2Q'17 Financial and operating data

Index

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Disclaimer

The financial and operating data have been extracted or derived, with the exception of some data, from the Half-year Condensed Consolidated Financial Statements as of and for the six months ended 30 June 2017 which have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the European Union (designated as IFRS).

The accounting policies adopted in the preparation of the Half-year Condensed Consolidated Financial Statements as of and for the six months ended 30 June 2017 are the same as those adopted in the TIM Group consolidated financial statements at 31 December 2016, to which reference can be made. No new standards and interpretations were endorsed by the EU and in force from 1 January 2017.

Furthermore, the Sofora - Telecom Argentina group, which was disposed of on 8 March 2016, is classified as Discontinued operations.

Key financial data by Business Unit

UNAUDITED FIGURES

REVENUES	1Q16	1H16	1Q17	1H17
Domestic	3.548	7.247	3.647	7.494
o/w Wireline Domestic	2.553	5.131	2.596	5.296
o/w Mobile Domestic	1.186	2.447	1.216	2.517
Brasile	897	1.858	1.181	2.293
Other activities & Elim.	(5)	(9)	(9)	(15)
TI Group	**4.440**	**9.096**	**4.819**	**9.772**
EBITDA Reported				
Domestic	1.461	3.184	1.621	3.361
Brasile	258	556	372	762
Other activities & Elim.	(7)	(14)	(3)	(9)
TI Group	**1.712**	**3.726**	**1.990**	**4.114**
EBITDA Margin Reported				
Domestic	41,2%	43,9%	44,4%	44,8%
Brasile	28,8%	29,9%	31,5%	33,2%
TI Group	**38,6%**	**41,0%**	**41,3%**	**42,1%**
EBIT Reported				
Domestic	662	1.581	787	1.685
Brazil	49	121	81	194
Other activities & Elim.	(7)	(15)	(3)	(8)
TI Group	**704**	**1.687**	**865**	**1.871**
EBIT Margin Reported				
Domestic	18,7%	21,8%	21,6%	22,5%
Brasile	5,5%	6,5%	6,9%	8,5%
TI Group	**15,9%**	**18,5%**	**17,9%**	**19,1%**
CAPEX				
Domestic	778	1.575	631	1.626
Brasile	166	408	200	430
Elim & Adj	0	0	0	
TI Group	**944**	**1.983**	**831**	**2.056**
CAPEX ON SALES (%)				
Domestic	21,9%	21,7%	17,3%	21,7%
Brasile	18,5%	22,0%	16,9%	18,8%
TI Group	**21,3%**	**21,8%**	**17,2%**	**21,0%**

Key financial data by Business Unit

€ mln

UNAUDITED FIGURES

REVENUES	1Q16	2Q16	1Q17	2Q17
Domestic	3.548	3.699	3.647	3.847
o/w Wireline Domestic	2.553	2.578	2.596	2.700
o/w Mobile Domestic	1.186	1.261	1.216	1.301
Brasile	897	961	1.181	1.112
Other activities & Elim.	(5)	(4)	(9)	(6)
TI Group	**4.440**	**4.656**	**4.819**	**4.953**
EBITDA Reported				
Domestic	1.461	1.723	1.621	1.740
Brasile	258	298	372	390
Other activities & Elim.	(7)	(7)	(3)	(6)
TI Group	**1.712**	**2.014**	**1.990**	**2.124**
EBITDA Margin Reported				
Domestic	41,2%	46,6%	44,4%	45,2%
Brasile	28,8%	31,0%	31,5%	35,1%
TI Group	**38,6%**	**43,3%**	**41,3%**	**42,9%**
EBIT Reported				
Domestic	662	919	787	898
Brasile	49	72	81	113
Other activities & Elim.	(7)	(8)	(3)	(5)
TI Group	**704**	**983**	**865**	**1.006**
EBIT Margin Reported				
Domestic	18,7%	24,8%	21,6%	23,3%
Brasile	5,5%	7,5%	6,9%	10,2%
TI Group	**15,9%**	**21,1%**	**17,9%**	**20,3%**
CAPEX				
Domestic	778	797	631	995
Brasile	166	242	200	230
Elim & Adj	0	0		0
TI Group	**944**	**1.039**	**831**	**1.225**
CAPEX ON SALES (%)				
Domestic	21,9%	21,5%	17,3%	25,9%
Brasile	18,5%	25,2%	16,9%	20,7%
TI Group	**21,3%**	**22,3%**	**17,2%**	**24,7%**

P&L Group

UNAUDITED FIGURES

€ mln	1Q16	1H16	1Q17	1H17
REVENUES	**4.440**	**9.096**	**4.819**	**9.772**
Other Income	47	107	78	217
TOTAL OPERATING REVENUES AND OTHER INCOME	**4.487**	**9.203**	**4.897**	**9.989**
Acquisition of goods and services	(1.923)	(3.783)	(2.061)	(4.136)
Employee benefits expenses	(848)	(1.551)	(760)	(1.530)
Other operating expenses	(247)	(501)	(273)	(576)
Internally generated assests and Others	243	358	187	367
EBITDA	**1.712**	**3.726**	**1.990**	**4.114**
EBITDA Margin	38,6%	41,0%	41,3%	42,1%
Depreciation and amortization	(1.009)	(2.047)	(1.129)	(2.249)
Gains (losses) on disposals of non-current assets	3	13	4	6
Impairment reversals (losses) on non-current assets	(2)	(5)		-
EBIT	**704**	**1.687**	**865**	**1.871**
EBIT Margin	15,9%	18,5%	17,9%	19,1%
Income (loss) equity invest. valued equity method		5		(20)
Net Financial Income / (Expenses)	(26)	(145)	(384)	(740)
Profit (loss) before tax from continuing operations	**678**	**1.547**	**481**	**1.111**
Income tax expense	(221)	(489)	(256)	(457)
Profit (loss) from continuing operations	**457**	**1.058**	**225**	**654**
Profit (loss) from Discontinued operations/Non-current assets held	47	47		
Profit (loss) for the year	**504**	**1.105**	**225**	**654**
Attributable to:				
Owners of the Parent	**433**	**1.018**	**200**	**596**
Non-controlling interests	71	87	25	58

Consolidated Balance Sheet

UNAUDITED FIGURES

€ mln	FY16	1H17
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Goodwill	29.612	29.511
Intangible assets with a finite useful life	6.951	6.594
	36.563	36.105
Tangible assets		
Property, plant and equipment owned	13.947	13.671
Assets held under finance leases	2.413	2.371
	16.360	16.042
Other non-current assets		
Investments in associates and joint ventures accounted for using the equity method	18	17
Other investments	46	48
Non-current financial assets	2.698	2.185
Miscellaneous receivables and other non-current assets	2.222	2.324
Deferred tax assets	877	525
	5.861	5.099
TOTAL NON-CURRENT ASSETS (A)	**58.784**	**57.246**
CURRENT ASSETS		
Inventories	270	314
Trade and miscellaneous receivables and other current assets	5.426	5.617
Current income tax receivables	94	45
Other investments		
Securities other than investments, financial receivables and other current financial assets	1.908	1.732
Cash and cash equivalents	3.964	4.086
Current assets sub-total	**11.662**	**11.794**
Discontinued operations/assets held for sale		
of a financial nature	-	-
of a non-financial nature	-	-
	-	**-**
TOTAL CURRENT ASSETS (B)	**11.662**	**11.794**
TOTAL ASSETS (A+B)	**70.446**	**69.040**

Consolidated Balance Sheet

UNAUDITED FIGURES

€ mln	FY16	1H17
EQUITY AND LIABILITIES		
EQUITY		
Equity attributable to equity holders of the Parent	21.207	21.404
Equity attributable to Minority Interests	2.346	2.215
TOTAL EQUITY (C)	**23.553**	**23.619**
NON-CURRENT LIABILITIES		
Non-current financial liabilities	30.469	28.887
Employee benefits	1.355	1.336
Deferred tax liabilities	293	323
Provisions	830	813
Miscellaneous payables and other non-current liabilities	1.607	1.594
TOTAL NON-CURRENT LIABILITIES (D)	**34.554**	**32.953**
CURRENT LIABILITIES		
Current financial liabilities	4.056	4.844
Trade and miscellaneous payables and other current liabilities	7.646	7.056
Current income tax payables	637	568
Current liabilities sub-total (E)	**12.339**	**12.468**
Liabilities directly associated with Discontinued operations/Non-current assets held for sale		
of a financial nature	-	-
of a non-financial nature	-	-
	-	**-**
TOTAL CURRENT LIABILITIES (E)	**12.339**	**12.468**
TOTAL LIABILITIES (F=D+E)	**46.893**	**45.421**
TOTAL EQUITY AND LIABILITIES (C+F)	**70.446**	**69.040**

Net Cash Flow & Net Debt Dynamics

UNAUDITED FIGURES

(€ mln)	1Q16	1H16	1Q17	1H17
EBITDA	1.712	3.726	1.990	4.114
CAPEX	(944)	(1.983)	(831)	(2.056)
Change in net operating working capital:	(750)	(1.078)	(795)	(1.130)
Change in inventories	(87)	(40)	(29)	(44)
Change in trade receivables and net amounts due from customers on construction contracts	30	(130)	31	(52)
Change in trade payables (*)	(566)	(635)	(697)	(692)
Other changes in operating receivables/payables	(127)	(273)	(100)	(342)
Change in provisions for employee benefits	59	40	(7)	(7)
Change in operating provisions and Other changes	(52)	(34)	4	37
Net operating Free Cash Flow	**25**	**671**	**361**	**958**
Sale of investments and other disposals flow	707	732	2	9
Share capital increases/reimbursements, including incidental costs				6
Financial investments flow	(9)	(9)	(1)	(1)
Dividends payment		(227)		(218)
Change in finance lease contracts	(46)	(123)	(15)	(30)
Finance expenses, income taxes and other net non-operating requirements flow	(500)	(1.242)	(463)	(709)
Reduction/(Increase) in adjusted net financial debt from continuing operations	**177**	**(198)**	**(116)**	**15**
Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale	(38)	(38)	-	
Reduction/(Increase) in adjusted net financial debt	**139**	**(236)**	**(116)**	**15**
OPENING NET FINANCIAL DEBT (Adjusted)	**27.278**	**27.278**	**25.119**	**25.119**
Net cash flow	139	(236)	(116)	15
ENDING NET FINANCIAL DEBT (Adjusted)	**27.139**	**27.514**	**25.235**	**25.104**
Adj for fair value valuation of derivatives and related underlyings	1.094	556	688	624
ENDING NET FINANCIAL DEBT (Reported)	**28.233**	**28.070**	**25.923**	**25.728**

(*) Includes the change in trade payables for amounts due to fixed asset suppliers

Domestic Business Results - Reported Figures

€ mln

UNAUDITED FIGURES

KPI's ('000)	1Q16	Δ% yoy	2Q16	Δ% yoy	3Q16	Δ% yoy	4Q16	Δ% yoy	FY16	Δ% yoy	1Q17	Δ% yoy	2Q17	Δ% yoy
Wireline														
Physical accesses	11.602	-5,5%	11.468	-5,1%	11.368	-4,5%	11.285	-3,9%	11.285	-3,9%	11.230	-3,2%	11.185	-2,5%
Broadband (retail+wholesale)	8.955	1,9%	8.992	1,9%	9.042	2,3%	9.206	3,6%	9.206	3,6%	9.435	5,4%	9.687	7,7%
Mobile														
Total lines [(1)]	29.846	-1,0%	29.742	-1,1%	29.549	-1,6%	29.617	-1,3%	29.617	-1,3%	29.417	-1,4%	29.952	0,7%

€ mln	1Q16	Δ% yoy	2Q16	Δ% yoy	3Q16	Δ% yoy	4Q16	Δ% yoy	FY16	Δ% yoy	1Q17	Δ% yoy	2Q17	Δ% yoy
REVENUES	**3.548**	-2,3%	**3.699**	-1,2%	**3.789**	1,0%	**3.970**	2,5%	**15.006**	0,0%	**3.647**	2,8%	**3.847**	4,0%
o/w Services	3.352	-2,4%	3.468	-1,1%	3.526	-0,4%	3.532	-1,3%	13.878	-1,3%	3.342	-0,3%	3.500	0,9%
o/w Equipments	196	0,1%	231	-3,4%	263	23,9%	438	48,1%	1.128	19,6%	305	55,8%	347	50,6%
o/w Domestic Mobile Services	**1.059**	0,6%	**1.117**	0,7%	**1.183**	1,1%	**1.220**	3,0%	**4.579**	1,4%	**1.083**	2,2%	**1.145**	2,5%
o/w Traditional	573	-7,7%	580	-6,9%	561	-12,2%	537	-13,5%	2.250	-10,1%	496	-13,4%	512	-11,6%
o/w Innovative	438	16,8%	466	12,0%	527	16,4%	577	19,2%	2.008	16,2%	534	21,8%	558	19,8%
o/w Wholesale	48	-15,8%	72	1,1%	96	20,7%	105	34,9%	321	12,4%	53	10,4%	74	3,4%
o/w Domestic Wireline Services	**2.483**	-4,3%	**2.488**	-4,8%	**2.499**	-3,6%	**2.494**	-3,0%	**9.965**	-3,9%	**2.424**	-2,4%	**2.508**	0,8%
o/w Traditional Services	1.064	-10,8%	1.053	-11,1%	1.032	-10,3%	1.069	-3,6%	4.219	-9,0%	967	-9,1%	974	-7,6%
o/w Innovative Services	590	5,8%	610	4,6%	624	8,1%	648	8,7%	2.472	6,8%	652	10,5%	708	16,0%
o/w Domestic Wholesale	537	-4,1%	506	-7,8%	503	-8,6%	488	-10,7%	2.034	-7,8%	505	-5,9%	498	-1,5%
o/wTIS Group	311	0,3%	338	4,0%	354	5,4%	348	1,5%	1.351	2,8%	310	-0,3%	336	-0,6%
o/w Subs. Adj. and Other	-19	24,7%	-19	32,4%	-13	41,4%	-59	-155,0%	-110	-11,3%	-11	45,1%	-7	62,5%
Elimination & Other	**-190**	10,9%	**-137**	37,1%	**-157**	29,5%	**-182**	-2,9%	**-667**	19,8%	**-164**	13,5%	**-154**	-11,8%
EBITDA Reported	**1.461**	-9,3%	**1.723**	39,4%	**1.811**	7,9%	**1.703**	63,4%	**6.698**	20,3%	**1.621**	11,0%	**1.740**	1,0%
EBITDA Margin	41,2%		46,6%		47,8%		42,9%		44,6%		44,4%		45,2%	
Capex	**778**	15,1%	**797**	-4,0%	**823**	4,0%	**1.311**	-18,2%	**3.709**	-4,9%	**631**	-18,9%	**995**	24,8%
% on revenues	21,9%		21,5%		21,7%		33,0%		24,7%		17,3%		25,9%	
Headcount at period-end ('000)	**52.713**	-0,5%	**52.622**	-0,4%	**52.140**	-1,1%	**51.280**	-2,6%	**51.280**	-2,6%	**51.163**	-2,7%	**51.095**	-2,9%

(1) M2M included

Domestic Wireline Results - Reported Figures

UNAUDITED FIGURES

KPI's	1Q16	Δ% yoy	2Q16	Δ% yoy	3Q16	Δ% yoy	4Q16	Δ% yoy	FY16	Δ% yoy	1Q17	Δ% yoy	2Q17	Δ% yoy
Physical accesses ('000)	11.602	-5,5%	11.468	-5,1%	11.368	-4,5%	11.285	-3,9%	11.285	-3,9%	11.230	-3,2%	11.185	-2,5%
o/w NGN	668	131,5%	784	110,7%	864	100,0%	987	84,6%	987	84,6%	1.217	82,3%	1.507	92,2%
OLO Access (on TI infrastructure)	7.543	3,4%	7.606	3,1%	7.600	2,8%	7.677	2,8%	7.677	2,8%	7.810	3,5%	7.881	3,6%
o/w ULL	5.632	3,2%	5.680	3,1%	5.658	2,5%	5.641	1,2%	5.641	1,2%	5.657	0,4%	5.620	-1,1%
o/w Virtual ULL	29	12,2%	28	2,7%	23	-19,4%	21	-25,8%	21	-25,8%	17	-40,2%	16	-41,7%
o/w Wholesale Line Rental	470	-16,9%	443	-19,1%	416	-20,6%	388	-21,9%	388	-21,9%	373	-20,6%	347	-21,8%
o/w Naked	1.241	2,9%	1.256	3,5%	1.256	3,1%	1.274	3,6%	1.274	3,6%	1.282	3,3%	1.267	0,9%
o/w NGN	170	-	199	-	247	-	353	-	353	-	481	-	632	-
TI Retail Broadband Accesses ('000)	7.067	1,8%	7.088	1,7%	7.123	2,0%	7.191	2,4%	7.191	2,4%	7.310	3,4%	7.419	4,7%
o/w Business	1.480	-4,2%	1.472	-3,3%	1.470	-2,3%	1.464	-1,6%	1.464	-1,6%	1.470	-0,7%	1.477	0,4%
o/w Consumer	5.588	3,5%	5.616	3,1%	5.653	3,2%	5.727	3,5%	5.727	3,5%	5.840	4,5%	5.942	5,8%
% flat offers on TI total portfolio (Consumer+Business)	94%	1,8pp	94%	1,5pp	95%	1,4pp	95%	1,2pp	95%	1,2pp	95%	1,2pp	96%	1,1pp
BroadBand Accesses Wholesale ('000)	1.888	2,6%	1.903	2,9%	1.918	3,4%	2.016	8,0%	2.016	8,0%	2.125	12,6%	2.268	19,2%
BB Arpu (euro/mese)	21,5	5,2%	21,9	4,4%	22,4	8,1%	22,3	5,5%	22,0	5,8%	23,0	7,3%	24,9	13,8%

REVENUES(€ mln)	1Q16	Δ% yoy	2Q16	Δ% yoy	3Q16	Δ% yoy	4Q16	Δ% yoy	FY16	Δ% yoy	1Q17	Δ% yoy	2Q17	Δ% yoy
TOTAL	**2.553**	-3,9%	**2.578**	-4,1%	**2.643**	-0,1%	**2.721**	2,1%	**10.495**	-1,5%	**2.596**	1,7%	**2.700**	4,7%
o/w Services	2.483	-4,3%	2.488	-4,8%	2.499	-3,6%	2.494	-3,0%	9.965	-3,9%	2.424	-2,4%	2.508	0,8%
o/w Equipments	70	13,8%	90	20,7%	144	169,0%	227	145,2%	530	88,2%	172	145,8%	192	114,0%
TRADITIONAL SERVICES	**1.064**	-10,8%	**1.053**	-11,1%	**1.032**	-10,3%	**1.069**	-3,6%	**4.219**	-9,0%	**967**	-9,1%	**974**	-7,6%
o/w Voice	**901**	-13,2%	**874**	-13,9%	**836**	-14,4%	**830**	-12,0%	**3.441**	-13,4%	**801**	-11,1%	**812**	-7,1%
o/w Traffic	324	-8,4%	323	-10,1%	306	-11,9%	306	-9,9%	1.259	-10,1%	297	-8,4%	305	-5,6%
o/w Access	515	-15,9%	489	-16,6%	470	-16,3%	463	-14,1%	1.937	-15,8%	445	-13,5%	449	-8,0%
o/w Voice VAS	26	-15,4%	27	-5,9%	27	-4,8%	27	-2,4%	106	-7,3%	25	-2,7%	25	-9,4%
o/w Rental & other	37	-13,7%	35	-14,0%	33	-16,4%	35	-8,5%	140	-13,2%	34	-6,8%	33	-5,3%
o/w Business Data & Others trad	**163**	5,3%	**179**	5,7%	**195**	12,9%	**239**	44,6%	**777**	17,2%	**166**	1,5%	**161**	-10,0%
o/w Data Services	112	-4,8%	113	-5,8%	112	2,0%	115	-1,8%	453	-2,7%	111	-1,3%	111	-1,5%
o/w Rental & other	51	37,3%	67	33,4%	83	32,1%	124	157,4%	325	63,9%	55	7,6%	50	-24,4%
INNOVATIVE SERVICES	**590**	5,8%	**610**	4,6%	**624**	8,1%	**648**	8,7%	**2.472**	6,8%	**652**	10,5%	**708**	16,0%
o/w Broadband	**447**	6,9%	**457**	6,2%	**471**	10,2%	**473**	8,2%	**1.847**	7,9%	**493**	10,4%	**539**	17,8%
o/w Access & Bundles Services	429	7,6%	440	6,8%	454	10,9%	457	8,9%	1.780	8,6%	470	9,5%	515	17,0%
o/w Others	17	-6,4%	17	-7,6%	17	-6,4%	16	-10,0%	67	-7,6%	23	31,5%	23	38,9%
o/w Content	**4**	-17,6%	**4**	-21,3%	**4**	-23,1%	**4**	-10,3%	**17**	-18,5%	**4**	0,9%	**8**	96,5%
o/w ICT Service	**139**	3,2%	**149**	0,6%	**149**	3,0%	**172**	10,9%	**609**	4,5%	**155**	11,3%	**161**	8,3%
Domestic Wholesale	**537**	-4,1%	**506**	-7,8%	**503**	-8,6%	**488**	-10,7%	**2.034**	-7,8%	**505**	-5,9%	**498**	-1,5%
TIS Group	**311**	0,3%	**338**	4,0%	**354**	5,4%	**348**	1,5%	**1.351**	2,8%	**310**	-0,3%	**336**	-0,6%
Subs. Adj. and Other	**-19**	24,7%	**-19**	32,4%	**-13**	41,4%	**-59**	-155%	**-110**	-11,3%	**-11**	45,1%	**-7**	62,5%

Domestic Mobile Results - Reported Figures

€ mln

UNAUDITED FIGURES

KPI's	1Q16	Δ% yoy	2Q16	Δ% yoy	3Q16	Δ% yoy	4Q16	Δ% yoy	FY16	Δ% yoy	1Q17	Δ% yoy	2Q17	Δ% yoy
Total number of lines ('000) [1]	29.846	-1,0%	29.742	-1,1%	29.549	-1,6%	29.617	-1,3%	29.617	-1,3%	29.417	-1,4%	29.952	0,7%
Churn Rate %	5,6%	-0,8pp	5,3%	-0,2pp	5,9%	0,1pp	6,0%	0,2pp	22,8%	-0,7pp	5,9%	0,2pp	6,9%	1,6pp
Total User Broadband (mln of users)	11,6	11,1%	11,8	9,5%	12,1	7,7%	12,2	6,0%	12,2	6,0%	12,2	4,7%	12,5	6,2%
o/w Total User LTE (mln of users)	5,0	-	5,7	-	6,2	-	7,6	-	7,6	-	8,3	-	9,0	-
Volumes of traffic (mln of minutes) [2]	16.943	4,9%	17.381	4,5%	17.213	5,3%	18.042	6,1%	69.578	5,2%	18.183	7,3%	19.310	11,1%
o/w Outgoing traffic volumes (mln of minutes)	10.999	1,6%	11.164	1,6%	11.143	4,0%	11.633	4,8%	44.939	3,0%	11.781	7,1%	12.627	13,1%
o/w Incoming traffic volumes (mln of minutes)	5.945	11,4%	6.217	10,1%	6.069	7,9%	6.408	8,6%	24.640	9,5%	6.402	7,7%	6.683	7,5%
Usage Voice (min/line/month) [3]	233	8,8%	241	8,2%	241	9,5%	256	10,2%	243	9,2%	259	11,4%	276	14,2%
Usage Data (GB/users/month)	1,7	28,6%	1,9	36,0%	2,0	24,7%	2,1	30,8%	1,9	29,7%	2,3	35,3%	2,7	43,3%
ARPU [3] €	11,6	2,5%	12,1	1,5%	12,8	2,4%	13,3	4,1%	12,4	2,6%	12,0	3,2%	12,5	3,2%

REVENUES (€ mln), Reported figures	1Q16	Δ% yoy	2Q16	Δ% yoy	3Q16	Δ% yoy	4Q16	Δ% yoy	FY16	Δ% yoy	1Q17	Δ% yoy	2Q17	D% yoy
TOTAL	**1.186**	3,0%	**1.261**	2,0%	**1.300**	-0,2%	**1.432**	3,9%	**5.179**	2,2%	**1.216**	2,5%	**1.301**	3,2%
SERVICES	**1.059**	0,6%	**1.117**	0,7%	**1.183**	1,1%	**1.220**	3,0%	**4.579**	1,4%	**1.083**	2,2%	**1.145**	2,5%
Traditional Services	**573**	-7,7%	**580**	-6,9%	**561**	-12,2%	**537**	-13,5%	**2.250**	-10,1%	**496**	-13,4%	**512**	-11,6%
o/w Outgoing voice [4]	404	-12,8%	403	-11,4%	395	-14,3%	379	-12,3%	1.581	-12,7%	349	-13,7%	360	-10,7%
o/w Incoming voice	67	15,7%	70	13,4%	68	4,4%	71	3,2%	276	8,9%	71	5,4%	74	5,5%
o/w Messaging	102	2,0%	107	0,7%	98	-13,3%	87	-27,7%	394	-10,4%	76	-24,9%	79	-26,4%
Innovative Services	**438**	16,8%	**466**	12,0%	**527**	16,4%	**577**	19,2%	**2.008**	16,2%	**534**	21,8%	**558**	19,8%
o/w Browsing	356	16,3%	377	11,4%	392	5,4%	451	15,0%	1.576	11,9%	415	16,8%	437	15,6%
o/w Internet Content	83	19,4%	88	14,3%	135	67,6%	126	37,1%	432	35,4%	119	43,1%	122	37,8%
Wholesale Services	**48**	-15,8%	**72**	1,1%	**96**	20,7%	**105**	34,9%	**321**	12,4%	**53**	10,4%	**74**	3,4%
Handsets	**127**	29,5%	**144**	13,7%	**117**	-12,0%	**212**	9,2%	**600**	8,8%	**133**	5,2%	**156**	8,6%

[1] M2M included

[2] Incoming + Outgoing volumes (Visitors and Roamers volumes not included)

[3] Net of visitors

[4] Outgoing voice revenues include roaming revenues

TIM Brasil Results - Reported Figures

UNAUDITED FIGURES

Reais mln

KPI's - Mobile only	1Q16	Δ% yoy	2Q16	Δ% yoy	3Q16	Δ% yoy	4Q16	Δ% yoy	FY16	Δ% yoy	1Q17	Δ% yoy	2Q17	Δ% yoy
Estimated Total Penetration (%)	125,4%		123,0%		121,6%		118,0%				117,2%		116,7%	
Market Share on total lines(%)	26,1%	-0,6pp	25,3%	-1,2pp	25,2%	-1,1pp	26,0%	+0,3pp	26,0%	+0,3pp	25,5%	-0,6pp	25,1%	
Total Lines ('000) (1)	67.269	-11,2%	63.988	-14,2%	63.247	-12,9%	63.418	-4,3%	63.418	-4,3%	61.868	-8,0%	60.831	-4,9%
TOTAL ARPU (2)	17,2	3%	17,2	7%	18,4	12%	19,2	9%	18,0	8%	19,0	+10,5%	19,4	+13%
TOTAL MOU net of visitors	119	-1,4%	118	-0,4%	116	-2,1%	113	-5,8%	117	-2,4%	107	-10,1%	107	-9,7%

MAIN RESULTS (IAS/IFRS, R$ mln)	1Q16	Δ% yoy	2Q16	Δ% yoy	3Q16	Δ% yoy	4Q16	Δ% yoy	FY16	Δ% yoy	1Q17	Δ% yoy	2Q17	Δ% yoy
REVENUES Reported	**3.854**	-15,3%	**3.820**	-12,4%	**3.900**	-5,2%	**4.043**	-1,7%	**15.617**	-8,9%	**3.951**	2,5%	**3.943**	3,2%
of which services	3.618	-8,3%	3.570	-5,9%	3.690	-2,4%	3.842	-0,7%	14.720	-4,3%	3.744	3,5%	3.750	5,0%
of which handsets	236	-61%	250	-56%	210	-37%	201	-18%	897	-49%	207	-12%	193	-23%
EBITDA Reported	**1.107**	-17,4%	**1.189**	-6,8%	**1.270**	-1,2%	**1.548**	5,8%	**5.114**	-4,7%	**1.247**	12,6%	**1.377**	15,8%
EBITDA margin	28,7%	-0,8pp	31,1%	1,8pp	32,6%	1,4pp	38,3%	2,7pp	32,7%	1,4pp	31,6%	2,9 pp	34,9%	3,8 pp
EBITDA Organic (net non recurring)	**1.140**	-15,0%	**1.190**	-6,7%	**1.292**	0,5%	**1.548**	2,1%	**5.170**	-4,6%	**1.247**	9,4%	**1.377**	15,7%
EBITDA margin	29,6%	0,1 pp	31,2%	1,9 pp	33,1%	1,9 pp	38,3%	1,5 pp	33,1%	1,5 pp	31,6%	2,0pp	34,9%	3,7 pp
Capex Reported	**710**	-23,2%	**975**	-17,7%	**1.122**	-3,9%	**1.695**	+13,9%	**4.502**	-5,5%	**669**	-5,8%	**809**	-17,0%
% on revenues	18,4%	-1,9pp	25,5%	-1,6pp	28,8%	0,4pp	41,9%	5,7pp	28,8%	1,0pp	16,9%	-1,5pp	20,5%	-5 pp

	1Q16	Δ% yoy	1H16	Δ% yoy	9M16	Δ% yoy	FY16	Δ% yoy	FY16		1Q17	Δ% yoy	2Q17	Δ% yoy
Exchange rate AVG YTD (R$ vs. euro)	**4,29753**		**4,13001**		**3,96106**		**3,85935**		**3,85935**		**3,34707**		**3,44195**	

(1) Includes company lines

(2) Gross of visitors

€ mln

Revised

Reported & Organic Figures (*): YoY trends

UNAUDITED FIGURES

2Q16

€ mln	Reported Figures (a)	Non Organic elements (b): Change in consolid. area	Non Organic elements (b): Exchange rate impact	Non recurring items (c)	Organic figures * (d=a+b+c)
REVENUES					
Domestic	3.699		2		3.701
o/w Wireline Domestic	2.578		2		2.580
o/w Mobile Domestic	1.261				1.261
Brasile	961		117		1.078
Other Activities & Eliminations	(4)				(4)
TI Group	**4.656**		**119**		**4.775**
EBITDA					
Domestic	1.723		1	16	1.740
Brasile	298		38	0	336
Other Activities & Eliminations	(7)				(7)
TI Group	**2.014**		**39**	**16**	**2.069**
EBITDA Margin					
Domestic	46,6%				47,0%
Brasile	31,0%				31,2%
TI Group	**43,3%**				**43,3%**
EBIT					
Domestic	919		0	16	935
Brasile	72		10	(11)	71
Other Activities & Elimination	(8)			1	(7)
TI Group	**983**		**10**	**6**	**999**
EBIT Margin					
Domestic	24,8%				25,3%
Brasile	7,5%				6,6%
TI Group	**21,1%**				**20,9%**

2Q17

€ mln	Reported figures (e)	Non recurring items (f)	Organic figures * (g=e+f)	Δ% yoy reported (h=e/a-1)	Δ% yoy organic * (i=g/d-1)
REVENUES					
Domestic	3.847		3.847	4,0	3,9
o/w Wireline Domestic	2.700		2.700	4,7	4,7
o/w Mobile Domestic	1.301		1.301	3,2	3,2
Brasile	1.112		1.112	15,7	3,2
Other Activities & Eliminations	(6)		(6,0)	(50,0)	(50,0)
TI Group	**4.953**		**4.953**	**6,4**	**3,7**
EBITDA					
Domestic	1.740	71	1.811	1,0	4,1
Brasile	390	0	390	30,9	15,7
Other Activities & Eliminations	(6)		(6)		
TI Group	**2.124**	**71**	**2.195**	**5,5**	**6,1**
EBITDA Margin					
Domestic	45,2%		47,1%	-1,4 pp	0,1 pp
Brasile	35,1%		34,9%	4,1 pp	3,7 pp
TI Group	**42,9%**		**44,3%**	**-0,4 pp**	**1 pp**
EBIT					
Domestic	898	71	969	(2,3)	3,6
Brasile	113	1	114	56,9	58,3
Other Activities & Elimination	(5)		(5)		28,5
TI Group	**1.006**	**72**	**1.078**	**2,3**	7,9
EBIT Margin					
Domestic	23,3%		25,2%	-1,5 pp	-0,1 pp
Brasile	10,2%		10,1%	2,7 pp	3,5 pp
TI Group	**20,3%**		**21,8%**	**-0,8 pp**	**0,9 pp**

Non recurring items on EBITDA	2Q16	2Q17
Labour cost	2	5
Other Costs & Charges	14	66
Total	**16**	**71**

Non recurring items on EBIT	2Q16	2Q17
Labour Costs	2	5
Other Costs & Charges	4	67
Total	**6**	**72**

(*) Organic: excluding exchange rate fluctuations & non-recurring items

Domestic Reported and Organic Ebitda

€ mln

UNAUDITED FIGURES

	1Q17	1Q16	Δ yoy abs	Δ yoy %	2Q17	2Q16	Δ yoy abs	Δ yoy %	1H17	2H16	Δ yoy abs	Δ yoy %
EBITDA Organic	**1.645**	**1.529**	**116**	**+7,6%**	**1.811**	**1.740**	**71**	**+4,1%**	**3.456**	**3.269**	**187**	**+5,7%**
Exchange Rate Impact		1	(1)		0	1	(1)			2	(2)	
Labour Costs	5	65	(60)		5	2	3		10	67	(57)	
Other Operational Costs	19	2	17		64	14	50		83	16	67	
Other Charges			0		2	0	2		2		2	
Non recurring Items	**24**	**68**	**(44)**		**71**	**17**	**54**		**95**	**85**	**10**	
EBITDA Reported	**1.621**	**1.461**	**160**	**+11,0%**	**1.740**	**1.723**	**17**	**+1,0%**	**3.361**	**3.184**	**177**	**+5,6%**

Dear Madam/Sir,

Please find attached the Telecom Italia Group press release on 2Q17 Results and the related File featuring Financial Data and Key Performance Indicators.
We also provide you with a set of bullet points summarizing business and financial highlights, aiming at providing a snapshot comment on TI results.

At a glance:

- **A strong quarter for TIM. Reported domestic service revenues are back to positive growth for the first time after eight years (+0.9% YoY), driven by a positive performance of both mobile service revenues (+2.5% YoY) and fixed service revenues (+0.8% YoY)**
- **In Brazil organic Ebitda (+15.7% YoY) growth hits the mid-teens, with service revenues at +5.0% YoY**
- **Domestic Organic Ebitda continued its robust growth trajectory at +4.1% YoY, reflecting the successful turnaround achieved**
- **Higher service revenues and tight financial discipline drove organic Net Cash Flow up: 2Q17 471 mln€ better than 2Q16, 1H17 +1.047 mln€ better than 1H16.**

DOMESTIC REVENUES

Fourth strong consecutive positive set of figures in Domestic: Total Revenues in 2Q17 +4.0% YoY (+2.8% YoY in 1Q17, +2.5% YoY in 4Q16, +1% YoY in 3Q16).
After continued quarterly progression, service revenues are back to positive: +0.9% YoY (vs -0.3%YoY in 1Q17) on a reported basis (+0.8% YoY organic).

FIXED REVENUES

Total Wireline Revenues: +4.7% YoY in 2Q17 (vs +1.7% YoY in 1Q17), on the back of strong fiber net additions. Demand of enabling equipment also remains strong.

- **Wireline Service Revenues +0.8% YoY** in 2Q17 (vs –2.4% in 1Q17); line losses trend improved:
  - **Retail BB Net Adds: +83k** vs +120k in 1Q17 (seasonality must be considered); performance remains much stronger than last year (+35k in 2Q16);
  - **Retail Fiber Net Adds: +290k,** vs +230k in 1Q17**,** 2.5x better than in 2Q16. Retail fiber CB at the end of June was ~**1.5 mln**;
  - **Retail Line Losses at** lowest quarterly number since 2010: **-45k in 2Q17** vs -55k in 1Q17 (-35k in 2Q17 vs -58k in 1Q17 including Voip): 3x better than in 2Q16, despite the move to 28 day billing;
  - **Total Fiber Customers** now at 2,139k (Wholesale NGN +632k in 2Q17).
  - **Better performance did not dilute Fixed Consumer ARPU, now at 33.8€** in 2Q17; up from 31.9€ in 1Q17;

- **BB ARPU** steadily increasing due to growth of flat and fiber offers: **24.9€/month in 2Q17** (+13.8% vs 2Q16 21.9€/month); the move to 28-day billing, and the upselling to fiber, underpinned fixed broadband ARPU without churn increase.

MOBILE REVENUES:

Despite intense competition, mobile continues to deliver growth.
Further acceleration of Total Mobile Revenues at +3.2% YoY in 2Q17 (+2.5%YoY in 1Q17).

- **Service Revenues performance at +2.5% YoY,** confirming growth **for the 7th** consecutive quarter (+2.2% YoY in 1Q17);

- **Net adds**: **+535K in 2Q17** after -201K in 1Q17: this is a major turnaround, as customers keep showing a preference for Tim also in the young and data intensive segments. Compared to 29.4 mln total customers at the end of Q1, at the end of June TI recorded 30.0 mln;

- **Mobile BB users at 12.5 mln in 2Q17** (11.8 mln users in 2Q16), +6.2% YoY;

- **LTE users growing: +0.7 mln net adds in 2Q17, at 9.0 mln users** showing a LTE penetration on total Mobile BB base at 72%;

- **Net MNP rebounded to strong positive gains for TIM at +319k in 2Q17** vs -70k in 2Q16 (-10k in 1Q17);

- **Churn rate at 25.6%** on a FY basis;

- **ARPU** improved to **12.5 €/month in 2Q17** (+3.2% vs 2Q16: 12.1€ month), confirming TIM's premium approach (ARPU Human 15.8€ in 2Q17 vs 15€ in 2Q16).

DOMESTIC EBITDA

The Domestic Organic **EBITDA stood at 1,811 mln€ in 2Q17**, growing by 71 mln€ vs the same period last year: +4.1% YoY in 2Q17 vs +6.9% YoY in 2Q16, due to tougher comparables. If we net the YoY performance of the 68 mln€ 2016 non-recurring benefits mainly from labor compensation reduction, Organic Domestic Ebitda YoY growth stands at + 8.3%. In 1H17, our continued efficiency plan delivered a reduction in operating expenses of **-148 mln€ YoY** (excluding volume-driven).

Recorded Organic **EBITDA** up +5.7% YoY in 1H17.

Organic EBITDA margin up to 47.1% in 2Q17 (**+2.0pp vs 45.1% in 1Q17,** +0.1pp vs 47% in 2Q16)**.**

(Please see last page of attached file for EBITDA reconciliation).

DOMESTIC CAPEX

In 2Q17**, Total Capex were 995 mln€** (+198 mln vs 2Q16), with a strong focus on Innovative investments and ultra broadband roll out allowing to reach a **NGN coverage of ~70% to-date. 4G coverage increased** from 94%, in 2Q16, **to >97% to-date.**
1.5 million HH connected in FTTH; 16.6 million HH passed in FTTC.

BRAZIL (average real/euro exchange rate 3.44195)

TIM Brasil accelerated its recovery path with operational improvements and cash-cost rationalization, despite slow macro.

Financial Highlights

- **Top line turnaround continuing: +3.2% YoY in 2Q17** (+2.5% YoY in 1Q17):
  - **Service Revenues +5.0% YoY** in 2Q17 (+3.5% YoY in 1Q17), driven by **strong performance in Mobile Services** (**+4.9% YoY in 2Q17**, +3.6% YoY in 1Q17) and in **Fixed Services accelerating vs previous quarter** (**+7.3% in 2Q17 YoY**,+1.4% YoY in 1Q17);
  - **Product Revenues –23% YoY** in 2Q17, decelerating the reduction pace (-56.1% YoY in 2Q16), and reflecting the change in handset strategy.
- **Strong acceleration in Organic EBITDA growth** (Net of Non-Recurring Items), **now at *double-digit* levels: +15.7% YoY in 2Q17** (+9.4% YoY in 1Q17), reflecting the solid performance in service revenues and the ongoing efficiency program notwithstanding a stronger commercial effort. **Organic EBITDA Margin up in 2Q17 to 34.9% (+3.7pp vs. 31.2% in 2Q16).**
- **Total Capex decreasing (-17% YoY in 2Q17)** due to better conditions with vendors and to the important mobile ultra broadband coverage already achieved. **Capex was 20.5% of revenues (25.5% in 2Q16).**

Operational Highlights

- **Customer base transformation towards value continues: Postpaid weight** over total Customer Base (**60.8 mln** in June'17) now at **26%** (up from 21% in 2Q16). **Solid trend in Postpaid Net Adds: +509k in 2Q17** vs 445k in 1Q17. Approximately 40% of prepaid gross additions are in recurring offers. **Improving revenue mix: mobile service revenues (excluding incoming) generated by customers with Bundle Offers** (i.e. Postpaid+ Weekly Prepaid Bundle) now account for **70%** (up from 58% in June '16) of the total.
- **ARPU up by 13% YoY (at R$19.4/month in 2Q17)**, **sixth consecutive quarter of growth**, as a confirmation of the customer base mix improvement and the boost coming from the new offers portfolio.
- **Strengthening the leadership in 4G coverage**, with **1,850 cities** covered and reaching **80%** of urban population. 4G traffic (i.e. traffic generated by 4G devices) now represents **71%** of the total (up from 48% in June 16).

GROUP NET PROFIT

The YoY performance of the Group Profit post Minorities (596mln€ in 1H17 versus 1,018mln€ in 1H16) was impacted by the fair value adjustment deriving from our Mandatory Convertible Bond, which matured last November and, in the first half of last year, carried a positive after-tax contribution of 450mln€.

GROUP NET DEBT

Adjusted Net Financial Position amounted to 25,104 mln€ at June 30, 2017, down 15 mln€ compared to December 31, 2016 (25,119 mln€).

The level of debt was positively supported by the trend in business operations and the quick pace of operating cash-flow generation only partially offset by the Brazilian spectrum clean-up (257 mln€), the cash out of certain settlement/litigation (95mln€) already provisioned in 2015, financial charges and dividends distribution (218ml€).

Adjusted Net Financial Position 1H17 was down 2.4 billion euros compared to June 30, 2016 (27,514 million euros). YoY debt reduction was supported by the positive trend in operations and the conversion of the 1.3 bln€ mandatory convertible bond into TIM shares last November.

We point out that on May, 9, Moody's increased its rating outlook on TI from "Negative" to "Stable", confirming the rating at Ba1; on July 12, 2017, S&P has confirmed TIM's BB+ long-term credit rating and raised the outlook from "Stable" to "Positive".

With our best regards,

TI Investor Relations Team