that are directly attributable to the design and testing of identifiable and exclusive controlled by the group are recognized as intangible assets when capitalization criteria are met.

Directly attributable costs that are capitalized as part of the software product are related to employee costs directly allocated in its development.

(d) Goodwill registered in previous years

The Company has the following goodwill, based on the expected future profitability on June 30, 2021 and December 31, 2020:

Goodwill from TIM Fiber SP and TIM Fiber RJ acquisitions - TIM Celular S.A (merged by Intelig, current TIM S.A) acquired, at the end of 2011, the companies Eletropaulo Telecomunicações Ltda. (which subsequently had its trade name changed to TIM Fiber SP Ltda. – "TIM Fiber SP") and AES Communications Rio de Janeiro S.A. (which subsequently had its trade name changed to TIM Fiber RJ S.A. – "TIM Fiber RJ"). These companies were SCM providers in the main municipalities of the Greater São Paulo and Greater Rio de Janeiro areas, respectively.

TIM Fiber SP Ltda. and TIM Fiber RJ. S.A. were merged into TIM Celular S.A. on August 29, 2012.

TIM Celular S.A. recorded the goodwill allocation related to the purchase of the companies TIM Fiber SP and TIM Fiber RJ, at the end of the purchase price allocation process, in the amount of R$ 1,159,649.

In June 2021, part of this goodwill was reclassified to the held-for-sale group due to the sale transaction described in Note 16.

On August 31, 2020, with the merger of TIM Participações S.A. by TIM S.A, the Company recorded the goodwill arising from the merger of the net assets of TIM Participações, which were originated in acquisition transactions as described below:

Goodwill acquisition of "Intelig" by TIM Participações – the goodwill arising from the acquisition of TIM S.A. (formerly "Intelig") in December 2009 in the amount of R$ 210,015 is represented/based on the expectation of future profitability of the Company. Its recoverability is tested annually, through the impairment testing.

Goodwill from the acquisition of minority interests in TIM Sul and TIM Nordeste – TIM Participações S.A. (merged by TIM S.A. in August 2020) acquired in 2005, all the shares of the minority shareholders of TIM Sul and TIM Nordeste, in exchange for shares issued by TIM Participações, converting these companies into full subsidiaries. The goodwill resulting from this transaction amounted to R$ 157,556.

Impairment test

As required by the accounting standard, the Company tests goodwill on business combinations involving TIM Group companies annually for impairment, and the methods and assumptions used by Management in the impairment testing of goodwill mentioned above are summarized below:

The management of the Company understands that the smallest unit generating cash for impairment testing of goodwill in the acquisition of the companies previously described covers the business at the consolidated level, therefore it covers the consolidated group. This methodology is aligned with the company's strategic direction. It is important to note that the results of the group are essentially represented by TIM S.A. Thus, the results of TIM S.A. are the main cash generator of the TIM Group, since the only operating company operating in Brazil is TIM S.A., and thus the Company represents a single cash-generating unit for the purpose of impairment test of assets with indefinite useful lives, pursuant to IAS 36 / CPC 01.

On December 31, 2020, the impairment test was performed by comparing the book value with the fair value minus the disposal costs of the asset, as foreseen in IAS 36 / CPC 01.

For the calculation of fair value, the level of hierarchy within which the measurement of the fair value of the asset (cash generating unit) is classified was considered. For the Company, as there is only one CGU this was classified in its entirety as Level 1, for the disposal costs we consider that it is irrelevant considering the variation between the fair value level 1 and the carrying amount of the cash generating unit.

The fair value of Level 1 financial instruments comprises the instruments traded in active markets and based on quoted market prices on the balance sheet date. A market is considered active when the quoted prices are readily and regularly available from an Exchange, distributor, broker, industry group, pricing service or regulatory agency, and these prices represent actual market transactions which occur regularly on a purely commercial basis.

Its securities are traded on BOVESPA with code (TIMS3) and have a regular trading volume that allows the measurement (Level 1) as the product between the quoted price for the individual asset or liability and the amount held by the entity.

The measurement was made based on the value of the share at the balance sheet closing date and sensitivity tests were also performed and in none of the scenarios was identified any indication of impairment, being the fair value determined higher than the carrying amount. Therefore, being the fair value higher than the book value, it is not necessary to calculate the value in use. The effects of TIM Participações holding (incorporated by TIM S.A) on the value of the book value were irrelevant and its effects on the result of the Consolidated Group. Therefore, the calculations carried out at the consolidated level essentially contemplate the results and accounting balances of TIM S.A., so the management of the Company concludes that the use of the fair value less of cost of sales methodology is adequate to conclude that there is no provision for impairment since the fair value less the cost of sales is higher than the total book value of the cash generating unit.

On June 30, 2021, the Company carried out the analysis of all tangible and intangible assets and did not identify any impairment indicators and, therefore, there was no need to review the impairment test in the period.

(e) Right to use infrastructure - Lt Amazonas

The company has signed infrastructure rights agreements with companies that operate electricity transmission lines in the Northern Region of Brazil. These contracts fall within the scope of IFRIC 4 / ICPC 3 as financial commercial leases.

Additionally, the Company has signed network infrastructure sharing agreements with Telefónica Brasil S.A., also in the North Region. In these, the two operators optimize resources and reduce their respective operating costs (Note 17).

(f) Authorizations

In this item are recorded the values related to the acquisition of Lot 2 in the auction of the 700 MHz band in the amount of R$ 1,739 million, in addition to the costs related to the cleaning of the frequency of the 700 MHZ band acquired, which totaled R$1,199 million, in nominal values. As it is a long-term obligation, the amount payable of R$ 1,199 million was reduced by R$ 47 million by applying the concept of adjustment to present value (“AVP”).

The aforementioned license falls under the concept of qualifying asset. Consequently, the financial charges on resources raised without a specific destination, used for the purpose of obtaining a qualifying asset, were capitalized between the years 2014 to 2019.

16. Assets classified as held for sale and liabilities related to assets held for sale

The Company classifies an asset as held for sale when its book value will be recovered primarily through a sale transaction, rather than continuous use. These held for sale assets are carried on balance sheet at the lowest value between their carrying value and the fair value less sales expenses

The criteria for classification of held for sale assets are met when the sale is highly likely and the asset or group of assets held for sale is immediately available for disposal in its current condition, subject only to the terms that are customary for the sale of such held for sale assets. The Company’s appropriate hierarchical level of management is committed to the asset's sale plan, having approved the agreement with IHS on May 5, 2021.

Property, plant and equipment and intangible assets are not depreciated or amortized when classified as held for sale.

Assets and liabilities classified as held for sale are presented separately.

All other notes to the quarterly information include amounts for continuing operations.

As mentioned in Note 3.g, on May 5, 2021, the Company disclosed the decision of its Board of Directors on the sale by TIM of 51% of the share capital of FiberCo to IHS, with the remaining 49% remaining under the control of the Company upon closing of the transaction. The relationship between the partners will be regulated by a shareholders' agreement that will occurs upon the closing of the transaction. Between the date of the agreement between the parties and the closing of the transaction, all assets and liabilities related to the transaction were allocated to this group.

FiberCo was established by the Company to segregate network assets and provide infrastructure services. FiberCo was born to implement, 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 an anchor customer, having the prerogative of 6 months of exclusivity after entering new areas.

(In thousands of Reais, except as otherwise stated)

On June 30, 2021, the group of assets held for sale is presented at their book value and comprises the following assets and their related liabilities:

	06/30/2021
Assets	
Recoverable taxes	22,433
Property, plant and equipment	1,058,460
Intangible assets	1,091,133
Goodwill	1,076,154
Other	14,979
Other	474
Non-current assets held for sale	2,172,500
Liabilities	
Suppliers	(32,812)
Payroll and related charges	(3,474)
Deferred income tax and social contribution	(365,892)
Other	(153)
Liabilities related to assets held for sale	(402,331)
Net assets directly associated with the held-for-sale group	1,770,169

There is no accumulated gain or losses included in other comprehensive income related to this group held for sale.

During the period ended June 30, 2021, no impairment losses on assets held for sale were recognized.

17. Leases

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

Leases that the Company, as a lessee, holds substantially all the risks and rewards of ownership are classified as finance leases. They are capitalized at the lease's commencement at the lower of the fair value of the leased asset and the present value of payments provided for in contract, and lease liability as a counterparty. Interest related to the leases is taken to income as financial costs over the term of the contract.

Leases in which the Company, as a lessor, transfers substantially all the risks and rewards of ownership to the other party (lessee) are classified as finance leases. These lease values are transferred from the intangible assets of the Company and are recognized as a lease receivable at the lower of the fair value of the leased item and/or the present value of the receipts provided for in the agreement. Interest related to the lease is taken to income as financial revenue over the contractual term.

(In thousands of Reais, except as otherwise stated)

Asset leases are financial assets or liabilities classified and/or measured at amortized cost.

Assets

	June 2021	December 2020
LT Amazonas	170,380	162,198
Subleases - Stores – IFRS 16	68,297	-
	238,677	162,198
Current portion	(28,336)	(5,357)
Non-current portion	210,341	156,841

LT Amazonas

As a result of the contract signed with LT Amazonas, the Company signed network infrastructure sharing agreements with Telefónica Brasil S.A. In these agreements, the company and Telefónica Brasil S.A. share investments made in the Northern Region of Brazil. The company has monthly amounts receivable from Telefónica Brasil S.A. for a period of 20 years, adjusted annually by the IPC-A. The discount rate used to calculate the present value of the installments due is 12.56% per annum, considering the date of signing the agreement.

The table below presents the schedule of cash receipts for the agreement currently in force, representing the estimated receipts (nominal values) in the signed agreements. These balances differ from those shown in the books since, in the case of the latter, the amounts are shown at present value:

	Nominal values	Present value
Up to June 2022	26,317	6,379
June 2022 to June 2026	106,491	36,256
July 2026 onwards	190,207	127,745
	323,015	170,380

Subleases - Stores - IFRS 16

The Company, due to sublease agreements for third parties in some of its stores, recognized the present value of short and long term receivables, which are equal in value and term to the liability cash flows of the contracts called “resale stores”. The impact on lease liabilities is reflected in “Leases - Stores & Kiosks”.

The table below presents the schedule of cash receipts for the agreement currently in force, representing the estimated receipts (nominal values) in the signed agreements. These balances differ from those shown in the books since, in the case of the latter, the amounts are shown at present value:

(In thousands of Reais, except as otherwise stated)

	Nominal values	Present value
Up to June 2022	26,565	21,957
June 2022 to June 2026	51,858	46,326
July 2026 onwards	14	14
	78,437	68,297

Liabilities

	June 2021	December 2020
LT Amazonas (i)	306,255	290,385
Sale of Towers (*leaseback*) (ii)	1,281,763	1,256,410
Other (iv)	119,196	115,027
Sub-total	1,707,214	1,661,822
Other leases (iii):		
Lease-network	3,142,366	3,252,463
Leases - Stores & kiosks	237,584	175,660
Lease-real estate	337,405	259,330
Lease - Land (Network)	1,611,050	1,606,567
Leases – Fiber	1,388,630	1,422,993
Subtotal lease IFRS 16 / CPC 06 (R2)	6,717,035	6,717,013
Total	8,424,249	8,378,835
Current portion	(1,186,239)	(1,054,709)
Non-current portion	7,238,010	7,324,126

The amount of interest paid in the period ended June 30, 2021 related to IFRS 16 / CPC 06 (R2) is R$ 291,650 (R$ 295,100 in the period ended on June 30, 2020).

Changes to the lease liabilities are shown in Note 37.

i) LT Amazonas

executed agreements for the right to use the infrastructure of companies that operate electric power transmission lines in Northern Brazil (“LT Amazonas”). The terms of these agreements are for 20 years, counted from the date on which the assets are ready to operate. The contracts provide for monthly payments to the electric power transmission companies, restated annually at the IPCA.

The discount rate used to calculate the present value of the installments due is 14.44% per annum, considering the signing date of agreements with transmission companies.

The table below presents the future payment schedule for the agreements in force, representing the estimated disbursements (nominal values) in the signed agreements. These nominal balances differ from those shown in the books since, in the case of the latter, the amounts are shown at present value:

(In thousands of Reais, except as otherwise stated)

	Nominal values	Present value
Up to June 2022	56,459	16,352
June 2022 to June 2026	202,271	59,291
July 2026 onwards	361,422	230,612
	620,152	306,255

ii) Sale and *leaseback* of Towers

The Company entered into two Sales Agreements with American Tower do Brasil Cessão de Infraestruturas Ltda. (“ATC”) in November 2014 and January 2015 for up to 6,481 telecommunications towers then owned by TIM Celular, for an amount of approximately R$ 3 billion, and a Master Lease Agreement (“MLA”) for part of the space on these towers for a period of 20 years from the date of transfer of each tower, under a sale and leaseback transaction, with a provision for monthly rental amounts depending on the type of tower (greenfield or rooftop). The sales agreements provided for the towers to be transferred in tranches to ATC, due to the need to meet certain conditions precedent.

In total, 5,873 transfers of towers occurred, being 54, 336 and 5,483 in the years 2017, 2016 and 2015, respectively. This transaction resulted in a sales amount of R$ 2,651,247, of which R$ 1,088,390 was booked as deferred revenue and will be amortized over the period of the contract (note 22).

The discount rates used at the date of the transactions, ranging from 11.01% to 17.08% per annum, were determined based on observable market transactions that the company (the lessee) would have to pay on a similar lease and/or loan.

The table below presents the future payment schedule for the agreements in force, representing the estimated disbursements (nominal values) in the agreement entered into. These balances differ from those shown in the books since, in the case of the latter, the amounts are shown at present value:

	Nominal values	Present value
Up to June 2022	195,288	16,718
June 2022 to June 2026	842,253	182,669
July 2026 onwards	1,918,288	1,082,376
	2,955,829	1,281,763

(iii) Other leases:

In addition to the lease operations mentioned above, the Company also has lease agreements that qualify within the scope of IFRS16 / CPC 06 (R2).

The table below presents the future payment schedule for the agreements in force, representing the estimated disbursements (nominal values) in the signed agreements. These balances differ from those shown in the books since, in the case of the latter, the amounts are shown at present value:

(In thousands of Reais, except as otherwise stated)

	Up to June 2022	June 2022 to June 2026	July 2026 onwards	Nominal values	Present value
Total other leases	1,665,195	4,761,373	2,861,283	9,287,851	6,717,035
Lease-network	730,887	2,208,917	1,413,523	4,353,327	3,142,366
Leases - Stores & kiosks	96,623	172,804	1,245	270,672	237,584
Lease-real estate	67,218	209,317	253,335	529,870	337,405
Lease - Land (Network)	321,549	1,058,938	1,193,180	2,573,667	1,611,050
Leases – Fiber	448,918	1,111,397	-	1,560,315	1,388,630

The present value, principal and interest value on June 30, 2021 for the above contracts was estimated month-to-month, based on the average incremental rate of the Company's loans, namely 8.62% (9.43% in 2020).

The lease amounts considered low value or lower in the 12-month period recognized as rental expense on June 30, 2021 is R$ 15,657 (R$ 28,523 on December 31, 2020).

(iv) it is substantially represented by commercial leasing transactions in transmission towers.

18. Other amounts recoverable

The balances on June 30, 2021, presented below, represent the individual and consolidated amounts.

These refer to Fistel credit amounts arising from the reduction of the client base, which may be offset by future changes in the base, or used to reduce future obligations, and are expected to be used in the reduction of the TFF contribution (operating supervision fee) due to Fistel.

On June 30, 2021, this credit is R$ 42,498 (R$ 43,906 on December 31, 2020).

19. Suppliers

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

Accounts payable to suppliers are obligations payable for goods or services that were acquired in the usual course of business. They are initially recognized by fair value and subsequently measured by amortized cost using the effective interest rate method. Given the short maturity of these obligations, in practical terms, they are usually recognised at the value of the corresponding invoice.

	June 2021	December 2020
	2,589,997	3,128,732
Local currency	2,448,087	2,932,486

(In thousands of Reais, except as otherwise stated)

Suppliers of materials and services (a)	2,337,587	2,839,547
Interconnection (b)	79,820	64,066
Roaming (c)	216	212
Co-billing (d)	30,464	28,661
Foreign currency	141,910	196,246
Suppliers of materials and services (a)	114,654	148,888
Roaming (c)	27,256	47,358
Current portion	2,589,997	3,128,732

(a) Represents the amount to be paid to suppliers in the acquisition of materials and in the provision of services applied to the tangible and intangible asset or for consumption in the operation, maintenance and administration, in accordance with the terms of the contract between the parties.

(b) Are referred to as the use of the network of other fixed and mobile operators such cases where calls are initiated on the TIM network and terminated on the other operators.

(c) refers to calls made when the customer is outside their registration area and is considered a visitor on the other network.

(d) refers to calls made by the customer when choosing another long-distance operator.

20. Authorizations payable

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

As of June 30, 2021, the Company had the following commitments with ANATEL:

	June 2021	December 2020
Renewal of authorizations (i)	183,253	188,498
Updated ANATEL liability (ii)	161,797	146,949
	345,050	335,447
Current portion	(131,053)	(102,507)
Non-current portion	213,997	232,940

(i) To provide the SMP, the Company obtained authorizations of the right to use radio frequency for a fixed term, renewable for another 15 (fifteen) years. In the option for the extension of the right of this use, it is due the payment of the amount of 2% on the net revenue of the region covered by the authorization that ends each biennium. On June 30, 2021, the Company had balances falling due related to renovation of authorizations in the amount of R$ 183,253 (R$ 188,498 on December 31, 2020).

(In thousands of Reais, except as otherwise stated)

(ii) On December 5, 2014, the company signed the authorization term of the 700 MHz band and paid the equivalent of R$1,678 million, recording the remaining balance in the amount of R$ 61 million as commercial liability, according to the payment method provided for in the notice.

On June 30, 2015, the company filed a lawsuit questioning the collection of the excess nominal value of R$ 61 million (R$ 162 million on June 30, 2021) which is still pending trial.

The primary authorizations held by TIM S.A. on June 30, 2021, as well as their expiration dates, are shown in the table below:

	Maturity date						
Terms of authorization	450 MHz	800 MHz, 900 MHz and 1,800 MHz	Additional frequencies 1800 MHz	1900 MHz and 2100 MHz (3G)	2500 MHz V1 band (4G)	2500 MHz (P band**) (4G)	700 MHz (4G)
Amapá, Roraima, Pará, Amazonas and Maranhão	-	Mar 2031*	Apr 2023	Apr 2023	Oct 2027	Part of AR92 (PA), Feb 2024*	Dec 2029
Rio de Janeiro and Espírito Santo	Oct 2027	Mar 2031*	ES, Apr 2023	Apr 2023	Oct 2027	Part of AR21 (RJ), Feb 2024*	Dec 2029
Acre, Rondônia, Mato Grosso, Mato Grosso do Sul, Tocantins, Distrito Federal, Goiás, Rio Grande do Sul (except for the municipality of Pelotas and region) and municipalities of Londrina and Tamarana in Paraná	PR, Oct 2027	Mar 2031*	Apr 2023	Apr 2023	Oct 2027	Part of AR61 (DF), Feb 2024*	Dec 2029
São Paulo	-	Mar 2031*	Countryside, Apr 2023	Apr 2023	Oct 2027	-	Dec 2029
Paraná (except counties of Londrina and Tamarana)	Oct 2027	Sep 2022*	Apr 2023	Apr 2023	Oct 2027	AR41, except Curitiba and the Metropolitan Region, Feb 2024* AR41, Curitiba and Metropolitan Region, July 2031	Dec 2029
Santa Catarina	Oct 2027	Sep 2023*	Apr 2023	Apr 2023	Oct 2027	-	Dec 2029
Municipality and region of Pelotas, in the state of Rio Grande do Sul	-	Apr 2024*	-	Apr 2023	Oct 2027	-	Dec 2029
Pernambuco	-	May 2024*	-	Apr 2023	Oct 2027	Part of AR81, July 2031	Dec 2029
Ceará	-	Nov 2023*	-	Apr 2023	Oct 2027	-	Dec 2029
Paraíba	-	Dec 2023*	-	Apr 2023	Oct 2027	-	Dec 2029
Rio Grande do Norte	-	Dec 2023*	-	Apr 2023	Oct 2027	-	Dec 2029
Alagoas	-	Dec 2023*	-	Apr 2023	Oct 2027	-	Dec 2029
Piauí	-	Mar 2024*	-	Apr 2023	Oct 2027	-	Dec 2029
Minas Gerais (except the municipalities of Sector 3 of the	-	Apr 2028*	Apr 2023	Apr 2023	Oct 2027	Part of AR31, Feb 2030*	Dec 2029

(In thousands of Reais, except as otherwise stated)

PGO for 3G radio frequencies and leftovers)							
Bahia and Sergipe	-	Aug 2027*	-	Apr 2023	Oct 2027	-	Dec 2029

* Terms already renewed for 15 years.
** Only complementary areas in specific states.

21. Loans and financing

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

They are classified as financial liabilities measured at amortized cost, being represented by non-derivative financial liabilities that are not usually traded before maturity.

At the initial recognition they are recorded by their fair value, and after initial recognition, they are measured by the effective interest rate method. Appropriations of financial expenses according to the effective interest rate method are recognized in income, under financial expenses.

Description	Currency	Charges	Maturity	June 2021	December 2020
KFW Finnvera (2)	USD	Libor 6M+ 0.75% p.a.	Jan 2024–Dec 2025	290,017	344,125
BAML (2)	EUR	0.279% p.a.	Aug 2021	530,541	570,844
Scotia (2)	USD	1,734%–1.4748% p.a.	Aug 2021–Apr 2024	942,183	1,030,761
BNP Paribas (2)	USD	1,241%–7.0907% p.a.	Jan 2022–Jan 2024	892,502	399,302
Debentures (2)	BRL	IPCA + 4.1682% (1)	June 2028	1,570,978	-
Total				4,226,221	2,345,032
Current				(1,445,736)	(1,689,385)
Non-current				2,780,485	655,647

(1) The automatic decrease of up to 0.25bps in remunerative interest will comply with sustainable targets established in the indenture.

<u>Guarantees</u>

(2) Does not have a guarantee.

The Company's financing, contracted with BNDES, was obtained for the expansion of the mobile telephone network and had restrictive contractual clauses that provide for the fulfilment of certain financial and non-financial rates calculated every six months. In February 2020 the company made the full prepayment of financing obtained from BNDES, however there are still contracts in effect with the bank regulating the lines of credit available for withdrawal that are shown in the table below: Financial indices are: (1) Shareholders' equity over total assets; (2) EBITDA on net financial expenses; (3) Total financial debt on EBITDA and (4) Short-term net financial debt to EBITDA. The Company has been complying with all the established financial ratios.

(In thousands of Reais, except as otherwise stated)

In April 2021, the Company contracted a new loan with The Bank of Nova Scotia, in the amount of R$ 572 million, at the cost of CDI + 1.05% p.a. and a 3-year term. The operation aimed to strengthen the Company's cash for working capital.

In April 2021, the Company contracted a new loan with BNP Paribas, in the amount of R$ 500 million, at the cost of CDI + 1.07% p.a. and a 2.9-year term. The operation aimed to strengthen the Company's cash for working capital.

In June 2021, the Company carried out the second issue of simple, non-convertible, unsecured debentures, carried out pursuant to CVM Instruction No. 476, in the amount of R$ 1,600 million. The debentures have a sustainable component that allows them to be qualified as sustainability-linked and, in case of compliance with the sustainable targets established in the indenture, the remunerative interest of IPCA + 4.1682% p.a. can be automatically reduced by up to 0.25bps. The debentures will bear semiannual interest and amortization will take place, respectively, in the 5th, 6th and 7th year. The issue was aimed at financing projects for the implementation, expansion and modernization of fixed and mobile networks in different technologies, including 5G, and falls within the provisions of Law No. 12431 of June 24, 2011. Within the scope of this operation, the Company elected to sign an interest rate swap contract for hedging purposes, at the cost of CDI + 0.95% per annum. During the term of the operation, compliance with the financial ratio of Net debt to EBITDA, an indicator that has been met to date, must also be observed.

The table below shows the position of financing and available lines of credit:

Currency	Currency	Term	Term	Total amount	Remaining amount	Amount used up to June 30, 2021
BNDES (i)	TJLP	May 2018	Mar 2022	1,090,000	1,090,000	-
BNDES (ii)	TJLP	May 2018	Mar 2022	20,000	20,000	-
FINAME (iii)	IPCA	Mar 2019	Mar 2022	390,000	390,000	-
BNB (iv)	IPCA	Jan 2020	June 2023	752,479	752,479	-
Total R$:				2,252,479	2,252,479	-

Objective:

(i) Support to TIM's investment plan for the years 2017 to 2019 including, but not limited to, the acquisition of National equipment
(ii) Investments in social projects within the community
(iii) Exclusive application in the acquisition of machinery and equipment, industrial systems and/or other components of national manufacture.
(iv) Support to TIM's investment plan for the years 2020 to 2022 in the region of operation of Banco do Nordeste do Brasil

Loans and financing on June 30, 2021 due in long-term is in accordance with the following schedule:

2022	39,209
2023	78,980
2024	1,051,767
2025	21,913

(In thousands of Reais, except as otherwise stated)

2026	528,779
2027	528,779
2028	531,058
	2,780,485

The nominal value of the loans and financing is consistent with their respective payment schedule.

	Nominal value
2021	1,024,653
2022	460,292
2023	78,980
2024	1,051,767
2025	21,913
2026	528,779
2027	528,779
2028	531,058
	4,226,221

Borrowing fair value

In Brazil, there is no consolidated long-term debt market with the characteristics verified in the financing obtained from KFW Finnvera, which has the Finnish development agency Finnvera as guarantor. Both are financing for the purchase of equipment and, therefore, have a character of subsidy and promotion of commercial activity between the company and certain suppliers. For the purposes of fair value analysis, considering the characteristics of this transaction, the company understands that its fair value is equal to that recorded on the balance sheet.

With respect to proceeds contracted with the Bank of Nova Scotia, Bank of America, BNP Paribas and Debentures, the fair value of these loans is considered to be the present value of the active tip of the swap contracts that protect the company from changes in exchange rates and interest. The fair value of the operations on June 30, 2021 is, respectively, R$ 955,338, R$ 530,767, R$ 498,672 and R$ 1,655,598.

22. Indirect taxes, fees and contributions payable

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

	June 2021	December 2020
Indirect taxes, fees and contributions payable	1,159,001	938,880
Value added tax on goods and services - ICMS	323,596	359,498
ANATEL's taxes and charges (1)	772,425	509,087
Service tax - ISS	60,278	66,082
Other	2,702	4,213

(In thousands of Reais, except as otherwise stated)

Current portion	(1,155,850)	(935,778)
Non-current portion	3,151	3,102

(1) The Fistel fee, in the approximate amount of R$790 million for the period of 2020 has been deferred from the start of its payment, on the basis of provisional act 952 of April 15, 2020 for August 31, 2020. In the third quarter of 2020, the Company made a partial payment in the amount of R$ 300 million and the remaining amount related to Fistel (TFF) remains outstanding, based on an injunction issued by the Regional Court of the 1st Region.

In 2021, there was the partial payment of fees of approximately R$ 300 million related to CFRP and Condecine and the remaining amount related to Fistel (TFF) remains suspended, with no defined date for payment based on injunction issued by the Regional Court of the 1st Region.

In the 2nd quarter of 2021, there was the recognition of R$42.5 million in default interest on Fistel (TFF) amounts related to fiscal years 2020 and 2021 with suspended payment.

23. Direct taxes, charges and contributions payable

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

Current income tax and social contribution charges are calculated on the basis of the tax laws enacted, or substantially enacted, up to the balance sheet date.

The legislation allows companies to opt for quarterly or monthly payment of income tax and social contribution. In 2021, the Company has chosen to make the quarterly payment of income tax and social contribution.

	June 2021	**December 2020**
Direct taxes, charges and contributions payable	191,834	508,743
Income tax and social contribution	71,594	313,145
PIS / COFINS	43,750	154,353
Other (1)	76,490	41,245
Current portion	(176,897)	(296,299)
Non-current portion	14,937	212,444

(1) The breakdown of this account mainly refers to the company's adhesion to the Tax Recovery Program - REFIS from 2009 for payment of installments of the outstanding debts of federal taxes (PIS – Social Integration Program, COFINS – Contribution to Social Security Financing, IRPJ – Corporate Income Tax and CSLL – social contribution on Net Income), whose final maturity will be on October 31, 2024.

(In thousands of Reais, except as otherwise stated)

24. Deferred revenues

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

	June 2021	December 2020
Deferred revenues	919,436	1,021,924
Prepaid services (1)	123,213	189,482
Government grants (2)	16,765	24,732
Anticipated revenue	9,836	11,163
Deferred revenue on sale of towers (3)	761,874	788,921
Contractual liabilities (4)	7,748	7,626
Current portion	(197,343)	(266,436)
Non-current portion	722,093	755,488

(1) Referring to the recharge of voice credits and data not yet used by customers relating to prepaid system services that are appropriate to the result when the actual use of these services by clients.

(2) Referring to the release of resources related to the financing line with BNDES (Investment Support Program-BNDES PSI). The sum of grants granted by BNDES up to June 30, 2021 is R$ 203 million and the outstanding amount on June 30, 2021 is R$ 16,765 (R$ 24,732 on December 31, 2020). This amount is being amortized by the lifespan of the asset being financed and appropriated in the group of "other net income (expenses)" (Note 30).

(3) Referring to the amount of revenue to be appropriated by the sale of the towers (note 17).

(4) Contracts with customers. The balance of contractual assets and liabilities is as follows:
The table below presents information on the portion of trade accounts receivable, from which contractual assets and liabilities originate.

	June 2021	December 2020
Accounts receivable included in trade accounts	2,053,177	2,000,764
Contractual assets (Note 6)	11,479	14,914
Contractual liabilities	(7,748)	(7,626)

The contracts with customers gave rise to the allocation of discounts under combined loyalty offers, where the discount may be given on equipment and / or service, generating a contractual asset or liability, respectively, depending on the nature of the offer in question.

Summary of the main changes for the period:

	Contractual assets (liabilities)
Balance at January 1, 2021	7,288
Additions	5,694

(In thousands of Reais, except as otherwise stated)

Write-offs	(9,251)
Balance at June 30, 2021	3,731

The balances of contractual assets and liabilities are expected to be realized according to the table below:

	2021	**2022**	**2023**
Contractual assets (liabilities)	3,678	206	(153)

The Company in line with paragraph 121 of IFRS 15, is not presenting the effects of information on customer contracts with terms of duration of less than 1 year.

(In thousands of Reais, except as otherwise stated)

25. Provision for judicial and administrative proceedings

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

The company is an integral part in judicial and administrative proceedings in the civil, labour, tax and regulatory spheres, which arise in the normal course of its business.

The provision is constituted based on the opinions of the company's legal advisors and management, for amounts considered sufficient and adequate to cover losses and risks considered probable. Situations where losses are considered probable and possible are recorded and disclosure, respectively, by their updated values, and those in which losses are considered remote are not disclosed.

The provision for judicial and administrative proceedings constituted, updated, is composed as follows:

	June 2021	December 2020
Provision for judicial and administrative proceedings	953,946	886,947
Civil (a)	279,243	245,432
Labor (b)	208,476	213,026
Tax (c)	436,813	399,288
Regulatory (d)	29,414	29,201

The changes in the provision for judicial and administrative proceedings are summarized below:

	December 2020	Additions, net of reversals	Payments	Currency update	June 2021
	886,947	170,832	(178,666)	74,833	953,946
Civil (a)	245,432	98,185	(111,159)	46,785	279,243
Labor (b)	213,026	46,037	(59,054)	8,467	208,476
Tax (c)	399,288	26,566	(8,453)	19,412	436,813
Regulatory (d)	29,201	44	-	169	29,414

The Company is subject to several legal actions and administrative procedures proposed by consumers, suppliers, service providers and consumer protection agencies and treasury agencies, which deal with various matters that arise in the normal course of the entities' business. The main processes are summarized below:

<u>a. Civil proceedings</u>

a. 1 Consumer lawsuits

The Company is a party in lawsuits related to various claims filed by consumers, in the judicial and administrative spheres. The aforementioned actions in the amount of R$ 153,587 (R$ 139,429 on December 31, 2020) refer mainly to alleged improper collection, cancellation of contract, quality of services, defects and failures in the delivery of handsets and improper inclusion in debtors lists.

(In thousands of Reais, except as otherwise stated)

a.2 Consumer Protection Agencies

TIM is a party to legal and administrative lawsuits filed by the Public Prosecutor's Office, Procon and other consumer protection agencies, arising from consumer complaints, in which, it is discussed: (i) alleged failures in the provision of network services; (ii) questions of quality in service; (iii) alleged violations of the SAC [customer service hotline] decree; (iv) alleged contractual violations; (v) alleged misleading advertising and; (vi) discussion of the collection of loyalty fines, in cases of theft and robbery of the device. The amounts involved are equivalent to R$ 69,772 (R$ 51,713 on December 31, 2020).

a.3 Former trading partners

TIM is a defendant in lawsuits proposed by former trade partners claiming, among others, amounts on the basis of alleged non-compliance with agreements. The amounts involved are equivalent to R$ 18,208 (R$ 18,634 on December 31, 2020).

a.4 Other

TIM is a defendant in other actions of essentially non-consumer objects proposed by the most diverse agents from those described above, in which, among others, it is discussed: (i) renewal of lease agreements; (ii) shareholding subscription shares; (iii) indemnity actions; (iv) alleged breach of contract and; (v) collection lawsuits. The amounts involved are equivalent to R$ 35,617 (R$ 33,682 on December 31, 2020).

a.5 Social and environmental and infrastructure

The Company is a party to lawsuits involving various agents who discuss aspects related to licensing, among which environmental licensing and structure licensing (installation/operation). The amounts involved are equivalent to R$ 646 (R$ 610 on December 31, 2020).

a.6 ANATEL

The Company is a party to lawsuits in front of ANATEL, in which it is discussed: (i) debit related to the collection of 2% of revenues from Value - Added Services-VAS and interconnection; (ii) pro-rata inflation adjustment applied to the price proposal defined in the notice for the use of 4G frequencies and (iii) alleged non-compliance with service quality targets. The amounts involved are equivalent to R$ 1,413 (R$ 1,364 on December 31, 2020).

b. Labor lawsuits

These are processes involving several labor claims filed by both former employees, in relation to matters such as salary differences, levelling, payments of variable compensation, additional legal and working hours, as well as by former employees of service providers, all of whom, taking advantage of the labor laws in force require it to keep the Company in compliance with labor obligations does not abided by contractors hired for that purpose.

From the total of 1,313 labor claims on June 30, 2021 (1,873 on December 31, 2020) filed against the Company, the majority relate to claims involving former employees of service providers followed by lawsuits from employees of their own. The provisioning of these claims totals R$ 208,476 adjusted for inflation (R$ 213,026 on December 31, 2020).

c. Tax proceedings

	June 2021	December 2020

Federal Taxes	185,922	182,146
State Taxes	168,572	135,891
Municipal Taxes	7,493	5,633
TIM S.A. processes (Purchase price allocation)	74,826	75,618
	436,813	399,288

The total recorded provision is substantially composed of the following processes whose indicated values are estimated by the indices established by the federal government for late taxes, being linked to the change in the SELIC rate:

Federal taxes

The provision is substantially composed of the following processes:

(i) The provision for TIM S.A. supports sixty-four proceedings, relating to questions involving the impact on operations of CIDE, CPMF, CSLL, IRRF, spontaneous denunciation of the fine in the payment of FUST and ancillary obligations. Of this total, the amounts involved in the legal proceedings that seek recognition of the right not to collect the CPMF allegedly incident on simultaneous transactions of purchase and sale of foreign currency and exchange of account ownership arising from corporate incorporation, whose provisioned values, updated, equal to R$ 8,400 (R$ 8,355 on December 31, 2020), as well as the amount related to the fine and interest of the contribution to FUST of 2009, where the benefit of spontaneous denunciation is not being recognized, whose provisioned and updated value is R$ 14,881 (R$ 14,771 on December 31, 2020).

(ii) The Company constituted a provision for a process aimed to collecting the pension contribution withheld at the rate of 11% to which, allegedly, payments made by the company to other legal entities should have been submitted as remuneration for various activities, whose provisioned and updated value is R$ 38,867 (R$ 38,584 on December 31, 2020).

(iii) Additionally, in the second quarter of 2019, the company constituted the provision for the FUST process, which seeks the unconstitutionality and illegality of the collection of FUST (Telecommunications Services Universalization Fund). Lawsuit for the recognition of the right not to collect Fust, failing to include in its calculation base the revenues transferred by way of interconnection and EILD (Dedicated Line Industrial Exploitation), as well as the right not to suffer the retroactive collection of the differences determined due to not observing sum 7/2005 of ANATEL, in the amount of R$ 59,395 (R$ 58,988 on December 31, 2020).

(iv) In June, 2020, the company recorded a provision for federal compensation processes arising from a tax reassessment carried out in 2006, for which the documentary support was not robust enough after appraisals carried out. The provisioned and updated value is R$ 5,361 (R$ 5,313 on December 31, 2020).

State Taxes

The provision is substantially composed of the following processes:

The provision of the TIM S.A. in support of eighty-eight cases, among which the following stand out: (i) the amounts involved in the proceedings, that question the reversal of the amounts payable for the ICMS tax, as well as the supporting documentation for the verification of the tax credits are appropriate for the Company whose values are recorded up-to-date, amounting to R$ 36,832 (R$ 36,491 on December 31, 2020), (ii) the amount to be offered to tax for the provision of telecommunications services, which is up-to-date, equal to R$ 5,181 (R$ 5,135 on December 31, 2020), as well as (ii) the charges on the grounds of supposed differences in both the inputs as the output of goods in the process of the withdrawal amount of the inventory, whose values are updated to the equivalent of R$ 24,340 (R$ 15,751 on December 31, 2020); (iv) the launching of credits related to the return of leased handsets, whose updated amounts are equivalent to R$ 7,139 (R$ 11,125 on December 31, 2020); (v) subsidies for the handset, whose values are updated to the equivalent of R$ 8,825 (R$ 8,767 on December 31, 2020), (vi) amounts allegedly improperly credited relating to CIAP credits, whose updated amounts are equivalent to R$ 15,083 (R$ 14,912 on December 31, 2020) and (vii) credits related to tax substitution operations, whose updated amounts are equivalent to R$ 21,556.

(In thousands of Reais, except as otherwise stated)

Municipal Taxes

It is also worth noting the amounts involved in the assessments that questions the withholding and collection of the ISS-source of third-party services without employment relationship, as well as the collection of its own ISS corresponding to services provided in *co-billing*.

PPA TIM S.A.

There are tax lawsuits arising from the acquisition of former Intelig (current TIM S.A.) due to the former parent company of the TIM Participações group, which comprise the process of allocating the acquisition price of the former Intelig that totalizes R$ 74,826 (R$ 75,618 on December 31, 2020).

d. Regulatory processes

ANATEL initiated administrative proceedings against the Group for: (i) non-compliance with certain quality indicators; (ii) non-compliance with other obligations derived from the terms of authorization and; (iii) non-compliance with the SMP and STFC regulations, among others.

On June 30, 2021, the amount indicated for the procedures for the determination of non-compliance with obligations (“PADOs”), considering the inflation adjustment, classified with risk of probable loss is R$ 29,414 (R$ 29,201 on December 31, 2020).

e. Judicial and administrative proceedings whose losses are assessed as possible

The Company has actions of a civil, labor, tax and regulatory nature involving risks of loss classified by its legal advisors and the administration as possible, for which there is no provision for legal and administrative proceedings constituted, and no adverse material effects are expected in the quarterly information, according to the values presented below:

	June 2021	**December 2020**
	17,316,330	18,147,562
Civil (e. 1)	1,238,674	1,101,332
Labor and Social Security (e. 2)	413,300	340,801
Tax (e. 3)	15,546,875	16,586,353
Regulatory (e. 4)	117,481	119,076

Legal and administrative proceedings whose losses are assessed as possible and monitored by Management are disclosed at their updated values.

The main lawsuits with risk of loss classified as possible are described below:

(In thousands of Reais, except as otherwise stated)

e.1. Civil

	June 2021	December 2020
Consumer lawsuits (e. 1. 1)	181,159	220,347
ANATEL (e.1.2)	251,123	223,066
Consumer protection agencies (e.1.3)	339,824	160,279
Former trading partners (e.1.4)	231,869	193,529
Environmental and infrastructure (e.1.5)	163,236	154,187
Other (e.1.6)	71,463	149,924
	1,238,674	1,101,332

e. 1. 1 Consumer lawsuits

They mainly refer to actions for alleged improper collection, cancellation of contract, quality of services, defects, unilateral contract amendment and undue negative entry.

e.1.2 ANATEL

The Company is a party to lawsuits against ANATEL, in which it is discussed: (i) debit related to the collection of 2% of revenues from Value - Added Services-VAS and interconnection; (ii) pro-rata inflation adjustment applied to the price proposal defined in the notice for the use of 4G frequencies and (iii) alleged non-compliance with service quality targets.

e.1.3 Consumer protection agencies

TIM is a party to legal and administrative lawsuits filed by the Public Prosecutor's Office, Procon and other consumer protection agencies, arising from consumer complaints, in which, it is discussed: (i) alleged failures in the provision of network services; (i) alleged failure in the delivery of handsets; (iii) alleged non-compliance with state laws; (iv) hiring model and alleged improper charges of Value-Added Services-VAS; (v) alleged violations of the SAC decree; **e.** and (vii) blocking of data.

e.1.4 Former Trading Partners

TIM is a defendant in actions proposed by several former trading partners in which are claimed, among others, values based on alleged contractual defaults.

1. 5 Social and environmental and infrastructure

The Company is a party to lawsuits involving various agents that discuss aspects related to (1) environmental licensing and structure licensing (installation/operation) and (2) (i) electromagnetic radiation emitted by Telecom structures; (ii) renewal of land leases for site installation; (iii) dumping on leased land for site installation; (iv) presentation of registering data, among others.

e.1.6 Other

TIM is a defendant in other actions of essentially non-consumer objects proposed by the most diverse agents from those described above, in which, among others, it is discussed: (i) renewal of lease agreements; (ii) shareholding subscription shares; (iii) indemnity actions; (iv) alleged breach of contract and; (v) collection lawsuits.

(In thousands of Reais, except as otherwise stated)

e.2. Labor and Social Security

e.2.1. Social Security

TIM S.A received a Tax Notice for the Release of the Debt relating to the alleged irregularity in the payment of social security contributions relating to the payment of Profit Sharing, in the likely amount of R$ 23,780 (R$ 10,467 on December 31, 2020). Moreover, it received Tax Notifications of Release of Debts, referring to the alleged irregularity in the collection of Social Security contributions on installments received as indemnity allowances, unadjusted bonuses, hiring bonuses and incentives, in the total possible amount of R$ 62,700, updated (R$ 22,829 updated on December 31, 2020).

e.2.2. Labor

There are 3,347 Labor claims on June 30, 2021 (3,038 as of December 31, 2020) filed against the There are 3,347 labor claims on June 30, 2021 (3,038 as of December 31, 2020) filed against the Company and with possible risk, concerning claims involving former employees and employees of service providers in the amount of updated R$ 350,600 (R$ 317,971 on December 31, 2020).

The other values are related to labor lawsuits of various requests filed by former employees of their own and third-party companies.

e.3. Tax

	June 2021	December 2020
	15,546,875	16,586,353
Federal taxes (e. 3.1)	2,966,945	4,268,212
State taxes (e.3.2)	8,804,598	8,562,352
Municipal taxes (e. 3. 3)	747,513	740,813
FUST, FUNTTEL and EBC (e.3.4)	3,027,819	3,014,976

The values presented are corrected, in an estimated way, based on the SELIC index. The historical amount involved is R$ 11,673,746 (R$ 11,976,959 on December 31, 2020).

e.3.1. Federal Taxes

The total amount assessed against the TIM Group in relation to federal taxes is R$ 2,966,945 on June 30, 2021 (R$ 4,268,212 on December 31, 2020). Of this value, the following discussions stand out mainly:

a. Allegation of alleged incorrect use of tax credits for carrying out a reverse merger, amortization of goodwill paid on the acquisition of cell phone companies, deduction of goodwill amortization expenses, exclusion of goodwill reversal, other reflections and disallowances of compensations and deductions paid by estimate, allegedly improper use of the SUDENE benefit due to lack of formalization of the benefit at the Internal Revenue Service (RFB), and failure to pay IRPJ and CSLL due by estimate. The amount involved is R$ 1,438,040 (R$ 2,715,670 on December 31, 2020). The Company was notified of the decision on 04/28/2021 and, as a result, the partial success of R$1.4 billion was confirmed.

b. Compensation method for tax losses and negative bases. The amount involved is R$ 151,984 (R$ 193,181 on December 31, 2020).

c. Collection of CSLL on currency changes arising from swap transactions accounted for by the cash regime. The amount involved is R$68,025 (R$ 67,572 on December 31, 2020).

d. Collection of IRRF [withholding income tax] on income of residents abroad, including those remitted by way of international roaming and payment to unidentified beneficiaries, as well as the collection of CIDE on payment of royalties on remittances abroad, including remittances by way of international roaming. The amount involved is R$ 261,740 (R$ 259,088 on December 31, 2020).

e. Collection of IRPJ, PIS/COFINS and CSLL debits arising from non-homologation or partial homologation of compensations made by the Company from credits of withholding taxes on financial investments and negative balance of IRPJ. The amount involved is R$ 402,671 (R$ 399,691 on December 31, 2020).

e.3.2. State Taxes

The total amount charged against the TIM Group in respect of state taxes on June 30, 2021 is R$ 8,804,598 (R$ 8,562,352 on December 31, 2020). Of this value, the following discussions stand out mainly:

a. Non-inclusion in the ICMS calculation basis of unconditional discounts offered to customers, as well as a fine for the alleged failure to comply with a related accessory obligation, including for the failure to present the 60i record of the SINTEGRA file. The amount involved is R$ 1,115,359 (R$ 1,128,741 on December 31, 2020).

b. Use of tax benefit (program for the promotion of integrated and sustainable economic development of the Federal District - PRÓ-DF) granted by the taxing entity itself, but later declared unconstitutional, as well as alleged improper credit of ICMS arising from the interstate purchase of goods with tax benefit granted in the state of origin. The amount involved is R$ 588,012 (R$ 492,935 on December 31, 2020).

c. Credit reversal and extemporaneous credit related to acquisitions of permanent assets. The amount involved to TIM S.A. is R$ 616,353 (R$ 608,316 on December 31, 2020).

d. Credits and chargebacks of ICMS, as well as the identification and documentary support of values and information released in customer accounts, such as tax rates and credits granted in anticipation of future surcharges (special credit), as well as credits related to tax substitution operations and exempt and untaxed operations. On June 30, 2021, the involved amount is R$ 3,373,009 (R$ 3,356,501 on December 31, 2020).

e. Use of credit in the acquisition of electricity directly employed in the production process of companies. The amount involved is R$ 135,404 (R$ 134,494 as of December 31, 2020).

f. Alleged conflict between the information contained in ancillary obligations and the collection of the tax, as well as specific questioning of fine for non-compliance with ancillary obligations. The amount involved is R$ 706,931 (R$ 698,673 as of December 31, 2020).

g. Alleged lack of collection of ICMS due to the gloss of chargebacks related to the prepaid service, improper credit of ICMS in the outputs of goods allegedly benefited with reduction of the calculation base, as well as an allegation of improper non-inclusion of Value-Added Services (VAS) of the ICMS calculation base. The amount involved is R$ 458,887 (R$ 249,271 as of December 31, 2020).

h. Launch of credits related to the return of leased handsets. The amount involved is R$ 120,162 (R$ 197,521 on December 31, 2020).

i. Collection of ICMS related to subscription services and their alleged improper non-inclusion in the ICMS calculation base due to their nature. The amount involved is R$ 278,881 (R$ 260,447 on December 31, 2020).

e.3.3. Municipal Taxes

The total assessed amount against TIM Group regarding municipal taxes with possible risk is R$ 747,513 on June 30, 2021 (R$ 740,813 on December 31, 2020). Of this value, the following discussions stand out mainly:

a. Collection of ISS, as well as the punitive fine for the absence of the supposed tax due, on several revenue accounts of the Company. The amount involved is R$ 151,168 (R$ 150,023 on December 31, 2020).

b. Collection of ISS on importation of services or services performed in other municipalities. The amount involved is R$ 389,508 (R$ 385,536 on December 31, 2020).

c. Constitutionality of the collection of the functioning supervision fee (TFF - *Taxa de Fiscalização do Funcionamento*) by municipal authorities of different localities. The amount involved is R$129,293 (R$ 126,159 on December 31, 2020).

e.3.4. FUST and FUNTTEL

The total amount charged against the TIM Group in relation to the contributions to FUST and FUNTTEL with a possible risk rating is R$ 3,027,819 (R$ 3,014,976 on December 31, 2020). The main discussion involves the collection of the contribution to FUST and FUNTTEL (Fund for the technological development of Telecommunications) from the issuance by ANATEL of Sum no. 07/2005, aiming, among others, and mainly, the collection of the contribution to FUST and FUNTTEL on interconnection revenues earned by mobile telecommunications service providers, from the validity of Law No. 9.998/2000.

e.4. <u>Regulatory</u>

ANATEL filed administrative proceedings against the Company for: (i) non-compliance with certain quality indicators; (ii) non-compliance with other obligations derived from the terms of authorization and (iii) non-compliance with the SMP and STFC regulations, among others.

On June 30, 2021, the value indicated for the PADOs (procedure for determining non-compliance with obligations), considering the inflation adjustment, classified with possible risk was R$ 117,481 (R$ 119,076 on December 31, 2020). The variation was mainly due to monetary adjustment for the period.

During the second quarter of 2021, the Company carried out all the activities planned for the strict compliance with the Conduct Adjustment Instrument (TAC) 001/2020 entered into with Anatel, aiming at achieving the goals associated with the TAC for the first year. With the closing of the 1st TAC Year, inspection activities by the Agency are taking place in relation to commitments that have also expired in June 2021. The Company will continue to fully implementing the internal monitoring mechanisms through the quarterly report on the evolution of the schedules by the Governance Office in Management and Board of Directors.

By obtaining the extension of the term of the authorizations to use the radio frequencies associated with the SMP, TIM S.A. becomes liable for the contractual burden on the net revenue arising from the service plans marketed under each authorization. However, since 2011 ANATEL began to include in the basis of calculation of said burden also the revenues obtained with interconnection, and from 2012, the revenues obtained with Value-Added Services. In the company's opinion, the inclusion of such revenues is improper because it is not expressly provided for in the terms of original authorizations, so the collections received are discussed in the administrative and/or judicial sphere.

26. Shareholders' equity

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

a. Share capital

The share capital is recorded by the amount effectively raised from the shareholders, net of the costs directly linked to the funding process.

The subscribed and paid-up share capital on June 30, 2021, is represented by 2,420,804,398 common shares (2,420,804,398 common shares on December 31, 2020).

The Company is authorized to increase its share capital, by resolution of the Board of Directors, regardless of statutory reform, up to the limit of 4,450,000,000 ordinary shares.

As of July 2, 2020, the Board of Directors of the Company approved the reverse split of all of the 42,296,789,606 of common shares without par value issued by the Company pursuant to the terms of Art. 12 of Law no. 6,404/76, with no change in the share capital, at a ratio of 100 shares to form 1 common stock, through the capital, to be represented by the 422,967,896 common shares, without par value, while preserving all of rights and privileges of those common shares. The proposed grouping did not result in fractions of shares. The incorporation resulted in the cancellation of all shares issued by the Company, which were owned by TIM Participações.

Following the merger mentioned in note 1, and checked the condition precedent, the shareholders of TIM Participações received 1 common share issued by the TIM S.A. for each 1 common share issued by TIM Participações, of its ownership, and that, assuming the maintenance of the number of shares issued by TIM Participações, ex-treasury stock, resulting in the issuance of 2,420,447,019 common stock of TIM S.A., all nominative, book-entry and with no par value.

On August 31, 2020, the increase in the share capital of the Company in the amount of R$ 1,719 defined in the incorporation protocol was approved at an Ordinary and Extraordinary General Meeting, which came to be represented by R$ 13,477,891.

On September 28, 2020, at a meeting of the Board of directors, and the directors of the Company has become aware of the payments relating to the awards of the 2018 and 2019, based on the transfer of shares held in treasury stock to the beneficiaries as provided for in the Plans and pursuant to the terms of the share buyback Programme as approved by the Board of Directors of TIM Participações S.A. (merged into TIM S.A.) in the meeting held on the 29th of July 2020, in the amount of 357,379 shares (Note 1).

(In thousands of Reais, except as otherwise stated)

b. Capital reserves

The use of capital reserves follows the precepts of art. 200 of Law No. 6,404/76, which provides for Joint-Stock Companies. This reserve is composed as follows:

	June 2021	December 2020
	405,056	397,183
Special reservation of goodwill	353,604	353,604
Long-term incentive plan (Note 27)	51,452	43,579

b.1 Special Reserve of goodwill

The special reserve of goodwill was constituted from the incorporation of the net assets of the former parent company Tim Participações S.A. (Note 1)

b.2 Long-term incentive plan

The balances recorded under these items represent the Company's expenses related to the long-term incentive program granted to employees (Note 27).

c. Profit reserves

c.1 Legal Reserve

It refers to the allocation of 5% of the net profit for the year ended December 31 of each year, until the Reserve equals 20% of the share capital, excluding from 2018 fiscal year on the balance allocated to the reserve of tax incentives. In addition, the company may cease to constitute the legal reserve when this, added to the capital reserves, exceeds 30% of the share capital.

This Reserve may only be used to increase capital or offset accumulated losses.

c. 2 Statutory reserve for expansion

The formation of this reserve is foreseen in Paragraph 2 of art. 46 of the bylaws of the Company and is aimed at the expansion of social business.

The balance of profit that is not compulsorily allocated to other reserves and is not intended for the payment of dividends is allocated to this reserve, which may not exceed 80% of the share capital. Reaching this limit, it will be up to the General Meeting to decide on the balance, distributing it to shareholders or increasing capital.

c. 3 Tax Benefit Reserve

(In thousands of Reais, except as otherwise stated)

The Company enjoys tax benefits that provide for restrictions on the distribution of profits. According to the legislation that establishes these tax benefits, the amount of tax that is no longer paid due to exemptions and reductions in the tax burden may not be distributed to members and will constitute a reserve of tax incentive of the legal entity. Such a reserve may only be used to absorb losses or increase the share capital. On June 30, 2021, the accumulated amount of benefits enjoyed by the Company amounts to R$ 1,781,560 (R$ 1,781,560 on December 31, 2020).

The said tax benefit basically corresponds to the reduction of the Corporate Income Tax (IRPJ) incident on the profit of the exploitation calculated in the units encouraged. The Company operates in the area of the defunct Superintendence of development of the Amazon (SUDENE / SUDAM), being the tax incentive awards granted by state of the Federation, for a period of 10 years, subject to renewal.

d. Dividends

Dividends are calculated in conformity with the bylaws and the Brazilian Corporate Law.

According to its latest bylaws, approved on August 31, 2020, the Company must distribute as a mandatory dividend each year ending December 31, provided that there are amounts available for distribution, an amount equivalent to 25% of adjusted net income.

As provided in the Company's bylaws, unclaimed dividends within 3 years will revert to the company.

As of December 31, 2020, dividends and interest on equity were calculated as follows:

	2020
Net income for the year	1,843,690
(-) non-distributable tax incentives	(169,540)
(-) Constitution of the legal reserve	(83,707)
Adjusted net profit	1,590,443
Minimum dividends calculated on the basis of 25% of adjusted profit	397,611
Breakdown of dividends payable interest on equity:	
Interest on shareholders´ equity	1,083,000
Total dividends and interest on shareholders´ equity distributed and proposed	1,083,000
Income tax withheld (IRRF) on shareholders´ equity	(162,450)
Total dividends and interest on shareholders´ equity, net	920,550

Interest on shareholders’ equity paid and/or payable is accounted for against financial expenses which, for the purposes of presenting the quarterly information, are reclassified and disclosed as allocation of net income for the year, in changes in shareholders' equity. The total interest on shareholders' equity approved in 2020 was R$ 1,083,000. As of January 22, 2021, the Company paid the amount of R$ 583 million, referring to the last tranche of interest on shareholders' equity referring to the year 2020. During 2020, the total amount paid was R$ 1,153,054 (R$ 500 million referring to the year 2020 and R$ 653 million referring to the year 2019).

The balance on June 30, 2021 of the item “dividends and interest on own capital payable” is composed of the outstanding amounts of previous years in the amount of R$ 52,007 (R$ 43,026 on December 31, 2020) in addition to the unpaid amount of interest on own capital approved by the Board of Directors on June 9, 2021, in the amount of R$ 350,000 (net amount of R$ 302,135).

As set forth in the Law 6404/76 and the Bylaws of the Company, unclaimed dividends - as established in the Joint Stock Company Law, dividends and Interest on Shareholders' Equity declared and unclaimed by shareholders within 3 years, are reverted to shareholders' equity at the time of its prescription and allocated to a supplementary reserve to expand businesses.

For the statement of cash flows, Interest on Equity and dividends paid to its shareholders are being allocated in the group of "financing activities".

27. Long-Term Incentive Plan

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

2011-2013 Plan, 2014-2016 Plan and 2021-2023 Plan

On August 5, 2011, April 10, 2014, April 19, 2018 and March 30, 2021, the long-term incentive plans were approved by the General Meeting of shareholders of TIM S.A. (TIM Participações S.A. before the incorporation by TIM S.A. on August 31, 2020); "2011-2013 Plan", "2014-2016 Plan", "2018-2020 Plan" and "2021-2023 Plan" respectively, granted to senior directors and to those who occupy the position of key positions in the Company.

The 2011-2013 and 2014-2016 Plans addresses the granting of stock options, while the 2018-2020 and 2021-2023 Plans provides for the granting of shares (performance shares and/or restricted shares).

The exercise of the options of the 2011-2013 Plan is conditioned on the achievement of specific performance targets that could prevent the exercise of options, while when in the exercise of the options of the 2014-2016 Plan, the achievement of goals may affect only the acquisition price of the shares. The strike price is calculated by applying a plus or minus adjustment to the Base price of the share as a result of shareholder performance, taking into account the criteria provided for in each plan.

The 2018-2020 and 2021-2023 Plans propose to grant participants shares issued by the Company, subject to the participant's permanence in the Company (achievement of specific goals). The number of shares may vary, for more or for less, as a result of the performance and possibly of the dividend award, considering the criteria provided for in each Grant.

The term of validity of the options of the 2011-2013 and 2014-2016 plans is 6 years and TIM S.A. has no legal or non-formalized obligation to repurchase or settle the options in cash. For the 2018-2020 and 2021-2023 plan, the term of validity has the same periodicity of 3 years related to its vesting. In turn, the new Plans, in addition to considering the transfer of shares, also provides for the possibility of making payment to participants of the equivalent amount in cash.

The total amount of the expense was calculated considering the fair value of the options and the value of the shares and is recognized in the results over the vesting period.

(In thousands of Reais, except as otherwise stated)

Stock Options Program Table

Grant date	Options granted	Expiry date	Base Price	Balance at the beginning of the year	Granted during the year	Exercise during exercise	Expired during the year	Overdue during the year	Balance at the end of the year
2014-2016 Plan – 3rd Grant	3,922,204	Nov 2022	R$ 8.10	295,063	-	(182,511)	-	-	112,552
2014-2016 Plan – 2nd Grant	3,355,229	Oct 2021	R$ 8.45	21,771	-	-	-	-	21,771
2014-2016 Plan – 1st Grant	1,687,686	Sep 2020	R$ 13.42	-	-	-	-	-	-
2011-2013 Plan – 3rd Grant	3,072,418	July 2019	R$ 8.13	-	-	-	-	-	-
2011-2013 Plan – 2nd Grant	2,661,752	Sep 2018	R$ 8.96	-	-	-	-	-	-
2011-2013 Plan – 1st Grant	2,833,595	Aug 2017	R$ 8.84	-	-	-	-	-	-
Total	**17,532,884**			**316,834**	**-**	**(182,511)**	**-**	**-**	**134,323**
Weighted average price of the balance of grants				**R$ 8.16**					

Stock Program Table (Performance Shares and Restricted Shares)

Identification of grant:	Shares granted	Expiry date	Grant Price	Balance at the beginning of the year	Granted during the year	Transferred during the year*			Paid in cash*			Canceled during the year	Balance at the end of the year
						Volume Vested	Performance change	Additional dividends	Volume Vested	Performance change	Additional dividends		
2021–2023 Plan 2021 Grant(s)	2,921,676	May 2024	R$ 12.95	-	2,921,676	-	-	-	-	-	-	-	2,921,676
2018–2020 Plan 2020 Grant(s)	796,054	Apr 2023	R$ 14.40	796,054	-	(206,578)	(51,634)	(8,933)	-	-	-	-	589,476
2018–2020 Plan 2019 Grant(s)	930,662	July 2022	R$ 11.28	687,895	-	-	-	-	-	-	-	-	687,895
2018–2020 Plan 2018 Grant*	849,932	Apr 2021	R$ 14.41	199,594	-	(187,039)	(42,854)	(22,250)	(9,101)	(2,183)	(1,094)	(3,454)	-
Total	**5,498,324**			**1,683,543**	**2,921,676**	**(393,617)**	**(94,488)**	**(31,183)**	**(9,101)**	**(2,183)**	**(1,094)**	**(3,454)**	**4,199,047**
Weighted average price of the balance of grants			**R$ 12.88**										

The shares corresponding to the third grace period of the 2018 Grant are in the process of being transferred to the beneficiaries, at the time of the 2nd Quarter statement.

(In thousands of Reais, except as otherwise stated)

The significant data included in the model, for the Stock Option Grants, was as follows:

Grant date	Base price - weighted average share in the period of measurement of the grant	Volatility	Expected life of the option	Annual interest rate without risk
2011 Grant	R$ 8.84	51.73% p.a.	6 years	11.94% p.a.
2012 Grant	R$ 8.96	50.46% p.a.	6 years	8.89% p.a.
2013 Grant	R$ 8.13	48.45% p.a.	6 years	10.66% p.a.
2014 Grant	R$ 13.42	44.60% p.a.	6 years	10.66% p.a.
2015 Grant	R$ 8.45	35.50% p.a.	6 years	16.10% p.a.
2016 Grant	R$ 8.10	36.70% p.a.	6 years	11.73% p.a.

Note: Significant data is characteristic of an option-based plan, considering the use of fair value as the appropriate method for calculating expenses with option remuneration.

The base price of the share of each grant was calculated using the weighted averages of TIM S.A.'s share price. (TIM Participações S.A. before the merger by TIM S.A. on August 31, 2020), considering the following periods:

- **Plan 2011-2013-1st Grant**-traded volume and trading price of TIM Participações shares in the period of 30 days prior to the date of 07/20/2011 (date on which the Board of Directors of TIM Participações approved the benefit).

- **Plan 2011–2013 – 2nd Grant** – traded volume and trading price of shares of TIM Participações for the period 07/01/2012–08/31/2012.

- **Plan 2011–2013 – 3rd Grant**-traded volume and trading price of TIM Participações shares for the period of 30 days prior to 07/20/2013.

- **Plan 2014-2016-1st Grant**-traded volume and trading price of TIM Participações in the 30 days prior to the date defined by the Board of Directors of TIM Participações (September 29, 2014).

- **Plan 2014-2016-2nd Grant**-traded volume and trading price of TIM Participações in the 30 days prior to the date defined by the Board of Directors of TIM Participações (September 29, 2015).

- **Plan 2014–2016 – 3rd Grant**-traded volume and trading price of TIM Participações shares in the 30 days prior to the date defined by the Board of Directors of TIM Participações (September 29, 2016).

- **Plan 2018–2020 – 1st Grant**-traded volume and trading price of TIM Participações shares for the period 03/01/2018–03/31/2018.

- **Plan 2018–2020 – 2nd Grant**-traded volume and trading price of TIM Participações shares for the period 06/01/2019–06/30/2019.

- **Plan 2018–2020 – 3rd Grant**-traded volume and trading price of TIM Participações shares for the period 03/01/2020–03/31/2020.

- **Plan 2021-2023 – 1st grant** - traded volume and trading price of TIM S.A. shares in the period from March 01, 2021 to March 31, 2021.

The company recognizes the impact of the revision of the initial estimates, if any, in the income statement, with consideration for equity. As of June 30, 2021, expenses related to said long-term benefit plans totaled R$ 8,724 (R$ 4,605 as of June 30, 2020).

28. Net operating revenue

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

Revenue from services rendered

The principal service revenue derives from monthly subscription, the provision of separate voice, SMS and data services, and user packages combining these services, roaming charges and interconnection revenue. The revenue is recognized as the services are used, net of sales taxes and discounts granted on services. This revenue is recognized only when the amount of services rendered can be estimated reliably.

Revenues are recognized monthly, through billing, and revenues to be billed between the billing date and the end of the month (unbilled) are identified, processed, and recognized in the month in which the service was provided. These non-billed revenues are recorded on an estimated basis, which takes into account consumption data, number of days elapsed since the last billing date.

Interconnection traffic and roaming revenue are recorded separately, without offsetting the amounts owed to other telecom operators (the latter are accounted for as operating costs).

The minutes not used by customers and/or reload credits in the possession of commercial partners regarding the prepaid service system are recorded as deferred revenue and allocated to income when these services are actually used by customers.

The service revenue item also includes revenue from financial partnership agreements and, as provided for in the agreement, the amounts of revenues recognized in the first half of 2021 since TIM customers opened accounts with our financial partner C6, which was approximately R$ 31 million. See note 37.

Arbitration Procedure No. 28/2021/SEC8 was filed before the Arbitration and Mediation Center of the Brazil-Canada Chamber of Commerce ("CCBC" and "Arbitration Procedure", respectively), by TIM against Banco C6 S.A., Carbon Holding Financeira S.A. and Carbon Holding S.A (together, "Defendants"), on which it is discussed the interpretation of certain clauses in the documents of the operating partnership between the parties. In case of loss, the partnership can be terminated.

The Request for arbitration proposed by TIM against Banco C6 (and affiliates) for discussion of certain contractual terms related to the operational partnership between the parties. In case of loss, the partnership may be terminated, without acquisition of equity interest in Banco C6 by TIM and with payment of a contractual fine.

Revenues from sales of goods

Revenues from sales of goods (telephones, mini-modems, tablets and other equipment) are recognized when the performance obligations associated with the contract are transferred to the buyer. Revenues from sales of devices to trading partners are accounted for at the time of their physical delivery to the partner, net of discounts, and not at the time of sale to the end customer, since the Company has no control over the good sold.

(In thousands of Reais, except as otherwise stated)

Contract identification

The Company monitors commercial contracts in order to identify the main contractual clauses and other elements present in the contracts that could be relevant in the application of the accounting rule IFRS 15 / CPC47 – Revenue from Contracts with Customers.

Identification of the performance obligation

Based on the review of its contracts, the Company verified the existence of two performance obligations:

(i) sale of equipment; and
(ii) provision of mobile, fixed and internet telephony services.

Thus, the Company started to recognize revenues when (or as) the Company meets the performance obligation by transferring the asset or service promised to the client; and the asset is considered transferred when (or as) the client obtains control of that asset.

Determining and allocation of the transaction price to the performance obligation

The Company understands that its commercial packages that combine services and sale of cellular handsets with discounts. In accordance with IFRS 15 / CPC 47, the Company is required to perform the discount allocation and recognize revenues related to each performance obligation based on their standalone selling prices.

Cost to obtain contract

All incremental costs related to obtaining a contract (sales commissions and other costs of acquisition from third parties) are recorded as prepaid expenses (as described on note 11) and amortized over the same period as the revenue associated with this asset. Similarly, certain contract compliance costs are also deferred to the extent that they relate to performance obligations under the customer agreement, i.e. when the customer obtains control over the asset.

	June 2021	June 2020
Net operating revenue	8,746,763	8,202,414
Gross operating revenue	12,289,742	11,749,970
Revenue from services	11,810,503	11,415,974
Revenue from services – Mobile	10,898,617	10,571,398
Revenue from services– Landline	911,886	844,576
Goods sold	479,239	333,996
Deductions from gross revenue	(3,542,979)	(3,547,556)
Taxes incidents	(2,336,270)	(2,281,836)
Discounts granted	(1,201,742)	(1,260,320)
Returns and other	(4,967)	(5,400)

(In thousands of Reais, except as otherwise stated)

29. Operating costs and expenses

Parent company

	June 2021				June 2020			
	Cost of services rendered and goods sold	Selling expenses	General and administrative expenses	Total	Cost of services rendered and goods sold	Selling expenses	General and administrative expenses	Total
	(4,188,914)	(2,295,373)	(842,329)	(7,326,616)	(3,828,550)	(2,214,607)	(826,788)	(6,869,945)
Personal	(33,809)	(320,278)	(183,824)	(537,911)	(27,546)	(298,614)	(167,588)	(493,748)
Outsourced services	(288,905)	(875,694)	(304,643)	(1,469,242)	(313,427)	(849,348)	(248,312)	(1,411,087)
Interconnection and means of connection	(914,949)	-	-	(914,949)	(802,280)	-	-	(802,280)
Depreciation and amortization	(2,420,741)	(127,218)	(303,864)	(2,851,823)	(2,261,609)	(126,182)	(370,182)	(2,757,973)
Taxes, fees and contributions	(17,301)	(383,009)	(14,570)	(414,880)	(14,860)	(367,874)	(11,745)	(394,479)
Rentals and insurance	(182,908)	(44,462)	(9,926)	(237,296)	(164,926)	(59,234)	(1,460)	(225,620)
Cost of goods sold	(328,901)	-	-	(328,901)	(240,930)	-	-	(240,930)
Advertising	-	(253,692)	-	(253,692)	-	(159,632)	-	(159,632)
Losses on doubtful accounts receivable	-	(284,090)	-	(284,090)	-	(347,455)	-	(347,455)
Other	(1,400)	(6,930)	(25,502)	(33,832)	(2,972)	(6,268)	(27,501)	(36,741)

Consolidated

	June 2021			
	Cost of services rendered and goods sold	Selling expenses	General and administrative expenses	Total
	(4,188,914)	(2,295,373)	(842,353)	(7,326,640)
Personal	(33,809)	(320,278)	(183,824)	(537,911)
Outsourced services	(288,905)	(875,694)	(304,667)	(1,469,266)
Interconnection and means of connection	(914,949)	-	-	(914,949)
Depreciation and amortization	(2,420,741)	(127,218)	(303,864)	(2,851,823)
Taxes, fees and contributions	(17,301)	(383,009)	(14,570)	(414,880)
Rentals and insurance	(182,908)	(44,462)	(9,926)	(237,296)
Cost of goods sold	(328,901)	-	-	(328,901)
Advertising	-	(253,692)	-	(253,692)
Losses on doubtful accounts receivable	-	(284,090)	-	(284,090)
Other	(1,400)	(6,930)	(25,502)	(33,832)

The Company makes contributions to public or private pension insurance plans on a mandatory, contractual or voluntary basis while the employee is on the staff of the Company. Such plans do not bring any additional obligations to the Company. If the employee ceases to be part of the Company's staff in the period necessary to have the right to withdraw contributions made by sponsors, the amounts to which the employee is no longer entitled and which may represent a reduction in the Company's future contributions to active employees, or a cash refund of these amounts, are released as assets.

(In thousands of Reais, except as otherwise stated)

30. Other net income (expenses)

	Parent company		Consolidated
	June 2021	**June 2020**	**June 2021**
Income			
Subsidy income, net	7,967	9,257	7,967
Fines on telecommunications services	28,263	16,416	28,263
Income on disposal of assets	1,050	780	1,050
Other income	35,823	28,796	35,693
	73,103	55,249	72,973
Expenses			
FUST/FUNTTEL (1)	(67,673)	(65,724)	(67,673)
Taxes, fees and contributions	(1,149)	(318)	(1,149)
Provision for legal and administrative proceedings, net of reversal	(150,395)	(138,715)	(150,395)
Expenses on disposal of assets	(6,389)	(9,022)	(6,389)
Other expenses	(11,699)	(16,332)	(11,699)
	(237,305)	(230,111)	(237,305)
Other income (expenses)	(164,202)	(174,862)	(164,332)

(1) Representing the expenses incurred with contributions on the various telecommunications revenues due to ANATEL, according to current legislation.

31. Financial income

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

	June 2021	**June 2020**
Financial income	654,895	544,121
Interest on financial investments	71,259	36,649
Interest received from clients	12,230	14,053
Swap interest	31,258	12,837
Lease interest	11,448	9,986
Monetary adjustment	144,654	42,511
Other derivatives (1)	155,165	-
Foreign exchange variation (2)	183,424	35,027
Exchange rate swap (3)	45,152	391,837
Other revenue	305	1,221

(1) It is the difference between cost and the mark-to-market amount of the share subscription option referring to Banco C6 partnership, therefore the mark-to-market value of these derivatives includes a gain of R$ 155 million referring to the company's stock option obtained through achievement of contractual target defined in an operational partnership started in 2020. The mark-to-market amount was calculated based on information available in the last investment transaction carried out by the partner and disclosed in the market. The disclosures of this derivative financial instrument are detailed in note 37, which was measured

(In thousands of Reais, except as otherwise stated)

at fair value and will be subsequently measured in Company´s income, also taking into account the risks related to arbitrage disclosed on note 28.

(2) In 2021, it mainly refers to foreign exchange variation on loans and financing in foreign currency.

(3) Referring mainly to derivative financial instruments to mitigate risks of foreign exchange variation related to foreign currency debts (note 37).

32. Financial expenses

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

	June 2021	June 2020
Financial expenses	(916,412)	(1,063,340)
Interest on borrowing and financing	(28,942)	(50,989)
Interest on taxes and fees	(25,995)	(5,250)
Swap interest	(72,591)	(21,878)
Lease interest	(396,496)	(379,856)
Inflation adjustment (1)	(98,021)	(84,147)
Discounts granted	(23,934)	(13,186)
Foreign exchange variation (2)	(65,298)	(424,027)
Exchange rate swap (3)	(166,466)	-
Other expenses	(38,669)	(84,007)

(1) Substantial portion related to the monetary restatement of lawsuits, in the amount of R$ 74,833 - see note 25 (R$ 77,177 as of June 30, 2020).

(2) It mainly refers to foreign exchange variations on loans and financing in foreign currency.

(3) Referring mainly to derivative financial instruments to mitigate risks of foreign exchange variations related to foreign currency debts (Note 37).

33. Income tax and social contribution

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

	June 2021	June 2020
Current income tax and social contribution taxes		
Income tax for the period	(103,694)	(26,092)
Social contribution for the period	(9,882)	(10,004)
Tax incentive – SUDENE/SUDAM (1)	87,417	26,092
	(26,159)	(10,004)
Deferred income tax and social contribution		
Deferred income tax	(13,964)	(138,348)
Deferred social contribution	(5,045)	(49,805)
	(19,009)	(188,153)
	(45,168)	(198,157)

(In thousands of Reais, except as otherwise stated)

The reconciliation of income tax expense and social contribution expenses calculated by applying the combined tax rates with the values reflected in the result is shown below:

	June 2021	June 2020
Income before income tax and social contribution	994,274	638,388
Combined tax rate	34%	34%
Combined tax rate on income tax and social contribution	(338,053)	(217,052)
(Additions) / exclusions:		
Permanent additions and exclusions:		
Non-deductible expenses for tax purposes	(6,707)	(11,389)
Tax benefit related to interest on equity	119,000	
Tax incentive – SUDENE/SUDAM (1)	87,417	28,671
Other amounts (2)	93,175	1,613
	292,885	18,895
Income tax and social contribution recorded in the income (loss) for the period	(45,168)	(198,157)
Effective rate	4.54%	31.04%

(1) As mentioned in note 26 c.3, in order for investment grants not to be computed in taxable income, they must be recorded as a tax incentive reserve, which can only be used to absorb losses or be incorporated into the share capital. TIM S.A. has tax benefits that fall under these rules.

(2) In the second quarter of 2021, there was a positive impact of R$ 87 million arising from the write-off of assets and reversal of the provision for income tax and social contribution, set up in 2009, due to the partial success in an administrative proceeding related to the merger of the company TIM Nordeste by TIM Celular.

34. Earnings per share

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

The number of TIM.SA shares before the corporate reorganization was 2,420,447,019, equivalent to the number of TIM Participações common shares on the merger date. Consequently, basic and diluted earnings per share were calculated considering the retrospective impact of the change in the number of shares, pursuant to IAS 33/CPC 41.

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to Company´s shareholders by the weighted average number of shares issued during the period.

	June 2021	June 2020
Income attributable to the shareholders of the Company	949,106	440,231
Weighted average number of common shares issued (thousands)	2,420,804	2,420,780

(In thousands of Reais, except as otherwise stated)

Basic earnings per share (expressed in R$)	0.39	0.18

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average amount of shares outstanding to assume the conversion of all potential dilutive shares.

	June 2021	June 2020
Income attributable to the shareholders of the Company	949,106	440,231
Weighted average number of common shares issued (thousands)	2,421,102	2,420,936
Diluted earnings per share (in R$)	0.39	0.18

The calculation of diluted earnings per share considered 298,000 (156,000 on June 30, 2020) shares related to the grants of the Long-term incentive plan, as mentioned in note 27.

35. Balances and transactions with related parties

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

The balances of transactions with Telecom Italia Group companies are as follows:

	Assets	
	June 2021	December 2020
Telecom Italia Sparkle (1)	1,374	1,630
Gruppo Havas (6)	9,851	-
TI Sparkle (3)	3,413	1,915
TIM Brasil (7)	5,962	6,129
Other	1,405	1,044
Total	22,005	10,718

	Liabilities	
	June 2021	December 2020
Telecom Italia S.p.A. (2)	56,419	75,317
Telecom Italia Sparkle (1)	10,370	10,576
TI Sparkle (3)	4,331	7,333
TIM Brasil (4)	6,164	6,145
Vivendi Group (5)	1,175	1,150
Gruppo Havas (6)	55,874	24,068

(In thousands of Reais, except as otherwise stated)

Other	9,061	2,797
Total	143,394	127,386

	Revenue	
	June 2021	June 2020
Telecom Italia S.p.A. (2)	575	830
Telecom Italia Sparkle (1)	160	1,964
TI Sparkle (3)	1,660	2,019
Total	2,395	4,813

	Cost / Expense	
	June 2021	June 2020
Telecom Italia S.p.A. (2)	42,011	52,254
Telecom Italia Sparkle (1)	13,474	12,743
TI Sparkle (3)	8,658	9,870
Vivendi Group (5)	1,175	1,177
Gruppo Havas (6)	111,086	91,125
Other	12,044	12,315
Total	188,448	179,484

(1) Values refer to *roaming*, Value-Added Services – VAS, transfer of means and international voice-*wholesale*.

(2) The amounts refer to international roaming, technical assistance and value added services – VAS and licensing for the use of a registered trademark, granting TIM. S.A. the right to use the “TIM” brand upon payment of royalties in the amount of 0.5% of the Company’s net revenue, with payment made on a quarterly basis.

(3) Values refer to *link* rental, EILD rental, media rental (submarine cable) and signalling service.

(4) Mainly refer to judicial deposits made on account of labor causes and transfers of employees.

(5) The values refer to Value Added Services - VAS.

(6) From the values described above, in the result, it refers to advertising services, of which R$ 82,457 (R$ 84,975 on June 30, 2020), are related to media transfers.

(7) Refer to judicial deposits made on account of labor claims.

The Company has social investment actions that include donations, projects developed by the Tim Institute and sponsorships. On June 30, 2021, the Company invested R$ 5,066.

Balances on equity accounts are recorded in the groups: trade accounts receivable, prepaid expenses, suppliers and other current assets and liabilities.

(In thousands of Reais, except as otherwise stated)

36. Management remuneration

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

The key management personnel includes statutory directors and the Board of Directors. The payment of key management personnel for the provision of their services is presented below:

	June 2021	June 2020
Short-term benefits	14,042	8,448
Other long-term benefits	983	1,432
Share-based payments remuneration	5,495	2,970
	20,520	12,850

37. Financial instruments and risk management

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

Among the financial instruments registered in the Company, there are derivatives that are financial assets or liabilities measured at fair value through profit or loss. At each balance sheet date such assets/liabilities are measured at their fair value. Interest, inflation adjustment, foreign exchange variations and changes arising from the fair value measurement, where applicable, shall be recognized in the income (or loss) when incurred, under the line of financial income or expenses.

Initially, derivatives are recognized at fair value on the date a derivative contract is concluded and are subsequently remeasured at fair value. The Company does not apply "*hedge accounting*".

The Company carries out transactions with derivative financial instruments, without speculative purposes, only with the aim of i) reducing risks related to foreign exchange variations and ii) managing interest rate exposure. The Company's derivative financial instruments are specifically represented by swap contracts.

The Company's financial instruments are being presented in compliance with IFRS 9 / CPC 48.

The main risk factors that the company is exposed to are as follows:

(i) Foreign exchange variation risks

The risks of foreign exchange variations relate to the possibility of the Company computing i) losses derived from fluctuations in exchange rates by increasing the balances of debt with loans and financing obtained in the market and the corresponding financial expenses or ii) increase in cost in commercial contracts that have some type of link to foreign exchange change. In order for these types of risks to be mitigated, the company performs: swap contracts with financial institutions with the aim of cancelling the impacts arising from the fluctuation of exchange rates on the financial result and commercial contracts with foreign exchange band clauses with the aim of partially mitigating foreign exchange risks or derivative financial instruments to reduce the risks of foreign exchange exposure in commercial contracts.

On June 30, 2021, the Company's loans and financings indexed to the variation of foreign currencies are fully protected, both in terms and in value, by swap contracts. Gains or losses on these swap contracts are recorded in the Company's earnings.

In addition to the risks mentioned above, there are no other financial assets and liabilities in significant amounts that are indexed to foreign currencies.

(ii) Interest rate risks

Interest rate risks relate to:

- The possibility of variations in the fair value of the loans obtained by the Company indexed to TJLP, IPCA and/or TLP, when such rates do not correspond proportionally to the rates relating to Interbank Certificates of Deposit (CDI). As of June 30, 2021, the Company elected to hedge against the exposure linked to the IPCA rate arising from the issue of debentures, for a total term of 7 years, this being the only swap operation aimed at hedging against interest rates.

- The possibility of an unfavorable movement in interest rates would cause an increase in the financial expenses of the Company, as a result of the share of the debt and the passive positions that the Company has in swap contracts linked to floating interest rates (percentage of the CDI). However, on June 30, 2021, the Company maintains its financial resources applied to Interbank Certificates of Deposit (CDI), which substantially reduces this risk.

(iii) Credit risk inherent in the provision of services

The risk is related to the possibility of the Company computing losses derived from the inability of the subscribers to honor the payments of the invoiced amounts. To minimize this risk, the Company preventively performs credit analysis of all orders imputed by the sales areas and monitors the accounts receivable of subscribers, blocking the ability to use services, among other actions, if customers do not pay their debts. There are no customers who have contributed more than 10% of net accounts receivable on June 30, 2021 and December 31, 2020 or revenues from services rendered during the period ended June 30, 2021 and 2020.

(iv) Credit risk inherent in the sale of telephone sets and prepaid telephone cards

The Group's policy for the sale of telephone devices and the distribution of prepaid telephone cards is directly related to the credit risk levels accepted during the normal course of business. The selection of partners, the diversification of the portfolio of accounts receivable, the monitoring of loan conditions, the positions and limits of orders established for traders, the formation of collateral are procedures adopted by the Company to minimize possible collection problems with its trading partners. There are no customers who contributed more than 10% of revenue sales of goods during the period ended June 30, 2021 and 2020. There are no customers who contributed more than 10% of the net receivables from the sale of goods as of June 30, 2021 and December 31, 2020.

(v) Liquidity risk

- Liquidity risk arises from the need for cash before the obligations assumed. The company structures the maturities of its non-derivative financial instruments and their respective derivative financial instruments so as not to affect liquidity.

- The management of liquidity and cash flow of the Company are performed on a daily basis to ensure that cash operating generation and previous fund raising, as necessary, are sufficient to maintain the schedule of operating and financial commitments.

(In thousands of Reais, except as otherwise stated)

- All financial investments of the Company have daily liquidity and the Management may, even in specific cases: i) revise the dividend payment policy; ii) issue new shares; and/or, iii) sell assets to increase liquidity.

(vi) Financial credit risk

The cash flow forecast is performed by the Finance Executive Board, which monitors the continuous forecasts of the liquidity requirements to ensure that the Company has enough cash to satisfy its operating needs. This forecast takes into account investment plans, debt financing, compliance with contractual clauses, compliance with internal goals and, if applicable, external regulatory or legal requirements.

The risk is related to the possibility of the Company computing losses derived from the difficulty of redemption of short-term financial investments and *swap* contracts, due to possible insolvency of counterparties. The Company minimizes the risk associated with these financial instruments by maintaining operations only with financial institutions of recognized market strength, in addition to following a policy that establishes maximum levels of risk concentration per financial institution.

Fair value of derivative financial instruments:

The consolidated derivative financial instruments are presented below:

	June 2021		December 2020	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivative transactions	258,724	154,399	340,660	36,166
Other derivatives (1)	322,858	-	161,429	-
	581,582	154,399	502,089	36,166
Current portion	(202,511)	(82,619)	(262,666)	(7,273)
Non-current portion	379,071	71,780	239,423	28,893

(1) Other derivatives are instruments of share subscription options represent the option of the Company to subscribe 2.9% of the shares of C6 capital, where the Group/Company paid a share subscription premium in the amount of R$ 12.4 million. As required by IFRS 9, the financial instrument must be valued at its fair value that on June 30, 2021 and December 31, 2020 corresponds to R$ 323 million and R$ 161 million, respectively. The impact of the mark-to-market of the stock conversion option calculated, of R$ 310.6 million, represents the difference in the fair value of the option less the amount paid for the share subscription premium. This financial instrument was measured at fair value and will be subsequently measured in the Company's results for the year, also taking into account the risks related to the arbitrage disclosed in note 28.

The long-term derivative financial instruments consolidated at June 30, 2021 are due in accordance with the following schedule:

	Assets
2022	310,841
2023	(23954)
>2024	20,404
	307,291

Non-derivative financial liabilities are substantially composed of accounts payable with suppliers, dividends payable and other obligations, the maturity of which will occur in the next 12 months, except for loans and financing and lease, the nominal flows of payments of which are disclosed in notes 21 and 17.

(In thousands of Reais, except as otherwise stated)

Consolidated financial instruments measured at fair value:

	June 2021		
	Level 1	Level 2	TOTAL
Total assets	3,382,500	581,582	3,964,082
Financial assets at fair value through profit or loss	3,382,500	581,582	3,964,082
Derivative financial instruments	-	258,724	258,724
Other derivatives	-	322,858	322,858
Marketable securities	3,382,500		3,382,500
Total liabilities	-	154,399	154,399
Financial liabilities at fair value through profit or loss	-	154,399	154,399
Derivative financial instruments	-	154,399	154,399

	December 2020		
	Level 1	Level 2	TOTAL
Total assets	2,077,499	502,089	2,579,588
Financial assets at fair value through profit or loss	2,077,499	502,089	2,579,588
Derivative financial instruments	-	340,660	340,660
Other derivatives	-	161,429	161,429
Marketable securities	2,077,499	-	2,077,499
Total liabilities	-	36,166	36,166
Financial liabilities at fair value through profit or loss	-	36,166	36,166
Derivative financial instruments	-	36,166	36,166

The fair value of financial instruments traded on active markets is based on market prices quoted on the balance sheet date. A market is seen as active if quoted prices are ready and regularly available from a Stock Exchange, distributor, broker, industry group, pricing service, or regulatory agency, and those prices represent real market transactions and that occur regularly on purely commercial basis. These instruments are included in Level 1. The instruments included in Level 1 mainly comprise the equity investments of bank certificates of deposit (CDB) and committed classified as securities for trading.

The fair value of financial instruments that are not traded on active markets (e.g. over-the-counter derivatives) is determined through the use of valuation techniques. These valuation techniques maximize the use of data adopted by the market where it is available and rely as little as possible on entity-specific estimates. If all relevant information required for the fair value of an instrument is adopted by the market, the instrument is included in Level 2. If one or more relevant information is not based on data adopted by the market, the instrument shall be included in Level 3.

(In thousands of Reais, except as otherwise stated)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or quotes of financial institutions or brokers for similar instruments.
- The fair value of interest rate *swaps* is calculated by the present value of estimated future cash flows based on the yield curves adopted by the market.
- Other techniques, such as analysis of discounted cash flows, available data of the last relevant transaction and analysis of results based on multiples of similar companies, are used to determine the fair value of the remaining financial instruments.

The fair values of currency derivative financial instruments and interest rates of the Company were determined by means of future cash flows (active and passive position) using the contracted conditions and bringing these flows to present value through discounts for the use of future interest rate disclosed by market sources. Fair values were estimated at a specific time, based on available information and own evaluation methodologies.

Financial assets and liabilities by category

The financial instruments of the Company by category can be summarized as follows:

June 30, 2021

	Measured at amortized cost	**Fair value through profit or loss**	**Total**
Assets, as per balance sheet	7,713,875	3,964,082	11,677,957
Derivative financial instruments	-	258,724	258,724
Other derivatives		322,858	322,858
Trade accounts receivable and other accounts receivable, excluding prepayments	2,918,162	-	2,918,162
Marketable securities	-	3,382,500	3,382,500
Cash and cash equivalents	3,749,164	-	3,749,164
Leases	238,677	-	238,677
Judicial deposits	765,374	-	765,374
Other amounts recoverable	42,498	-	42,498

	Measured at amortized cost	**Fair value through profit or loss**	**Total**
Liabilities, as per balance sheet	15,594,609	154,399	15,749,008

(In thousands of Reais, except as otherwise stated)

Loans and financing	4,226,221	-	4,226,221
Derivative financial instruments		154,399	154,399
Suppliers and other obligations, excluding legal obligations	2,589,997	-	2,589,997
Leases	8,424,249	-	8,424,249
Dividends and interest on shareholders' equity payable	354,142	-	354,142

December 31, 2020

	Measured at amortized cost	Fair value through profit or loss	Total
Assets, as per balance sheet	6,756,810	2,579,588	9,336,398
Derivative financial instruments	-	340,660	340,660
Other derivatives		161,429	161,429
Trade accounts receivable and other accounts receivable, excluding prepayments	3,180,661	-	3,180,661
Marketable securities	-	2,077,499	2,077,499
Cash and cash equivalents	2,575,290	-	2,575,290
Leases	162,198	-	162,198
Judicial deposits	794,755	-	794,755
Other amounts recoverable	43,906	-	43,906

	Measured at amortized cost	Fair value through profit or loss	Total
Liabilities, as per balance sheet	14,391,175	36,166	14,427,341
Loans and financing	2,345,032	-	2,345,032
Derivative financial instruments	-	36,166	36,166
Suppliers and other obligations, excluding legal obligations	3,128,732	-	3,128,732
Leases	8,378,835	-	8,378,835
Dividends and interest on shareholders' equity payable	538,576	-	538,576

Regular purchases and sales of financial assets are recognized on the trading date - the date on which the Company undertakes to buy or sell the asset. Investments are initially recognized at fair value. After initial recognition, changes in fair value are recorded in the profit and loss for the year, in the financial revenues and expenses' group.

(In thousands of Reais, except as otherwise stated)

Financial risk hedge policy adopted by the Company

The Company's policy establishes that mechanisms must be adopted to protect against financial risks arising from the contracting of financing in foreign currency or indexed to the interest rate, in order to manage said exposure.

The contracting of derivative financial instruments against foreign exchange exposure shall occur simultaneously with the contracting of the debt that gave rise to such exposure. The level of coverage to be contracted for such foreign exchange exposures shall be 100% of the risk, both in terms and in value. To cover interest rates, it is up to the Company to elect or not to contract a hedging mechanism, as provided for in the internal policies.

On June 30, 2021, there are no margins or guarantees applied to transactions with derivative financial instruments of the Company.

The selection criteria of financial institutions follow parameters that take into account the *rating* provided by renowned risk analysis agencies, net worth and levels of concentration of operations and resources.

The operations with derivative financial instruments contracted by the Company and in force on June 30, 2021 and December 31, 2020 are shown in the following table:

June 30, 2021

		COUNTERPARTY				% Coverage	AVERAGE SWAP RATES	
Currency	SWAP type	Debt	SWAP	Total Debt	Total swap (Long position) [1]		Long position	Short position
USD	LIBOR x CDI	KFW/ Finnvera	JP Morgan and Bank of America	295,636	295,636	100%	LIBOR 6M + 0.75% p.a.	85.41% CDI
EUR	PRE x DI	Bank of America	Bank of America	530,540	530,572	100%	0.33% p.a.	108.05% CDI
USD	PRE x DI	The Bank of Nova Scotia.	Scotiabank	440,549	441,040	100%	2.04% p.a.	108.70% CDI
USD	PRE x DI	BNP Paribas	BNP Paribas	384,328	384,729	100%	3.32% p.a.	155% CDI
USD	PRE x DI	The Bank of Nova Scotia	Scotiabank	501,634	501,883	100%	1.73% p.a.	CDI + 1.05%
BRL	PRE x DI	BNP Paribas	BNP Paribas	508,174	509,616	100%	8.34% p.a.	CDI + 1.07%
BRL	IPCA x DI	DEBENTURE	ITAU	1,602,855	1,602,855	100%	IPCA + 4.17% p.a.	CDI + 0.95%

[1] in certain swap contracts, active tip includes the cost of income tax (15%). After related taxes, coverage remains at 100%.

December 31, 2020

		COUNTERPARTY				% Coverage	AVERAGE SWAP RATES	
Currency	SWAP type	Debt	SWAP	Total Debt	Total swap (Long position) [1]		Long position	Short position
USD	LIBOR x CDI	KFW/ Finnvera	JP Morgan and Bank of America	351,233	351,233	100%	LIBOR 6M + 0.75% p.a.	85.25% CDI
EUR	PRE x DI	Bank of America	Bank of America	570,878	570,878	100%	0.33% p.a.	108.05% CDI

(In thousands of Reais, except as otherwise stated)

USD	PRE x DI	The Bank of Nova Scotia.	Scotiabank	1,031,526	1,031,526	100%	1.72% p.a.	134.43% CDI
USD	PRE x DI	BNP Paribas	BNP Paribas	399,725	399,725	100%	3.32% p.a.	155% CDI

Position showing the sensitivity analysis – effect of variations in the fair value of the swaps

For the purpose of identifying possible distortions arising from operations with consolidated derivative financial instruments currently in force, a sensitivity analysis was performed considering the variables CDI, US dollar (USD), Euro (EUR), Libor and IPCA, individually, in three distinct scenarios (probable, possible and remote), and their respective impacts on the results obtained.

Our assumptions basically observed the individual effect of the CDI, USD, EUR, Libor and IPCA variation used in the transactions as the case may be, and for each scenario the following percentages and quotes were used:

CDI Sensitivity Scenario

Description	**June 2021**	**Probable Scenario**	**Scenario Possible**	**Scenario Remote**
Fair value in USD, EUR, BRL and IPCA (KFW Finnvera, Scotia, BofA, BNP and Debenture)	3,938,007	3,938,007	3,935,698	3,933,521
A) Δ Accumulated Change Debt			(2,309)	(4,487)
Fair value of the long position of the *swap (+)*	3,938,007	3,938,007	3,935,698	3,933,521
Fair value of the short position of the *swap (-)*	(3,833,887)	(3,833,887)	(3,854,103)	(3,873,440)
Swap result	104,120	104,120	81,595	60,081
B) Δ Change Accumulated Swap			(22,525)	(44,040)
C) Final result (B-A)			(20,216)	(39,553)

Variable of risk	**Probable Scenario**	**Possible scenario**	**Remote scenario**
CDI	4.15%	5.19%	6.23%
USD	5.0022	5.0022	5.0022
EUR	5.9276	5.9276	5.9276
Libor	0.1666%	0.1666%	0.1666%
IPCA	8.35%	8.35%	8.35%

(In thousands of Reais, except as otherwise stated)

USD sensitivity scenario

Description	June 2021	Probable Scenario	Scenario Possible	Scenario Remote
Fair value in USD, EUR, BRL and IPCA (KFW Finnvera, Scotia, BofA, BNP and Debenture)	3,938,007	3,938,007	4,348,887	4,759,767
A) Δ Accumulated Change Debt	-	-	410,880	821,759
Fair value of the long position of the *swap (+)*	3,938,007	3,938,007	4,348,887	4,759,767
Fair value of the short position of the *swap (-)*	(3,833,887)	(3,833,887)	(3,833,887)	(3,833,887)
Swap result	104,120	104,120	515,000	925,880
B) Δ Change Accumulated Swap			410,880	821,759
C) Final result (B-A)			-	-

Variable of risk	Probable Scenario	Possible scenario	Remote scenario
CDI	4.15%	4.15%	4.15%
USD	5.0022	6.2528	7.5033
EUR	5.9276	5.9276	5.9276
Libor	0.1666%	0.1666%	0.1666%
IPCA	8.35%	8.35%	8.35%

EUR sensitivity scenario

Description	June 2021	Probable Scenario	Scenario Possible	Scenario Remote
Fair value in USD, EUR, BRL and IPCA (KFW Finnvera, Scotia BofA, BNP and Debenture)	3,938,007	3,938,007	4,070,699	4,203,391
A) Δ Accumulated Change Debt			132,692	265,384
Fair value of the long position of the *swap (+)*	3,938,007	3,938,007	4,070,699	4,203,391
Fair value of the short position of the *swap (-)*	(3,833,887)	(3,833,887)	(3,833,887)	(3,833,887)
Swap result	104,120	104,120	236,812	369,504
B) Δ Change Accumulated Swap			132,692	265,384
C) Final result (B-A)			-	-

Variable of risk	**Probable Scenario**	**Possible scenario**	**Remote scenario**
CDI	4.15%	4.15%	4.15%
USD	5.0022	5.0022	5.0022
EUR	5.9276	7.4095	8.8914
Libor	0.1666%	0.1666%	0.1666%
IPCA	8.35%	8.35%	8.35%

Scenario sensitivity to Libor

Description	**June 2021**	**Probable Scenario**	**Scenario Possible**	**Scenario Remote**
Fair value in USD, EUR, BRL and IPCA (KFW Finnvera, Scotia BofA, BNP and Debenture)	3,938,007	3,938,007	3,938,787	3,939,568
A) Δ Accumulated Change Debt			780	1,560
Fair value of the long position of the *swap (+)*	3,938,007	3,938,007	3,938,787	3,939,568
Fair value of the short position of the *swap (-)*	(3,833,887)	(3,833,887)	(3,833,887)	(3,833,887)
Swap result	104,120	104,120	104,900	105,681
B) Δ Change Accumulated Swap			780	1,560
C) Final result (B-A)			-	-

Variable of risk	**Probable Scenario**	**Possible scenario**	**Remote scenario**
CDI	4.15%	4.15%	4.15%
USD	5.0022	5.0022	5.0022
EUR	5.9276	5.9276	5.9276
Libor	0.1666%	0.2083%	0.2499%
IPCA	8.35%	8.35%	8.35%

(In thousands of Reais, except as otherwise stated)

IPCA sensitivity scenario

Description	June 2021	Probable Scenario	Scenario Possible	Scenario Remote
Fair value in USD, EUR, BRL and IPCA (KFW Finnvera, Scotia, BofA, BNP and Debenture)	3,938,007	3,938,007	3,866,581	3,799,158
A) Δ Accumulated Change Debt			(71,426)	(138,849)
Fair value of the long position of the *swap (+)*	3,938,007	3,938,007	3,866,581	3,799,158
Fair value of the short position of the *swap (-)*	(3,833,887)	(3,833,887)	(3,833,887)	(3,833,887)
Swap result	104,120	104,120	32,694	(34,729)
B) Δ Change Accumulated Swap			(71,426)	(138,849)
C) Final result (B-A)			-	-

Variable of risk	Probable Scenario	Possible scenario	Remote scenario
CDI	4.15%	4.15%	4.15%
USD	5.0022	5.0022	5.0022
EUR	5.9276	5.9276	5.9276
Libor	0.1666%	0.1666%	0.1666%
IPCA	8.35%	10.44%	12.53%

As the Company has derivative financial instruments for the purposes of protection of its respective financial liabilities, the changes in the scenarios are accompanied by the respective object of protection, thus showing that the effects related to the exposure generated in the *swaps* will have their counterpart reflected in the debt. For these transactions, the Company discloses the fair value of the object (debt) and the protective derivative financial instrument on separate lines, as demonstrated above in the sensitivity analysis demonstration table, in order to report the Company's net exposure in each of the scenarios mentioned.

It is noteworthy that the operations with derivative financial instruments contracted by the Company have as sole objective the patrimonial protection. In this way, an improvement or worsening in their respective market values will be equivalent to an inverse movement in the corresponding portions of the value of the financial debt contracted, object of the derivative financial instruments of the Company.

The sensitivity analyses for derivative financial instruments in force on June 30, 2021 were carried out considering, basically, the assumptions related to changes in market interest rates and the change in the US dollar used in *swap* contracts. The use of these assumptions in the analysis is due exclusively to the characteristics of derivative financial instruments, which have exposure only to changes in interest and exchange rates.

(In thousands of Reais, except as otherwise stated)

Table with gains and losses on derivatives in the period

	June 2021	June 2020
Net income from derivative operations	162,647	382,978
Income (loss) from operations with other derivatives	155,165	-

Capital Management

The group's objectives in managing its capital are to safeguard the group's ability to continue to deliver return to shareholders and benefits to other stakeholders, as well as maintain a capital structure to reduce this cost. To maintain or adjust the group's capital structure, management may review the dividend payment policy, return capital to shareholders, or issue new shares or sell assets to reduce, for example, the level of debt.

Changes in financial liabilities

Changes in liabilities arising from financing activities such as loans and financings, lease and financial instruments are presented below:

	Loans and financing	Leases	Derivative financial instruments (assets) liabilities
December 31, 2020	2,345,032	8,378,835	(465,923)
Inflows	2,672,000	754,274	(161,429)
Remeasurement	-	(152,117)	
Financial expenses	(3,100)	405,657	41,333
Foreign exchange variations, net	(121,312)	-	121,314
Payments	(666,399)	(962,401)	37,521
June 30, 2021	4,226,221	8,424,248	(427,184)

38. Defined benefit pension plans and other post-employment benefits

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

	June 2021	December 2020
PAMEC/asset policy and medical plan	7,346	7,346

ICATU, SISTEL and FUNCESP

The Company has been sponsoring defined benefit private pension plans for a group of employees from the former TELEBRÁS system, which are currently under the administration of the Sistel Foundation for Social Security and the ICATU multi-sponsor fund. In addition to the plans coming from the TELEBRÁS system, there is also the plan administered by the CESP foundation resulting from the incorporation of AES Atimus.

(In thousands of Reais, except as otherwise stated)

Such pension plans, as well as medical plans, are briefly explained below:

PBS assisted (PBS-Tele Celular Sul and PBS-Tele Nordeste Celular): SISTEL's benefit plan, which has a defined benefit characteristic and includes inactive employees who were part of the plans sponsored by the companies of the old TELEBRÁS system;

PBS (PBS Tele Celular Sul and PBS Tele Nordeste Celular): pension plan for inactive employees, being such a multi-sponsored benefits plan under the administration of ICATU MULTI-SPONSORED Fund;

Administration agreement: administration agreement for retirement payment to retirees and pensioners, for the retirees of the company's predecessors under the management of ICATU MULTI-SPONSORED Fund;

PAMEC/Asset Policy: complementary health care plan for retirees of the Company's predecessors;

AES Telecom: Supplementary pension and pension plan's installment, administered by the CESP Foundation, which is the responsibility of the company, with a view to the acquisition of Eletropaulo Telecomunicações Ltda (AES Atimus), succeeded by TIM Fiber SP LTDA, later incorporated into TIM Celular which was incorporated by the Company.

Medical care plan Fiber: Provision for maintenance of health plan as post-employment benefit to former employees of AES Atimus (as established in law 9656/98, articles 30 and 31), which was acquired and incorporated by TIM Celular and which was subsequently incorporated by the Company.

39. Insurance

The balances on June 30, 2021 and December 31, 2020, presented below, represent the individual and consolidated amounts.

The Company maintains a policy of monitoring the risks inherent in its operations. As a result, as of June 30, 2021, the company had insurance contracts in force to cover operational risks, civil liability, cyber risks, health, among others. The management of the company understands that the policies represent sufficient amounts to cover any losses. The main assets, liabilities or interests covered by insurance and their amounts are shown below:

Modalities	Insured Values
Operational Risks	R$ 37,546,843
General Civil Liability - RCG	R$ 80,000
Cyber risks	R$ 29,233
Automobile (executive and operational fleet)	R$ 1,000 for optional civil liability (property damage and bodily harm) and R$ 100 for pain and suffering.

(In thousands of Reais, except as otherwise stated)

40. Supplementary information to the cash flow

	Parent company		Consolidated
	June 2021	June 2020	June 2021
Non-cash transactions			
Additions to property, plant and equipment and intangible assets - with no effect on cash	(661,182)	(510,719)	(661,182)
Increase in lease liabilities - no effect on cash	661,182	510,719	661,182

41. Subsequent events

Partnership between TIM and Cogna

On July 7, 2021, TIM S.A. informed its shareholders, the market in general and other stakeholders that, together with Anhanguera Educacional Participações S.A. (“AESAPAR”), a subsidiary of Cogna Educação S.A. (“Cogna”), jointly referred to as “Partners”, completed the negotiations regarding a strategic partnership with the objective of developing offers combined with special benefits aimed at providing distance education through the Ampli platform.

The Partners highlighted the innovative nature of the agreement they signed, by joining a digital teaching platform developed in a mobile-first concept, with the largest 4G infrastructure in Brazil. This is a powerful combination that will expand and encourage access to university and free courses for all TIM customers. This approach provides great potential to generate value for both companies through customer base growth and revenue growth.

The Partnership fits into the Client 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 generate value for our customers and for the company.

This decision does not create a joint venture and, therefore, TIM maintains the independence of its operations. Through a compensation mechanism based on objectives and depending on the results of the partnership, TIM will become a minority partner of AESAPAR in a new company to be established because of the separation of assets from the Ampli platform (“Ampli Co”). The establishment and operation of Ampli Co will be submitted by AESAPAR to the competent authorities, especially to the Ministry of Education (MEC).

TIM's interest in Ampli Co may reach up to 30% of its capital and the subscription of shares must be previously approved by the Brazilian Antitrust Enforcement Agency (CADE). In the defined plan, Ampli Co is expected to conduct an IPO.

FISCAL COUNCIL'S OPINION

The Members of the Fiscal Council of TIM S.A. ("Company"), in the exercise of their attributions and legal duties, as provided in Article 163 of the Brazilian Corporate Law, conducted a review and analysis of the quarterly financial statements, along with the limited review report of Ernst & Young Auditores Independentes S/S ("EY"), for the period that ended on June 30th, 2021, and taking into account the information provided by the Company's management and the Independent Auditors, consider the information appropriate for presentation to the Board of Directors of the Company, in accordance to the Brazilian Corporate Law.

Rio de Janeiro, July 26th, 2021.

WALMIR KESSELI
Chairman of the Fiscal Council

JARBAS T. BARSANTI RIBEIRO
Member of the Fiscal Council

JOSINO DE ALMEIDA FONSECA
Member of the Fiscal Council

STATUTORY OFFICERS' STATEMENT

Pietro Labriola (Chief Executive Officer), **Adrian Calaza** (Chief Financial Officer and Investor Relations Officer), **Bruno Mutzenbecher Gentil** (Business Support Officer), **Maria Antonietta Russo** (Human Resources & Organization Officer)**, Mario Girasole** (Regulatory and Institutional Affairs Officer), **Leonardo de Carvalho Capdeville** (Chief Technology Information Officer), **Jaques Horn** (Legal Officer) and **Alberto Mario Griselli** (Chief Revenue Officer), as Statutory Officers of TIM S.A., declare, in accordance with article 25, paragraph 1, item VI of CVM Instruction Nr. 480 of December 7th, 2009, that they have reviewed, discussed and agreed with the Company's Financial Statements for the period ended June 30th, 2021.

Rio de Janeiro, July 26th, 2021.

PIETRO LABRIOLA
Chief Executive Officer

ADRIAN CALAZA
Chief Financial Officer and Investor Relations Officer

MARIO GIRASOLE
Regulatory and Institutional Affairs Officer

LEONARDO DE CARVALHO CAPDEVILLE
Chief Technology Information Officer

BRUNO MUTZENBECHER GENTIL
Business Support Officer

ALBERTO MARIO GRISELLI
Chief Revenue Officer

MARIA ANTONIETTA RUSSO
Human Resources & Organization Officer

JAQUES HORN
Legal Officer

STATUTORY OFFICERS’ STATEMENT

Pietro Labriola (Chief Executive Officer), **Adrian Calaza** (Chief Financial Officer and Investor Relations Officer), **Bruno Mutzenbecher Gentil** (Business Support Officer), **Maria Antonietta Russo** (Human Resources & Organization Officer), **Mario Girasole** (Regulatory and Institutional Affairs Officer), **Leonardo de Carvalho Capdeville** (Chief Technology Information Officer), **Jaques Horn** (Legal Officer) and **Alberto Mario Griselli** (Chief Revenue Officer), as Statutory Officers of TIM S.A., declare, in accordance with Section 25, paragraph 1, item V of CVM Instruction Nr. 480 of December 7th, 2009, that they have reviewed, discussed and agreed with the opinion expressed on the Company’s Independent Auditors’ Report regarding the Company’s Financial Statements for the period ended June 30th, 2021.

Rio de Janeiro, July 26th, 2021.

PIETRO LABRIOLA Chief Executive Officer	**ADRIAN CALAZA** Chief Financial Officer and Investor Relations Officer
MARIO GIRASOLE Regulatory and Institutional Affairs Officer	**LEONARDO DE CARVALHO CAPDEVILLE** Chief Technology Information Officer
BRUNO MUTZENBECHER GENTIL Business Support Officer	**ALBERTO MARIO GRISELLI** Chief Revenue Officer
MARIA ANTONIETTA RUSSO Human Resources & Organization Officer	**JAQUES HORN** Legal Officer