HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2017

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

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INTERIM MANAGEMENT REPORT AT JUNE 30, 2017

THE TIM GROUP

THE BUSINESS UNITS

DOMESTIC

The **Domestic Business Unit** operates as the consolidated market leader in the sphere of voice and data services on fixed and mobile networks for final retail customers and other wholesale operators.

In the international field, the Business Unit develops fiber optic networks for wholesale customers (in Europe, in the Mediterranean and in South America).

Olivetti, which is now part of the Business segment of Core Domestic, operates in the area of office products and services for Information Technology.

INWIT S.p.A. operates in the electronic communications infrastructure sector, specifically relating to infrastructure for housing radio transmission equipment for mobile telephone networks, both for TIM and other operators.

CORE DOMESTIC

- Consumer
- Business
- Wholesale
- Other (INWIT S.p.A. and support structures)

INTERNATIONAL WHOLESALE

Telecom Italia Sparkle Group

- Telecom Italia Sparkle S.p.A.
- TI Sparkle Ireland Telecommunications Group

BRAZIL

The **Brazil Business Unit (Tim Brasil group)** provides mobile telephone services using UMTS, GSM and LTE technologies. Moreover, with the acquisitions and subsequent integrations into the group of Intelig Telecomunicações, Tim Fiber RJ and Tim Fiber SP, the services portfolio has been extended by offering fiber optic data transmission using full IP technology such as DWDM and MPLS and by offering residential broadband services.

Tim Brasil Serviços e Participações S.A.

- Tim Participações S.A.
  - Intelig Telecomunicações Ltda
  - Tim Celular S.A.

BOARD OF DIRECTORS

Chairman	Arnaud Roy de Puyfontaine
Deputy Chairman	Giuseppe Recchi
Chief Executive Officer	Flavio Cattaneo (*)
Directors	Camilla Antonini (independent) Franco Bernabè (independent) Ferruccio Borsani (independent) Lucia Calvosa (independent) Francesca Cornelli (independent) Frédéric Crépin Dario Frigerio (independent) Félicité Herzog (independent) Anna Jones (independent) Marella Moretti (independent) Hervé Philippe Danilo Vivarelli (independent)
Secretary to the Board	Agostino Nuzzolo

(*) Flavio Cattaneo departed the office of Chief Executive Officer on July 28, 2017

BOARD OF STATUTORY AUDITORS

Chairman	Roberto Capone
Acting Auditors	Vincenzo Cariello Paola Maiorana Gianluca Ponzellini Ugo Rock
Alternate Auditors	Francesco Di Carlo Gabriella Chersicla Piera Vitali Riccardo Schioppo

On July 27, 2017, the Board of Directors of TIM S.p.A. acknowledged the start of the direction and coordination by Vivendi S.A..

HIGHLIGHTS – HALF-YEAR 2017

In terms of equity and income, for the first half of 2017:

- **Consolidated revenues** amounted to 9.8 billion euros, up by 7.4% on the first half of 2016 (+3.2% in organic terms). The figure for the second quarter of 2017 was up 6.4% (+3.7% in organic terms).
- **EBITDA** amounted to 4.1 billion euros, up by 10.4% on the first half of 2016 (+7.2% in organic terms). The Organic EBITDA margin stood at 42.1%, 1.6 percentage points higher than in the first half of 2016. EBITDA in the first half of 2017 was pulled lower by a total of 95 million euros in non-recurring expenses (93 million euros in the first half of 2016, at constant exchange rates), without which the organic change in EBITDA would have been +7.0%, with an EBITDA margin of 43.1%, up 1.6 percentage points compared to the first half of 2016.
  EBITDA for the second quarter of 2017 amounted to 2.1 billion euros, up 5.5% on second quarter of 2016. In organic terms, and without the impact of the above-mentioned non-recurring expenses, the increase would have been 6.1%.
- **Operating profit (EBIT)** was 1.9 billion euros, up 10.9% compared to the first half of 2016 (+9.3% in organic terms), as a result of the negative impact of non-recurring net expenses of 96 million euros (82 million euros in the first half of 2016), without which the organic change in EBIT would have been +9.6%.
  EBIT for the second quarter of 2017 amounted to 1 billion euros, up 2.3% on second quarter of 2016.
- **Profit for the period attributable to owners of the Parent** amounted to 0.6 billion euros (1 billion euros in the first half of 2016). On a like-for-like basis – i.e. without including the impact of non-recurring net expenses and, in the first half of 2016, the positive impact of the fair value measurement of the embedded option in the mandatory convertible bond converted into TIM shares at the end of 2016 – the profit for the first half of 2017 would have been over 100 million euros higher than the figure for the same period of 2016.
- **Capital expenditures** for the first half of 2017 totaled 2,056 million euros (1,983 million euros in the first half of 2016), and reflected the continued approach of selectively implementing capital expenditure by identifying projects with higher returns, targeted at innovation and transformation, while also boosting levels of UBB coverage and service quality.
- **Adjusted net financial debt** amounted to 25,104 million euros at June 30, 2017, down 15 million euros compared to December 31, 2016 (25,119 million euros). The positive performance of business operations ensured coverage of the requirements resulting from the payment of borrowing costs, and dividends totaling 218 million euros, in addition to the payment of 257 million euros made by the Brazil Business Unit to the consortium that is carrying out the clean-up of the 700 MHz spectrum, which the Business Unit purchased the user rights to in 2014.

Financial highlights

(millions of euros)		2nd Quarter 2017	2nd Quarter 2016	1st Half 2017 (a)	1st Half 2016 (b)	% Change Reported (a/b)	% Change Organic
Revenues		**4,953**	**4,656**	**9,772**	**9,096**	7.4	3.2
EBITDA	(1)	**2,124**	**2,014**	**4,114**	**3,726**	10.4	7.2
EBITDA Margin	(1)	*42.9%*	*43.3%*	*42.1%*	*41.0%*	*1.1 pp*	
Organic EBITDA Margin		*42.9%*	*43.0%*	*42.1%*	*40.5%*	*1.6 pp*	
EBIT	(1)	**1,006**	**983**	**1,871**	**1,687**	10.9	9.3
EBIT Margin	(1)	*20.3%*	*21.1%*	*19.1%*	*18.5%*	*0.6 pp*	
Organic EBIT Margin		*20.3%*	*20.8%*	*19.1%*	*18.1%*	*1.0 pp*	
Profit (loss) from Discontinued operations/Non-current assets held for sale		**–**	**–**	**–**	**47**		
Profit (loss) for the period attributable to owners of the Parent		**396**	**585**	**596**	**1,018**	(41.5)	
Capital expenditures (CAPEX)		**1,225**	**1,039**	**2,056**	**1,983**	3.7	
				6/30/2017	**12/31/2016**	**Change Amount**	
Adjusted net financial debt	(1)			**25,104**	**25,119**	(15)	

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

Non-financial highlights

The TIM Group has always cared about social responsibility and for years has provided voluntary non-financial information concerning sustainability issues. Starting from the Annual Financial Report for the year 2017, with the entry into force of Italian Legislative Decree 254 of December 30, 2016, which transposes Directive 2014/95/EU, the disclosure of non-financial and diversity information will become compulsory by law for some large companies and groups. Information is provided below on the activities carried out by the TIM Group in relation to sustainability, and in particular on some of the welfare initiatives carried out in the first half of 2017. These are aimed at creating the conditions to enable personnel to make the best possible contribution to creating value.

FREE-OF-CHARGE MEDICAL CHECK UP

Employees who have reached at least 45 years of age may access – once every two years – a preventive health scheme that can be customized as part of healthcare programs in line with the most modern protocols

12,349	People involved
7,129	Users
58%	Of people involved

TIM has covered 100% of the expenses, amounting to €3.7 million.

COMPANY LOANS

All employees can access company loans for pre-defined reasons that are the same for everyone.

€21.3 million	Total annual budget
€5.9 million	Paid
648	Applications

The interest rate applied is the European Central Bank's official one for refinancing.
On 31.12.16 it was 0%.

NURSERIES

20 daycare centres and 1 nursery school, covering 100% of the applications in the 12 towns and cities where TIM have a base.

Another nursery school is being introduced and a babysitting service is being tested for sites where there are no daycare centres and/or discount agreements.

489	Available places
331	Registered
68%	Of the available places

Against a total cost of €815,000, TIM covered around 51% of the cost.

SUMMER CAMPS

For over 30 years TIM has organised and paid for stays for the children of employees.
In the summer of 2017 over 6,500 young people took advantage of these stays, amounting to 93% of the potential demand of 7,000 spots (estimated on the basis of the applications made in recent years).

6,500	Young people
93%	Of the potential demand

Against a total cost of around €8.3 million spent on summer stays, TIM will cover around 72% of the cost. The 2017 TIM Summer activities are designed to have children and teenagers test the real meaning of inclusion and awareness of the value of TIM.

INSURANCE

All employees benefit from an insurance policy that guarantees a sum in the event of death and permanent invalidity caused by an occupational or non-occupational accident. In cases of extreme need (such as, for example, a situation of need deriving from the death or permanent invalidity of the same employee for reasons other than the accident) the company shall intervene with the institution of the subsidy.

€4 million	Bonuses paid by TIM
19	Subsidies paid
€478 thousand	Amount of subsidies paid

All data refers to the first half of 2017

CONSOLIDATED OPERATING PERFORMANCE

REVENUES

Revenues amounted to 9,772 million euros in the first half of 2017, up 7.4% from 9,096 million euros in the first half of 2016. The increase of 676 million euros was attributable, gross of intercompany eliminations, to the Domestic Business Unit (247 million euros) and the Brazil Business Unit (435 million euros).

In terms of organic change, consolidated revenues rose by 3.2% (+299 million euros), and were calculated as follows:

(millions of euros)	1st Half 2017	1st Half 2016	Change amount	Change %
REPORTED REVENUES	**9,772**	**9,096**	**676**	**7.4**
Foreign currency financial statements translation effect		377	(377)	
Changes in the scope of consolidation		–	–	
ORGANIC REVENUES	**9,772**	**9,473**	**299**	**3.2**

Exchange rate fluctuations[1] were essentially attributable to the Brazil Business Unit. There were no material changes in the scope of consolidation [2].

The breakdown of revenues by operating segment is the following:

(millions of euros)	1st Half 2017	% of total	1st Half 2016	% of total	Change amount	Change %	Change % organic
Domestic	7,494	76.7	7,247	79.7	247	3.4	3.3
Core Domestic	*6,965*	*71.3*	*6,736*	*74.1*	*229*	*3.4*	*3.4*
International Wholesale	*646*	*6.6*	*649*	*7.1*	*(3)*	*(0.5)*	*(1.2)*
Brazil	2,293	23.5	1,858	20.4	435	23.4	2.9
Other Operations	–	–	9	0.1	(9)		
Adjustments and eliminations	*(15)*	*(0.2)*	*(18)*	*(0.2)*	*3*		
Consolidated Total	**9,772**	**100.0**	**9,096**	**100.0**	**676**	**7.4**	**3.2**

EBITDA

EBITDA totaled 4,114 million euros (3,726 million euros in the first half of 2016), increasing by 388 million euros (+10.4%) compared to the first half of 2016; the EBITDA margin was 42.1% (41.0% in the first half of 2016; +1.1 percentage points).

Organic EBITDA was up 275 million euros (+7.2%) compared to the first half of 2016; the organic EBITDA margin was up 1.6 percentage points, from 40.5% in the first half of 2016 to 42.1% in the first half of 2017.

(1) The average exchange rates used for the translation into euro (expressed in terms of units of local currency per 1 euro) were 1.08279 for the US dollar in the first half of 2017 and 1.11572 in the first half of 2016. For the Brazilian real, the average exchange rates used were 3.44195 in the first half of 2017 and 4.13001 in the first half of 2016. The effect of the change in exchange rates is calculated by applying the foreign currency translation rates used for the current period to the period under comparison.

(2) The change in the scope of consolidation has been calculated by excluding the contribution of the companies that have exited from the comparison figure and adding in the estimated contribution of any companies entering the scope of consolidation.

The TIM Group recorded non-recurring operating expenses totaling 95 million euros for the first half of 2017 (93 million euros in the first half of 2016, at constant exchange rates). These expenses are connected to events and transactions that by their nature do not occur continuously in the normal course of operations, and have been shown because their amount is significant. They essentially consist of expenses from corporate restructuring and reorganization processes, disputes and business transactions.

Without these expenses the organic change in EBITDA would have been +7.0%, with an EBITDA margin of 43.1%, up 1.6 percentage points on the first half of 2016. For further details, see the Note "Significant non-recurring events and transactions" in the Half-year Condensed Consolidated Financial Statements at June 30, 2017 of the TIM Group.

The positive performance of EBITDA shows that the benefits resulting from the cost recovery plan measures, started in the second quarter of 2016 by the Domestic Business Unit and in the third quarter of 2016 in Brazil, are generating structural improvements.

Organic EBITDA is calculated as follows:

(millions of euros)	1st Half 2017	1st Half 2016	Change amount	Change %
REPORTED EBITDA	**4,114**	**3,726**	**388**	**10.4**
Foreign currency financial statements translation effect		113	(113)	
Changes in the scope of consolidation		–	–	
ORGANIC EBITDA	**4,114**	**3,839**	**275**	**7.2**
of which non-recurring income/(expenses)	(95)	(91)	(4)	
foreign currency non-recurring income/(expenses) translation effect		(2)	2	
ORGANIC EBITDA excluding non-recurring component	**4,209**	**3,932**	**277**	**7.0**

Exchange rate fluctuations substantially related to the Brazil Business Unit.

Details of EBITDA and EBITDA Margins by operating segment are as follows:

(millions of euros)	1st Half 2017	% of total	1st Half 2016	% of total	Change amount	Change %	Change % organic
Domestic	3,361	81.7	3,184	85.5	177	5.6	5.5
EBITDA Margin	*44.8*		*43.9*			*0.9 pp*	*0.9 pp*
Brazil	762	18.5	556	14.9	206	37.1	14.3
EBITDA Margin	*33.2*		*29.9*			*3.3 pp*	*3.3 pp*
Other Operations	(9)	(0.2)	(11)	(0.3)	2		
Adjustments and eliminations	–	–	*(3)*	*(0.1)*	*3*		
Consolidated Total	**4,114**	**100.0**	**3,726**	**100.0**	**388**	**10.4**	**7.2**
EBITDA Margin	*42.1*		*41.0*			*1.1 pp*	*1.6 pp*

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

- **Acquisition of goods and services (4,136 million euros; 3,783 million euros in the first half of 2016):**

(millions of euros)	1st Half 2017	1st Half 2016	Change
Acquisition of goods	910	752	158
Revenues due to other TLC operators and interconnection costs	991	978	13
Commercial and advertising costs	700	586	114
Power, maintenance and outsourced services	617	591	26
Rent and leases	380	339	41
Other service expenses	538	537	1
Total acquisition of goods and services	**4,136**	**3,783**	**353**
EBITDA Margin	*42.3*	*41.6*	*0.7 pp*

The overall increase in Acquisition of goods and services included an exchange rate effect of 196 million euros relating to the Brazil Business Unit, without which this item would have shown an increase of 157 million euros.

- **Employee benefits expenses (1,530 million euros; 1,551 million euros in the first half of 2016):**

(millions of euros)	1st Half 2017	1st Half 2016	Change
Employee benefits expenses - Italy	**1,339**	**1,377**	**(38)**
Ordinary employee expenses and costs	1,329	1,310	19
Restructuring and other expenses	10	67	(57)
Employee benefits expenses – Outside Italy	**191**	**174**	**17**
Ordinary employee expenses and costs	191	166	25
Restructuring and other expenses	-	8	(8)
Total employee benefits expenses	**1,530**	**1,551**	**(21)**
% of Revenues	*15.7*	*17.1*	*(1.4)pp*

The main factors that drove this change were:

– an increase of 19 million euros in the Italian component of ordinary employee expenses; you are reminded that in the first half of 2016, following the failure to achieve the conditions for the payment of the Results Bonus to employees, a reversal of 66 million euros was made on the accrual in the 2015 financial statements. Excluding that effect, there would have been a reduction in the cost, mainly resulting from the decrease in the average salaried workforce (-1,541 employees);

– the recognition of non-recurring expenses (provisions to Employee benefits and sundry expenses) totaling 10 million euros. 7 million euros mainly related to the aggregation of INPS positions, following the requests made by employees of the Parent and Telecom Italia Sparkle for the application of Article 4 of the “Fornero Law”; 3 million euros related to provisions of the companies Telecontact and INWIT, following the signing in May and June 2017 of agreements for the early departure of employees, again in application of Article 4 of the “Fornero Law”.
  In the first half of 2016 provisions were made for non-recurring expenses for the application of Article 4 of the "Fornero Law" to executive and non-executive personnel, for a total of 67 million euros, (of which 40 million euros for the Parent and 27 million euros for TI Information Technology – later merged into TIM S.p.A. – and Olivetti);

– the increase in the component outside Italy of employee benefits expenses. This performance was particularly influenced by the exchange rate effect attributable to the Brazil Business Unit, which resulted in higher costs of around 32 million euros; net of this effect, the reduction in costs was essentially related to the decrease in the average workforce by 2,296 average employees.

- **Other operating income (217 million euros; 107 million euros in the first half of 2016):**

(millions of euros)	1st Half 2017	1st Half 2016	Change
Late payment fees charged for telephone services	31	27	4
Recovery of employee benefit expenses, purchases and services rendered	50	18	32
Capital and operating grants	23	8	15
Damage compensation, penalties and sundry recoveries	22	10	12
Partnership agreements	59	–	59
Other income	32	44	(12)
Total	**217**	**107**	**110**

Other income consisted of the impacts of contribution fees resulting from partnership agreements signed with leading technology suppliers. These agreements are aimed at developing the collaboration between the parties, in order to strengthen and stabilize the business and industrial relationship over time, to actively contribute to TIM's marketing plan for the development and use of several strategic services in Italy and in Brazil.

- **Other operating expenses (576 million euros; 501 million euros in the first half of 2016):**

(millions of euros)	1st Half 2017	1st Half 2016	Change
Write-downs and expenses in connection with credit management	177	161	16
Provision charges	109	70	39
TLC operating fees and charges	182	168	14
Indirect duties and taxes	58	50	8
Penalties, settlement compensation and administrative fines	15	22	(7)
Association dues and fees, donations, scholarships and traineeships	8	8	–
Sundry expenses	27	22	5
Total	**576**	**501**	**75**

The overall increase in Other operating expenses included an exchange rate effect of 45 million euros relating to the Brazil Business Unit, without which this item would have shown an increase of 30 million euros.

Depreciation and amortization

Details are as follows:

(millions of euros)	1st Half 2017	1st Half 2016	Change
Amortization of intangible assets with a finite useful life	907	843	64
Depreciation of property, plant and equipment – owned and leased	1,342	1,204	138
Total	**2,249**	**2,047**	**202**

Impairment reversals (losses) on non-current assets

In the first half of 2017, this item amounted to nil (5 million euros in the first half of 2016).
In accordance with IAS 36, goodwill is not subject to amortization, but is tested for impairment annually or more frequently, whenever specific events or circumstances occur that may indicate an impairment.
At June 30, 2017, TIM's market capitalization was less than the value of its equity; however, in view of the positive performance of the first six months of the year, in line with the plan forecasts, the absence of new and additional external indicators and the results in terms of recoverable amount of the impairment testing conducted for the 2016 Financial Statements, it was not considered necessary to redetermine the recoverable amount and consequently the goodwill allocated to the individual cash generating units in the Consolidated Financial Statements 2016 was confirmed.

EBIT

EBIT totaled 1,871 million euros (1,687 million euros in the first half of 2016), increasing by 184 million euros (+10.9%) compared to the first half of 2016; the EBIT margin was 19.1% (18.5% in the first half of 2016, +0.6 percentage points).

Organic EBIT was up 159 million euros (+9.3%), with an organic EBIT margin of 19.1% (18.1% in the first half of 2016).

EBIT in the first half of 2017 reflected the negative impact of non-recurring net expenses totaling 96 million euros (82 million euros in the first half of 2016). Without these expenses, the organic change in EBIT would have been a positive 173 million euros (+9.6%), with an EBIT margin of 20.1% (up 1.2 percentage points compared to the first half of 2016.

Organic EBIT is calculated as follows:

(millions of euros)	1st Half 2017	1st Half 2016	Change amount	Change %
REPORTED EBIT	**1,871**	**1,687**	**184**	**10.9**
Foreign currency financial statements translation effect		25	(25)	
Changes in the scope of consolidation		–	–	
ORGANIC EBIT	**1,871**	**1,712**	**159**	**9.3**
of which non-recurring income/(expenses)	(96)	(82)	(14)	
foreign currency non-recurring income/(expenses) translation effect		–	–	
ORGANIC EBIT excluding non-recurring component	**1,967**	**1,794**	**173**	**9.6**

Exchange rate fluctuations were essentially attributable to the Brazil Business Unit.

Income/(expenses) from investments

In the first half of 2017, this item amounted to an expense of 19 million euros and essentially included the allocation to the income statement of the Reserve for exchange differences on translating foreign operations for the investee company Tierra Argentea S.A., whose liquidation has now been completed.
In the first half of 2016, this item amounted to an income of 7 million euros and related to dividends.

Finance income (expenses), net

Finance income (expenses) showed an increase in net expenses of 595 million euros, moving from 145 million euros for the first half of 2016 to 740 million euros for the first half of 2017.
The figure for the first half of 2017 reflected:

- the absence of the positive impact, for 620 million euros, relating to the fair value measurement through profit and loss – performed separately to its liability component – of the embedded option included in the mandatory convertible bond issued by Telecom Italia Finance S.A. at the end of 2013, for 1.3 billion euros ("Guaranteed Subordinated Mandatory Convertible Bonds due 2016 convertible into ordinary shares of TIM S.p.A.");
- lower finance expenses due to the reduction in the Group's debt exposure and in interest rates.

Income tax expense

This item amounted to 457 million euros, up 32 million euros on the first half of 2016 (489 million euros). The tax expense for the first half of 2017 mainly included a provision of 93 million euros for the Telecom Italia Sparkle dispute; this additional expense was offset by the reduction primarily linked to the lower tax base of the Parent TIM S.p.A..

PROFIT (LOSS) FOR THE PERIOD

This item was broken down as follows:

(millions of euros)	1st Half 2017	1st Half 2016
Profit (loss) for the period	**654**	**1,105**
Attributable to:		
Owners of the Parent:		
Profit (loss) from continuing operations	596	1,021
Profit (loss) from Discontinued operations/Non-current assets held for sale	–	(3)
Profit (loss) for the period attributable to owners of the Parent	**596**	**1,018**
Non-controlling interests:		
Profit (loss) from continuing operations	58	37
Profit (loss) from Discontinued operations/Non-current assets held for sale	–	50
Profit (loss) for the period attributable to non-controlling interests	**58**	**87**

Profit for the first half of 2017 attributable to the Owners of the Parent amounted to 596 million euros (1,018 million euros in the first half of 2016) and was impacted by non-recurring net expenses of 173 million euros. On a like-for-like basis – i.e. without including the non-recurring items and, in the first half of 2016, the positive impact of the fair value measurement of the embedded option in the mandatory convertible bond – the Profit attributable to the Owners of the Parent for the first half of 2017 would have been over 100 million euros higher than the figure for the same period of the previous year.

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

DOMESTIC

(millions of euros)	1st Half 2017	1st Half 2016	Change		
			amount	%	% organic
Revenues	7,494	7,247	247	3.4	3.3
EBITDA	3,361	3,184	177	5.6	5.5
EBITDA Margin	*44.8*	*43.9*		*0.9 pp*	*0.9 pp*
EBIT	1,685	1,581	104	6.6	6.5
EBIT Margin	*22.5*	*21.8*		*0.7 pp*	*0.7 pp*
Headcount at period end (number)	51,095	(1) 51,280	(185)	(0.4)	

(1) Headcount at December 31, 2016

Fixed

	6/30/2017	12/31/2016	6/30/2016
Physical accesses at period end (thousands) (1)	19,066	18,963	19,074
of which Retail physical accesses at period end (thousands)	*11,185*	*11,285*	*11,468*
Broadband accesses at period end (thousands) (2)	9,687	9,206	8,992
of which Retail broadband accesses at period end (thousands)	*7,419*	*7,191*	*7,088*
Network infrastructure in Italy:			
copper access network (millions of km – pair, distribution and connection)	114.4	114.4	115.6
access and carrier network in optical fiber (millions of km - fiber)	13.4	12.6	11.7
Total traffic:			
Minutes of traffic on fixed-line network (billions):	32.6	69.1	35.9
Domestic traffic	26.3	55.6	29.0
International traffic	6.3	13.5	6.9
Broadband volumes (PBytes) (3)	3,642	5,774	2,690

(1) Does not include full-infrastructured OLOs and Fixed Wireless Access (FWA).
(2) Does not include LLU and NAKED, satellite and full-infrastructured OLOs and FWA.
(3) DownStream and UpStream traffic volumes.

Mobile

	6/30/2017	12/31/2016	6/30/2016
Lines at period end (thousands) (1)	29,952	29,617	29,742
Change in lines (%)	1.1	(1.3)	(0.9)
Churn rate (%) (2)	12.8	22.8	10.9
Total traffic:			
Outgoing retail traffic (billions of minutes)	24.4	44.9	22.2
Incoming and outgoing retail traffic (billions of minutes)	37.5	69.6	34.3
Browsing Traffic (PBytes) (3)	175.3	258.5	119.2
Average monthly revenues per line (in euros) (4)	12.2	12.4	11.8

(1) the figure includes the SIM cards used on platforms for delivering Machine-to-Machine services.
(2) The data refer to total lines. The churn rate represents the number of mobile customers who discontinued service during the period expressed as a percentage of the average number of customers.
(3) National traffic excluding roaming.
(4) The values are calculated on the basis of revenues from services (including revenues from prepaid cards) as a percentage of the average number of lines.

Revenues

Revenues for the first half of 2017 came to 7,494 million euros and were up by 247 million euros (+3.4%) compared to the first half of 2016, continuing the improvement seen in the previous year. Indeed, the second quarter saw growth of +4.0% on the same period of 2016, representing a rise on the previous quarters (first quarter 2017 +2.8%, fourth quarter 2016 +2.5%, third quarter +1.0%, second quarter -1.2%, and first quarter -2.3%). Revenues from services also showed a similar trend, at 6,842 million euros (+21 million euros on the first half of 2016), with a turnaround into positive territory, at +0.3% in the half year (+0.9% in the second quarter 2017, -0.3% in the first quarter 2017 and -1.3% in the fourth quarter 2016). This improvement was driven by the growth in both the Mobile and Fixed Broadband customer base, the increase in ARPU levels (thanks to the higher adoption of Fiber and LTE ultrabroadband connectivity services, and digital and ICT services), also accompanied by higher sales volumes for connected devices (Smartphones, SmartTVs, SmartHomes, Modems, etc.).
In detail:

- Fixed market service revenues totaled 4,932 million euros, down slightly on the first half of 2016 (-39 million euros, -0.8%), but continuing the steady recovery already seen in the three previous quarters (second quarter 2017, +0.8%, compared to -2.4% in the first quarter 2017, -3.0% in the fourth quarter 2016, -3.6% in the third quarter and -4.8% in the second quarter 2016). The decline was entirely related to the reduction in revenues from traditional voice services (-162 million euros due to the fall in traditional accesses), as well as the reduction in the regulated prices for some wholesale services (-44 million euros). These impacts were offset, in particular, by continued growth in revenues from innovative services for data connectivity (+128 million euros, +14.2%), driven primarily by the growth in ultrabroadband customers, which increased by 723 thousand in the period, bringing the number of retail accesses to over 1.5 million and the total number of accesses to over 2 million. Revenues from ICT services also increased (+28 million euros, +9.8%).
- Mobile market service revenues totaled 2,228 million euros, up 51 million euros on the same period of the previous year (+2.3%). This result was driven by the strong competitive performance, which generated growth in the customer base, in addition to the increase in LTE customers (72% of the total number of Mobile Internet customers versus 62% at the end of 2016) and ARPU levels. It also continues the historical series of stable positive performance (+2.5% in the second quarter 2017, +2.2% in the first quarter 2017, +3.0% in the fourth quarter 2016, +1.1% in the third quarter, and +0.7% in the second quarter).

Revenues from product sales, including the change in work in progress, amounted to 652 million euros in the first half of 2017 (+226 million euros compared to the first half of 2016) and reflected the steady increase in sales of smartphones and connected devices (smart TVs, Smart Home products, modems, set-top boxes, etc.).

EBITDA

EBITDA for the Domestic Business Unit totaled 3,361 million euros for the first half of 2017, up by 177 million euros compared to the first half of 2016 (+5.6%), with an EBITDA margin of 44.8% (+0.9 percentage points compared to the same period of the previous year). In organic terms, the increase was +5.5%. The first half of 2017 reflected the negative impact of non-recurring expenses totaling 95 million euros (83 million euros for the same period of the previous year) for settlements, disputes and redundancy costs.
Without these expenses the organic change in EBITDA would have been +5.7%, with an EBITDA margin of 46.1%, up 1 percentage point on the first half of 2016.
The EBITDA performance, in addition to the improvement in sales earnings and the revenue performance, also reflected the positive impacts achieved by the program of cost transformation and simplification of business processes, which started to have an effect from the second quarter of 2016. As already reported in the first quarter of 2017, resources continued to be focused on marketing, to support sales initiatives and customer management, while reducing industrial and general operating costs.

Organic EBITDA is calculated as follows:

(millions of euros)	1st Half 2017	1st Half 2016	Change	
			amount	%
REPORTED EBITDA	**3,361**	**3,184**	**177**	**5.6**
Foreign currency financial statements translation effect		2	(2)	
Changes in the scope of consolidation		–	–	
ORGANIC EBITDA	**3,361**	**3,186**	**175**	**5.5**
of which non-recurring income/(expenses)	(95)	(83)	(12)	
ORGANIC EBITDA excluding non-recurring component	**3,456**	**3,269**	**187**	**5.7**

Other income amounted to 199 million euros, up 101 million euros on the first half of 2016. This item includes contribution fees resulting from partnership agreements already discussed in relation to the consolidated operating performance.

The changes in the main cost items are shown below:

(millions of euros)	1st Half 2017	1st Half 2016	Change
Acquisition of goods and services	2,976	2,812	164
Employee benefits expenses	1,348	1,384	(36)
Other operating expenses	311	276	35

- **Acquisition of goods and services** rose by 164 million euros compared to the first half of 2016 and was broken down as follows:

(millions of euros)	1st Half 2017	1st Half 2016	Change
Acquisition of goods	775	615	160
Revenues due to other TLC operators and interconnection costs	743	742	1
Commercial and advertising costs	360	315	45
Power, maintenance and outsourced services	472	485	(13)
Rent and leases	211	224	(13)
Other service expenses	415	431	(16)
Total acquisition of goods and services	**2,976**	**2,812**	**164**
% of Revenues	*39.7*	*38.8*	*0.9 pp*

- **Employee benefits expenses** amounted to 1,348 million euros, down 36 million euros, substantially due to the same factors that affected the Employee benefits expenses at Group level, details of which can be found in the relevant section;

- **Other operating expenses**, amounting to 311 million euros, were up 35 million euros. The breakdown of the item is reported in the table below:

(millions of euros)	1st Half 2017	1st Half 2016	Change
Write-downs and expenses in connection with credit management	134	127	7
Provision charges	66	35	31
TLC operating fees and charges	26	24	2
Indirect duties and taxes	47	48	(1)
Penalties, settlement compensation and administrative fines	15	22	(7)
Association dues and fees, donations, scholarships and traineeships	7	7	–
Sundry expenses	16	13	3
Total	**311**	**276**	**35**

EBIT

EBIT of the Domestic Business Unit for the first half of 2017 came to 1,685 million euros (1,581 million euros in the same period of 2016), up 104 million euros (+6.6%), with an EBIT margin of 22.5% (21.8% in the first half of 2016). The EBIT performance mainly reflected the improvement in EBITDA reported above, partially offset by the increase in depreciation and amortization, of +78 million euros. In organic terms the increase was 6.5%.
EBIT for the first half of 2017 was pulled down by a total of 95 million euros in non-recurring expenses (83 million euros for the same period of the previous year), without which the organic change in EBIT would have been 6.9%, with an EBIT margin of 23.8%.

Organic EBIT is calculated as follows:

(millions of euros)	1st Half 2017	1st Half 2016	Change	
			amount	%
REPORTED EBIT	**1,685**	**1,581**	**104**	**6.6**
Foreign currency financial statements translation effect		1	(1)	
Changes in the scope of consolidation		–	–	
ORGANIC EBIT	**1,685**	**1,582**	**103**	**6.5**
of which non-recurring income/(expenses)	(95)	(83)	(12)	
ORGANIC EBIT excluding non-recurring component	**1,780**	**1,665**	**115**	**6.9**

Financial highlights of the Domestic Cash Generating Units

The main financial and operating highlights of the Domestic Business Unit are reported according to two Cash Generating units (CGU):

- **Core Domestic**: includes all telecommunications activities pertaining to the Italian market. Revenues are broken down in the following tables according to the net contribution of each market segment to the CGU's results, excluding intrasegment transactions. The sales market segments established on the basis of the "customer centric" organizational model are as follows:
  - **Consumer**: the segment consists of all Fixed and Mobile voice and Internet services and products managed and developed for individuals and families and of public telephony; customer care, operating credit support, loyalty and retention activities, sales within its remit, and administrative management of customers; the segment includes the companies 4G, Persidera and Noverca.
  - **Business**: the segment consists of voice, data, and Internet services and products, and ICT solutions managed and developed for small and medium-size enterprises (SMEs), Small Offices/Home Offices (SOHOs), Top customers, the Public Sector, Large Accounts, and Enterprises in the Fixed and Mobile telecommunications markets; it also includes the company Olivetti.
  - **Wholesale**: the segment consists of the management and development of the portfolio of regulated and unregulated wholesale services for Fixed and Mobile telecommunications operators in the domestic market and Open Access operations connected with delivery and assurance processes for customer services.
  - **Other (INWIT S.p.A. and support structures)**: includes:
    - **INWIT S.p.A.**: from April 2015, the company has been operating within the Operations area in the electronic communications infrastructure sector, specifically relating to infrastructure for housing radio transmission equipment for mobile telephone networks, both for TIM and other operators;
    - **Other Operations units**: covering technological innovation and the processes of development, engineering, building and operating network infrastructures, IT, real estate properties and plant engineering;
    - **Staff & Other:** services carried out by Staff functions and other support activities performed by minor companies of the Group, also offered to the market and other Business Units.
- **International Wholesale – Telecom Italia Sparkle group:** includes the activities of the Telecom Italia Sparkle group, which operates in the market for international voice, data and Internet services for fixed and mobile telecommunications operators, ISPs/ASPs (Wholesale market) and multinational companies through its own networks in the European, Mediterranean and South American markets.

Key results for the first half of 2017 for the Domestic Business Unit are presented in the following tables, broken down by market/business segment and compared to the first half of 2016.

Core Domestic

(millions of euros)	1st Half 2017	1st Half 2016	Change amount	Change %
Revenues	**6,965**	**6,736**	**229**	**3.4**
Consumer	*3,767*	*3,572*	*195*	*5.5*
Business	*2,280*	*2,200*	*80*	*3.6*
Wholesale	*834*	*863*	*(29)*	*(3.4)*
Other	*84*	*101*	*(17)*	*(16.8)*
EBITDA	**3,278**	**3,093**	**185**	**6.0**
EBITDA Margin	*47.1*	*45.9*		*1.2 pp*
EBIT	**1,657**	**1,540**	**117**	**7.6**
EBIT Margin	*23.8*	*22.9*		*0.9 pp*
Headcount at period end (number)(*)	50,307	(1) 50,527	(220)	(0.4)

(1) Headcount at December 31, 2016

(*) Includes employees with temp work contracts: 0 employees at 6/30/2017 (1 employee at 12/31/2016).

In detail:

- **Consumer**: revenues for the Consumer segment for the first half of 2017 amounted to a total of 3,767 million euros, an increase of 195 million euros compared to the same period of 2016 (+5.5%). This performance continued the trend of recovery already underway in the previous year.
  In particular:
  - revenues from the Mobile business amounted to 1,847 million euros and showed growth compared to the first half of 2016 (+70 million euros, +4,0%), with revenues from services in particular up 51 million euros (+3.3% on the first half of 2016). This continued the trend of improvement already seen in the previous quarters (+4.1% in the second quarter 2017; +3.9% in the first quarter 2017; +4.8% in the fourth quarter 2016) due to the progressive stabilization and improvement of market share and the steady growth in Internet mobile and digital services, which sustained the ARPU levels;
  - revenues for the Fixed-line segment amounted to 1,903 million euros, up 130 million euros compared to the first half of 2016 (+7.3%), representing a continued improvement on the previous quarters (+11.2% in the second quarter 2017; +3.5% in the first quarter 2017; +2.0% in the fourth quarter 2016), thanks to the reduction in line losses, the growth in the Broadband and Ultra broadband customer base (which offset the loss of voice only accesses), the increase in ARPU levels and the strong performance of sales of connected devices.
- **Business**: revenues for the Business segment amounted to 2,280 million euros, up 80 million euros on the first half of 2016 (+3.6%).
  In detail:
  - revenues from the Mobile business posted performance in line with the first half of 2016 (+0.1%); specifically, the continuing decline in traditional mobile services (-9.0% in the voice and messaging component compared to the first half of 2016), driven by the shift of customers (both private individuals and government agencies) towards formulas with lower ARPU, was fully offset by the positive performance of new digital services (+9.6% on the first half of 2016);
  - revenues for the Fixed-line segment increased by 77 million euros (+4.6% on the first half of 2016) thanks to the steady increase in revenues from ICT services (+9.8%), which more than offset the reduction in prices and revenues from traditional services and the effects of the technological shift towards VoIP systems.
- **Wholesale**: revenues for the Wholesale segment in the first half of 2017 came to 834 million euros, down on the same period of 2016 (-29 million euros, -3.4%). The impact on revenues was entirely

due to the reduction in regulated prices, which produced a shortfall of -44 million euros, partially offset by the growth in numbers in the NGN, SULL and Co-location segments.

International Wholesale – Telecom Italia Sparkle group

(millions of euros)	1st Half 2017	1st Half 2016	Change		
			amount	%	% organic
Revenues	**646**	**649**	**(3)**	**(0.5)**	**(1.2)**
of which third party	*549*	*539*	*10*	*1.9*	*0.9*
EBITDA	**89**	**97**	**(8)**	**(8.2)**	**(10.1)**
EBITDA Margin	*13.8*	*14.9*		*(1.1)pp*	*(1.3)pp*
EBIT	**29**	**41**	**(12)**	**(29.3)**	**(31.0)**
EBIT Margin	*4.5*	*6.3*		*(1.8)pp*	*(1.9)pp*
Headcount at period end (number)(*)	788	(1) 753	35	4.6	

(1) Headcount at December 31, 2016

(*) Includes employees with temp work contracts: 1 employee at 6/30/2017 (3 employees at 12/31/2016).

Revenues for the **Telecom Italia Sparkle group – International Wholesale** in the first half of 2017 totaled 646 million euros, substantially in line with the figure for the first half of 2016 (-3 million euros, -0.5%). This result was due to the decline in revenues from IP/Data services (-11 million euros, -7.5%), mainly attributable to the fall in revenues from the Mediterranean area as a result of the expiry of old long-term contracts, partially offset by the growth in revenues from Voice services (+8 million euros, +1.8%).

BRAZIL

	(millions of euros)		(millions of reais)			
	1st Half 2017	**1st Half 2016**	**1st Half 2017**	**1st Half 2016**	**Change**	
					amount	%
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d
Revenues	2,293	1,858	7,894	7,674	220	2.9
EBITDA	762	556	2,624	2,296	328	14.3
EBITDA Margin	*33.2*	*29.9*	*33.2*	*29.9*		*3.3 pp*
EBIT	194	121	669	498	171	34.3
EBIT Margin	*8.5*	*6.5*	*8.5*	*6.5*		*2.0 pp*
Headcount at period end (number)			9,471	(1) 9,849	(378)	(3.8)

(1) Headcount at December 31, 2016

	1st Half 2017	**1st Half 2016**
Lines at period end (thousands)	60,831	(1) 63,418
MOU (minutes/month) (*)	106.7	118.4
ARPU (reais)	19.2	17.2

(1) Number at December 31, 2016, including corporate lines
(*) Net of visitors

Revenues

Revenues for the first half of 2017 amounted to 7,894 million reais and were up 220 million reais (+2.9%) year-on-year. Service revenues totaled 7,494 million reais, an increase of 305 million reais compared to 7,189 million reais for the first half of 2016 (+4.2%). These results confirm the continued improvement in the trend, with positive growth in the second quarter of 2017 both in total revenues (+3.2% compared to +2.5% for the first quarter of 2017 and -1.7% for the fourth quarter of 2016) and in revenues from services (+5.0% compared to +3.5% for the first quarter 2017 and -0.7% for the fourth quarter of 2016).

Mobile Average Revenue Per User (ARPU) for the first half of 2017 was 19.2 reais, up on the figure of 17.2 reais for the first half of 2016 (+11.6%), due to the general repositioning towards the postpaid segment and new commercial initiatives aimed at increasing data usage and the average spend per customer.
The total number of lines at June 30, 2017 was 60,831 thousand, representing a decrease of 2,587 thousand on December 31, 2016 (63,418 thousand), with a market share of 25.1% in June 2017 (26.0% at December 31, 2016). This reduction was entirely attributable to the prepaid segment (-3,540 thousand) and was only partially offset by the growth in the postpaid segment (+953 thousand), also as a result of the consolidation underway in the market for second SIM cards. Postpaid customers represented 26.0% of the customer base at June 30, 2017, up 2.5 percentage points on December 2016 (23.5%).

Revenues from product sales came to 400 million reais (485 million reais in the first half of 2016 (-17.5%). The reduction reflects the change in the commercial policy, which is now more focused on value rather than sales volume growth. The main goals of this strategy are to increase the purchasing of new handsets giving TIM customers access to broadband services on 3G/4G networks and to support the new loyalty offerings for higher-value postpaid customers. This new strategy is reflected in an increase in the average handset price of +7.7% compared with the first half of 2016 and an increase in smartphone penetration within the Company's total customer base, which reached 77% in May 2017 (70% in June 2016).

EBITDA

EBITDA amounted to 2,624 million reais, up 328 million reais on the first half of 2016 (+14.3%). The growth in EBITDA was attributable to both the positive performance of revenues and the benefits from the projects to enhance the efficiency of the operating expenses structure, launched in the second half of 2016, with an improvement in the second quarter (+15.8% compared to +12.6% in the first quarter of 2017 and +5.8% in the fourth quarter of 2016).
The EBITDA margin stood at 33.2%, 3.3 percentage points higher than in the first half of 2016.
You are also reminded that the employee benefits expenses for the first half of 2016 included non-recurring expenses for termination benefits of 34 million reais.
Even without the impact of these non-recurring expenses, EBITDA for the first half of 2017 showed an increase (+12.6%) compared to the first half of 2016, continuing the trend of steady improvement in the second quarter (+15.7% compared to +9.4% for the first quarter of 2017 and +2.1% for the fourth quarter of 2016).

The changes in the main cost items are shown below:

	(millions of euros)		(millions of reais)		
	1st Half 2017 (a)	**1st Half 2016** (b)	**1st Half 2017** (c)	**1st Half 2016** (d)	**Change** (c-d)
Acquisition of goods and services	1,169	978	4,025	4,041	(16)
Employee benefits expenses	178	161	613	663	(50)
Other operating expenses	262	224	901	925	(24)
Change in inventories	(5)	(8)	(18)	(31)	13

EBIT

EBIT amounted to 669 million reais, up 171 million reais (+34.3%) on the first half of 2016 (498 million reais). This result benefited from the greater contribution from the EBITDA (+328 million reais), which was offset by higher depreciation (+119 million reais) related to the development of industrial infrastructure, and a lower impact of net gains on disposals of assets (-38 million reais), mainly attributable to the telecommunication towers. In this regard, we note that the last partial sale of telecommunication towers to American Tower do Brasil took place in the second quarter of 2017. This transaction resulted in proceeds and an income effect of an immaterial amount.

CONSOLIDATED FINANCIAL POSITION AND CASH FLOWS PERFORMANCE

NON-CURRENT ASSETS

- **Goodwill:** this decreased by 101 million euros, from 29,612 million euros at the end of 2016 to 29,511 million euros at June 30, 2017 due to the negative variation in exchange rates for the Brazilian companies [1]. Further details are provided in the Note "Goodwill" in the Half-year Condensed Consolidated Financial Statements at June 30, 2017 of the TIM Group.
- **Other intangible assets:** were down 357 million euros, from 6,951 million euros at the end of 2016 to 6,594 million euros at June 30, 2017, representing the balance of the following items:
  - capex (+673 million euros);
  - amortization charge for the period (-907 million euros);
  - disposals, exchange differences, reclassifications and other changes (for a net negative balance of 123 million euros).
- **Tangible assets:** were down 318 million euros, from 16,360 million euros at the end of 2016 to 16,042 million euros at June 30, 2017, representing the balance of the following items:
  - capex (+1,383 million euros);
  - changes in financial leasing contracts (+30 million euros);
  - depreciation charge for the period (-1,342 million euros);
  - disposals, exchange differences, reclassifications and other changes (for a net negative balance of 389 million euros).

CONSOLIDATED EQUITY

Consolidated equity amounted to 23,619 million euros (23,553 million euros at December 31, 2016), of which 21,404 million euros attributable to Owners of the Parent (21,207 million euros at December 31, 2016) and 2,215 million euros attributable to non-controlling interests (2,346 million euros at December 31, 2016). In greater detail, the changes in equity were the following:

(millions of euros)	6/30/2017	12/31/2016
At the beginning of the period	**23,553**	**21,333**
Correction due to errors	–	(84)
At the beginning of the period revised	**23,553**	**21,249**
Total comprehensive income (loss) for the period	269	2,801
Dividends approved by:	(205)	(204)
TIM S.p.A.	*(166)*	*(166)*
Other Group companies	*(39)*	*(38)*
Issue of equity instruments	4	1
Conversion of the Guaranteed Subordinated Mandatory Convertible Bonds due 2016	–	1,300
Disposal of the Sofora – Telecom Argentina group	–	(1,582)
Other changes	(2)	(12)
At the end of the period	**23,619**	**23,553**

[1] The spot exchange rate used for the translation into euro of the Brazilian real (expressed in terms of units of local currency per 1 euro) was 3.77532 at June 30, 2017 and 3.43542 at December 31, 2016.

CASH FLOWS

Adjusted net financial debt stood at 25,104 million euros, down 15 million euros compared to December 31, 2016 (25,119 million euros).
The table below summarizes the main transactions that had an impact on the change in adjusted net financial debt during the first half of 2017:

Change in adjusted net financial debt

(millions of euros)	1st Half 2017	1st Half 2016	Change
EBITDA	4,114	3,726	388
Capital expenditures on an accrual basis	(2,056)	(1,983)	(73)
Change in net operating working capital:	(1,130)	(1,078)	(52)
Change in inventories	*(44)*	*(40)*	*(4)*
Change in trade receivables and net amounts due from customers on construction contracts	*(52)*	*(130)*	*78*
Change in trade payables (*)	*(692)*	*(635)*	*(57)*
Other changes in operating receivables/payables	*(342)*	*(273)*	*(69)*
Change in employee benefits	(7)	40	(47)
Change in operating provisions and Other changes	37	(34)	71
Net operating free cash flow	**958**	**671**	**287**
% of Revenues	*9.8*	*7.4*	*2.4 pp*
Sale of investments and other disposals flow	9	732	(723)
Share capital increases/reimbursements, including incidental costs	6	–	6
Financial investments flow	(1)	(9)	8
Dividends payment	(218)	(227)	9
Change in financial leasing contracts	(30)	(123)	93
Finance expenses, income taxes and other net non-operating requirements flow	(709)	(1,242)	533
Reduction/(Increase) in adjusted net financial debt from continuing operations	**15**	**(198)**	**213**
Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale	–	(38)	38
Reduction/(Increase) in adjusted net financial debt	**15**	**(236)**	**251**

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

In addition to what has already been described with reference to EBITDA, net financial debt during the first half of 2017 has been particularly impacted by the following items:

Capital expenditures on an accrual basis

The breakdown of capital expenditures by operating segment is as follows:

(millions of euros)	1st Half 2017		1st Half 2016		Change
		% of total		% of total	
Domestic	1,626	79.1	1,575	79.4	51
Brazil	430	20.9	408	20.6	22
Other Operations	–	–	–	–	–
Adjustments and eliminations	–	–	–	–	–
Consolidated Total	**2,056**	**100.0**	**1,983**	**100.0**	**73**
% of Revenues	*21.0*		*21.8*		*(0.8)pp*

Capital expenditures in the first half of 2017 totaled 2,056 million euros, up 73 million euros on the first half of 2016. In particular:

- the **Domestic Business Unit** posted capital expenditures of 1,626 million euros, an increase of 51 million euros compared to the first half of 2016. This increase was mainly attributable to the innovative component (+266 million euros on the first half of 2016) and, in particular, it reflected the increase in capital expenditure for the development of next-generation networks and services and the reduction in other types of expenditure. It also confirms the selectivity and attention given to the capital allocation choices based on strategic priorities and profit optimization.
- The **Brazil Business Unit** recorded an increase in capital expenditure of 22 million euros for the first half of 2017 (including a positive currency effect of 82 million euros) compared to the first half of 2016; capital expenditures for the half-year were mainly aimed at the development of industrial infrastructure.

Change in net operating working capital

The change in net operating working capital for the first half of 2017 was a decrease of 1,130 million euros (decrease of 1,078 million euros in the first half of 2016). In particular:

- the change in inventories and the management of trade receivables generated negative impacts of 44 million euros and 52 million euros, respectively;
- the change in trade payables (-692 million euros) included the payment of around 257 million euros made by the Brazil Business Unit to the consortium that is carrying out the clean-up of the 700 MHz spectrum, which the Business Unit purchased the user rights to in 2014. The level of trade payables was also influenced by the seasonal peak in payments for bills payable;
- the other changes in operating receivables/payables (-342 million euros) include a negative amount of 134 million euros, for levies on telecommunications operations paid by the Brazil Business Unit – the taxes are normally paid every year by the end of March. There was also an increase in the VAT payable, which was settled in July.

Sale of investments and other disposals flow

This item showed a positive figure of 9 million euros for the first half of 2017 and related to disposals of assets within the normal operating cycle.
In the first half of 2016 it was a positive figure of 732 million euros and essentially related to the sale of the Sofora – Telecom Argentina group that took place on March 8, 2016.

Financial investments flow

In the first half of 2017 this item amounted to 1 million euros.
In the first half of 2016 this item amounted to 9 million euros and included around 6 million euros for the payment made by INWIT S.p.A., net of the cash acquired, for the acquisition of the investments in Revi Immobili S.r.l., Gestione Immobili S.r.l. and Gestione Due S.r.l., and around 3 million euros for the subscription of the capital increase in the company Northgate held as a non-controlling interest.

Change in leasing contracts

In the first half of 2017, this item amounted to 30 million euros.
In the first half of 2016 the change was 123 million and related to TIM S.p.A..
Further details are provided in the Note "Tangible assets (owned and under finance leases)" of the Half-year Condensed Consolidated Financial Statements at June 30, 2017 of the TIM Group.

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

The item amounted to 709 million euros and mainly included the payment, during the first half of 2017, of net finance expenses and income taxes, as well as the change in non-operating receivables and payables.

Net financial debt

Net financial debt is composed as follows:

(millions of euros)	6/30/2017 (a)	12/31/2016 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	19,587	20,369	(782)
Amounts due to banks, other financial payables and liabilities	6,944	7,656	(712)
Finance lease liabilities	2,356	2,444	(88)
	28,887	**30,469**	**(1,582)**
Current financial liabilities (*)			
Bonds	3,022	2,595	427
Amounts due to banks, other financial payables and liabilities	1,625	1,269	356
Finance lease liabilities	197	192	5
	4,844	**4,056**	**788**
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	–	–	–
Total Gross financial debt	**33,731**	**34,525**	**(794)**
Non-current financial assets			
Securities other than investments	–	(1)	1
Financial receivables and other non-current financial assets	(2,185)	(2,697)	512
	(2,185)	**(2,698)**	**513**
Current financial assets			
Securities other than investments	(1,102)	(1,519)	417
Financial receivables and other current financial assets	(630)	(389)	(241)
Cash and cash equivalents	(4,086)	(3,964)	(122)
	(5,818)	**(5,872)**	**54**
Financial assets relating to Discontinued operations/Non-current assets held for sale	–	–	–
Total financial assets	**(8,003)**	**(8,570)**	**567**
Net financial debt carrying amount	**25,728**	**25,955**	**(227)**
Reversal of fair value measurement of derivatives and related financial assets/liabilities	*(624)*	*(836)*	*212*
Adjusted net financial debt	**25,104**	**25,119**	**(15)**
Breakdown as follows:			
Total adjusted gross financial debt	**32,002**	**32,574**	**(572)**
Total adjusted financial assets	**(6,898)**	**(7,455)**	**557**
(*) of which current portion of medium/long-term debt:			
Bonds	*3,022*	*2,595*	*427*
Amounts due to banks, other financial payables and liabilities	*853*	*670*	*183*
Finance lease liabilities	*197*	*192*	*5*

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

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

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

To provide a better representation of the true performance of Net Financial Debt, from 2009, in addition to the usual indicator (renamed "Net financial debt carrying amount"), a measure called "Adjusted net financial debt" has also been shown, which neutralizes the effects caused by the volatility of financial markets. Given that some components of the fair value measurement of derivatives (contracts for setting the exchange and interest rate for contractual flows) and derivatives embedded in other financial instruments do not result in actual monetary settlement, the "Adjusted net financial debt" excludes these purely accounting and non-monetary effects (including the effects resulting from the introduction of IFRS 13 – Fair Value Measurement from January 1, 2013) from the measurement of derivatives and related financial assets/liabilities.

Sales of receivables to factoring companies

Sales of trade receivables to factoring companies completed during the first half of 2017 resulted in a positive effect on net financial debt at June 30, 2017 of 969 million euros (1,091 million euros at December 31, 2016).

Gross financial debt

Bonds

Bonds at June 30, 2017 were recorded for a total of 22,609 million euros (22,964 million euros at December 31, 2016). Their nominal repayment amount was 22,310 million euros, down 107 million euros compared to December 31, 2016 (22,417 million euros).

Changes in bonds over the first half of 2017 are shown below:

(millions of original currency)	**Currency**	**Amount**	**Issue date**
New issues			
Telecom Italia S.p.A. 1,000 million euros 2.500% maturing 7/19/2023	Euro	1,000	1/19/2017

(millions of original currency)	**Currency**	**Amount**	**Repayment date**
Repayments			
Telecom Italia S.p.A. 545 million euros 7.000% (1)	Euro	545	1/20/2017

(1) Net of buybacks by the Company of 455 million euros during 2015.

With reference to the Telecom Italia S.p.A. 2002–2022 bonds, reserved for subscription by employees of the Group, the nominal amount at June 30, 2017 was 200 million euros, down 1 million euros compared to December 31, 2016 (201 million euros).

Revolving Credit Facility and Term Loan

The following table shows the composition and the drawdown of the committed credit lines available at June 30, 2017:

(billions of euros)	6/30/2017		12/31/2016	
	Agreed	Drawn down	Agreed	Drawn down
Revolving Credit Facility – expiring May 2019	4.0	-	4.0	-
Revolving Credit Facility – expiring March 2020	3.0	-	3.0	-
Total	**7.0**	**-**	**7.0**	**-**

TIM has two syndicated Revolving Credit Facilities for amounts of 4 billion euros and 3 billion euros expiring May 24, 2019 and March 25, 2020 respectively, both not yet drawn down.

TIM also has:

- a bilateral Term Loan from Banca Regionale Europea expiring July 2019 for 200 million euros, drawn down for the full amount;
- two bilateral Term Loans from Mediobanca respectively for 200 million euros expiring in November 2019 and 150 million euros expiring in July 2020, drawn down for the full amount;
- a bilateral Term Loan from ICBC expiring July 2020 for 120 million euros, drawn down for the full amount;

- a bilateral Term Loan from Intesa Sanpaolo expiring August 2021 for 200 million euros, drawn down for the full amount;
- an Hot Money loan with Banca Popolare dell'Emilia Romagna expiring July 2017 for 200 million euros, drawn down for the full amount.

On March 6, 2017, TIM S.p.A. signed a supplementary agreement with Mediobanca under which an early repayment was made on July 3, 2017 for 75 million euros for the bilateral term loan of an original amount of 150 million euros maturing in July 2020, which has been fully drawn down.

Maturities of financial liabilities and average cost of debt

The average maturity of non-current financial liabilities (including the current portion of medium/long-term financial liabilities due within 12 months) is 7.71 years.

The average cost of the Group's debt, considered as the cost for the year calculated on an annual basis and resulting from the ratio of debt-related expenses to average exposure, is about 5.0%.

For details on the maturities of financial liabilities in terms of expected nominal repayment amounts, as contractually agreed, see the Notes "Financial liabilities (non-current and current)" in the Half-year Condensed Consolidated Financial Statements at June 30, 2017 of the TIM Group.

Current financial assets and liquidity margin

The TIM Group's available liquidity margin amounted to 12,188 million euros at June 30, 2017, corresponding to the sum of "Cash and cash equivalents" and "Current securities other than investments", totaling 5,188 million euros (5,483 million euros at December 31, 2016), and the committed credit lines, mentioned above, of which a total of 7,000 million euros has not been drawn down. This margin is sufficient to cover Group financial liabilities due at least for the next 24 months.

In particular:

Cash and cash equivalents amounted to 4,086 million euros (3,964 million euros at December 31, 2016). The different technical forms used for the investment of liquidity as of June 30, 2017 can be analyzed as follows:

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

Current securities other than investments amounted to 1,102 million euros (1,519 million euros at December 31, 2016): these forms of investment represent alternatives to the investment of liquidity with the aim of improving returns. They include 613 million euros of Italian treasury bonds purchased respectively by TIM S.p.A. (256 million euros) and Telecom Italia Finance S.A. (357 million euros) and 488 million euros of bonds purchased by Telecom Italia Finance S.A. with different maturities, all with an active market and consequently readily convertible into cash. The purchases of the above government bonds, which, pursuant to Consob Communication no. DEM/11070007 of August 5, 2011, represent investments in "Sovereign debt securities", have been made in accordance with the Guidelines for the "Management and control of financial risk" adopted by the TIM Group since August 2012.

In the second quarter of 2017, the **adjusted net financial debt** fell by 131 million euros compared to March 31, 2017 (25,235 million euros) due to the positive business and operational performance which, in particular, provided coverage for the requirements resulting in particular from the already mentioned payment of dividends of 218 million euros.

(millions of euros)	6/30/2017 (a)	3/31/2017 (b)	Change (a-b)
Net financial debt carrying amount	**25,728**	**25,923**	**(195)**
Reversal of fair value measurement of derivatives and related financial assets/liabilities	*(624)*	*(688)*	*64*
Adjusted net financial debt	**25,104**	**25,235**	**(131)**
Breakdown as follows:			
Total adjusted gross financial debt	**32,002**	**32,796**	**(794)**
Total adjusted financial assets	**(6,898)**	**(7,561)**	**663**

CONSOLIDATED FINANCIAL STATEMENTS – TIM GROUP

The Half-Year Financial Report at June 30, 2017 of the TIM Group has been prepared in compliance with Article 154-ter (Financial Reports) of Italian Legislative Decree no. 58/1998 (Consolidated Law on Finance - TUF) and subsequent amendments and supplements and presented in accordance with the international accounting standards issued by the International Accounting Standards Board and endorsed by the European Union (designated as "IFRS") as well as with the regulations issued to implement Article 9 of Italian Legislative Decree no. 38/2005.
The Half-year Financial Report includes:
- *the Interim Management Report;*
- *the Half-Year Condensed Consolidated Financial Statements;*
- *the certification of the Half-Year Condensed Consolidated Financial Statements pursuant to Article 81-ter of the Consob Regulation 11971 dated May 14, 1999, with Amendments and Additions.*

The accounting policies and consolidation principles adopted in the preparation of the half-year condensed consolidated financial statements at June 30, 2017 are the same as those adopted in the annual consolidated financial statements at December 31, 2016, to which reference can be made. No new standards and interpretations were endorsed by the EU and in force from January 1, 2017.
The TIM Group, in addition to the conventional financial performance measures established by IFRS, uses certain alternative performance measures in order to present a better understanding of the trend of operations and financial condition. Specifically, these alternative performance measures refer to: EBITDA; EBIT; the organic change in revenues, EBITDA and EBIT; EBITDA margin and EBIT margin; and net financial debt carrying amount and adjusted net financial debt.
Moreover, the part entitled "Business Outlook for 2017" contains forward-looking statements in relation to the Group's intentions, beliefs or current expectations regarding financial performance and other aspects of the Group's operations and strategies. Readers of the Half-year financial Report are reminded not to place undue reliance on forward-looking statements; actual results may differ significantly from forecasts owing to numerous factors, the majority of which are beyond the scope of the Group's control.

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION

There were no significant changes in the scope of consolidation during the first half of 2017.

The following changes in the scope of consolidation occurred during 2016:
- *TIMVISION S.r.l. (Domestic Business Unit):* established on December 28, 2016;
- *Noverca S.r.l. (Domestic Business Unit):* on October 28, 2016 TIM S.p.A. acquired 100% of the company;
- *Flash Fiber S.r.l. (Domestic Business Unit):* established on July 28, 2016;
- *Sofora - Telecom Argentina group:* classified as Discontinued Operations (Discontinued operations/Non-current assets held for sale) was sold on March 8, 2016;
- *Revi Immobili S.r.l., Gestione Due S.r.l. and Gestione Immobili S.r.l. (Domestic Business Unit):* on January 11, 2016, INWIT S.p.A. purchased 100% of these companies, which were subsequently merged by absorption.

Separate Consolidated Income Statements

(millions of euros)	1st Half 2017 (a)	1st Half 2016 (b)	Change (a-b) amount	%
Revenues	**9,772**	**9,096**	**676**	**7.4**
Other income	217	107	110	–
Total operating revenues and other income	**9,989**	**9,203**	**786**	**8.5**
Acquisition of goods and services	(4,136)	(3,783)	(353)	(9.3)
Employee benefits expenses	(1,530)	(1,551)	21	1.4
Other operating expenses	(576)	(501)	(75)	(15.0)
Change in inventories	50	33	17	51.5
Internally generated assets	317	325	(8)	(2.5)
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**4,114**	**3,726**	**388**	**10.4**
Depreciation and amortization	(2,249)	(2,047)	(202)	(9.9)
Gains/(losses) on disposals of non-current assets	6	13	(7)	(53.8)
Impairment reversals (losses) on non-current assets	–	(5)	5	–
Operating profit (loss) (EBIT)	**1,871**	**1,687**	**184**	**10.9**
Share of profits (losses) of associates and joint ventures accounted for using the equity method	(1)	(2)	1	50.0
Other income (expenses) from investments	(19)	7	(26)	–
Finance income	1,110	2,012	(902)	(44.8)
Finance expenses	(1,850)	(2,157)	307	14.2
Profit (loss) before tax from continuing operations	**1,111**	**1,547**	**(436)**	**(28.2)**
Income tax expense	(457)	(489)	32	6.5
Profit (loss) from continuing operations	**654**	**1,058**	**(404)**	**(38.2)**
Profit (loss) from Discontinued operations/Non-current assets held for sale	–	47	(47)	–
Profit (loss) for the period	**654**	**1,105**	**(451)**	**(40.8)**
Attributable to:				
Owners of the Parent	**596**	**1,018**	**(422)**	**(41.5)**
Non-controlling interests	58	87	(29)	(33.3)

Consolidated Statements of Comprehensive Income

In accordance with IAS 1 (*Presentation of Financial Statements*), the following consolidated statements of comprehensive income include the Profit (loss) for the period as shown in the Separate Consolidated Income Statements and all non-owner changes in equity.

(millions of euros)		1st Half 2017	1st Half 2016
Profit (loss) for the period	**(a)**	**654**	**1,105**
Other components of the Consolidated Statements of Comprehensive Income			
Other components that subsequently will not be reclassified in the Separate Consolidated Income Statements			
Remeasurements of employee defined benefit plans (IAS 19):			
Actuarial gains (losses)		33	(118)
Income tax effect		(8)	32
	(b)	**25**	**(86)**
Share of other profits (losses) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		–	–
Income tax effect		–	–
	(c)	**–**	**–**
Total other components that subsequently will not be reclassified in the Separate Consolidated Income Statements	**(d=b+c)**	**25**	**(86)**
Other components that subsequently will be reclassified in the Separate Consolidated Income Statements			
Available-for-sale financial assets:			
Profit (loss) from fair value adjustments		34	76
Loss (profit) transferred to the Separate Consolidated Income Statements		(37)	(69)
Income tax effect		2	(4)
	(e)	**(1)**	**3**
Hedging instruments:			
Profit (loss) from fair value adjustments		(331)	(327)
Loss (profit) transferred to the Separate Consolidated Income Statements		497	245
Income tax effect		(43)	(2)
	(f)	**123**	**(84)**
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		(551)	618
Loss (profit) on translating foreign operations transferred to the Separate Consolidated Income Statements		19	304
Income tax effect		–	–
	(g)	**(532)**	**922**
Share of other profits (losses) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		–	–
Loss (profit) transferred to the Separate Consolidated Income Statements		–	–
Income tax effect		–	–
	(h)	**–**	**–**
Total other components that subsequently will be reclassified to the Separate Consolidated Income Statements	**(i=e+f+g+h)**	**(410)**	**841**
Total other components of the Consolidated Statements of Comprehensive Income	**(k=d+i)**	**(385)**	**755**
Total comprehensive income (loss) for the period	**(a+k)**	**269**	**1,860**
Attributable to:			
Owners of the Parent		**367**	**1,726**
Non-controlling interests		(98)	134

Consolidated Statements of Financial Position

(millions of euros)		6/30/2017 (a)	12/31/2016 (b)	Change (a-b)
Assets				
Non-current assets				
Intangible assets				
Goodwill		29,511	29,612	(101)
Intangible assets with a finite useful life		6,594	6,951	(357)
		36,105	**36,563**	**(458)**
Tangible assets				
Property, plant and equipment owned		13,671	13,947	(276)
Assets held under finance leases		2,371	2,413	(42)
		16,042	**16,360**	**(318)**
Other non-current assets				
Investments in associates and joint ventures accounted for using the equity method		17	18	(1)
Other investments		48	46	2
Non-current financial assets		2,185	2,698	(513)
Miscellaneous receivables and other non-current assets		2,324	2,222	102
Deferred tax assets		525	877	(352)
		5,099	**5,861**	**(762)**
Total Non-current assets	**(a)**	**57,246**	**58,784**	**(1,538)**
Current assets				
Inventories		314	270	44
Trade and miscellaneous receivables and other current assets		5,617	5,426	191
Current income tax receivables		45	94	(49)
Current financial assets				
Securities other than investments, financial receivables and other current financial assets		*1,732*	*1,908*	*(176)*
Cash and cash equivalents		*4,086*	*3,964*	*122*
		5,818	5,872	(54)
Current assets sub-total		**11,794**	**11,662**	**132**
Discontinued operations/Non-current assets held for sale		**–**	**–**	**–**
Total Current assets	**(b)**	**11,794**	**11,662**	**132**
Total Assets	**(a+b)**	**69,040**	**70,446**	**(1,406)**

(millions of euros)		6/30/2017 (a)	12/31/2016 (b)	Change (a-b)
Equity and Liabilities				
Equity				
Equity attributable to Owners of the Parent		21,404	21,207	197
Non-controlling interests		2,215	2,346	(131)
Total Equity	**(c)**	**23,619**	**23,553**	**66**
Non-current liabilities				
Non-current financial liabilities		28,887	30,469	(1,582)
Employee benefits		1,336	1,355	(19)
Deferred tax liabilities		323	293	30
Provisions		813	830	(17)
Miscellaneous payables and other non-current liabilities		1,594	1,607	(13)
Total Non-current liabilities	**(d)**	**32,953**	**34,554**	**(1,601)**
Current liabilities				
Current financial liabilities		4,844	4,056	788
Trade and miscellaneous payables and other current liabilities		7,056	7,646	(590)
Current income tax payables		568	637	(69)
Current liabilities sub-total		**12,468**	**12,339**	**129**
Liabilities directly associated with Discontinued operations/Non-current assets held for sale		**–**	**–**	**–**
Total Current Liabilities	**(e)**	**12,468**	**12,339**	**129**
Total Liabilities	**(f=d+e)**	**45,421**	**46,893**	**(1,472)**
Total Equity and Liabilities	**(c+f)**	**69,040**	**70,446**	**(1,406)**

Consolidated Statements of Cash Flows

(millions of euros)		1st Half 2017	1st Half 2016
Cash flows from operating activities:			
Profit (loss) from continuing operations		654	1,058
Adjustments for:			
Depreciation and amortization		2,249	2,047
Impairment losses (reversals) on non-current assets (including investments)		10	5
Net change in deferred tax assets and liabilities		336	257
Losses (gains) realized on disposals of non-current assets (including investments)		(6)	(13)
Share of profits (losses) of associates and joint ventures accounted for using the equity method		1	2
Change in employee benefits		(7)	40
Change in inventories		(44)	(40)
Change in trade receivables and net amounts due from customers on construction contracts		(52)	(130)
Change in trade payables		44	(141)
Net change in current income tax receivables/payables		72	95
Net change in miscellaneous receivables/payables and other assets/liabilities		(119)	(687)
Cash flows from (used in) operating activities	**(a)**	**3,138**	**2,493**
Cash flows from investing activities:			
Purchase of intangible assets		*(673)*	*(709)*
Purchase of tangible assets		*(1,413)*	*(1,397)*
Total purchase of intangible and tangible assets on an accrual basis		(2,086)	(2,106)
Change in amounts due for purchases of intangible and tangible assets		*(707)*	*(371)*
Total purchase of intangible and tangible assets on a cash basis		(2,793)	(2,477)
Acquisition of control in subsidiaries or other businesses, net of cash acquired		–	(6)
Acquisitions/disposals of other investments		(1)	(3)
Change in financial receivables and other financial assets		695	364
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		–	492
Proceeds from sale/repayment of intangible, tangible and other non-current assets		9	29
Cash flows from (used in) investing activities	**(b)**	**(2,090)**	**(1,601)**
Cash flows from financing activities:			
Change in current financial liabilities and other		(663)	(262)
Proceeds from non-current financial liabilities (including current portion)		1,256	2,061
Repayments of non-current financial liabilities (including current portion)		(1,200)	(3,094)
Share capital proceeds/reimbursements (including subsidiaries)		6	–
Dividends paid		(218)	(227)
Cash flows from (used in) financing activities	**(c)**	**(819)**	**(1,522)**
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	**(d)**	**–**	**(45)**
Aggregate cash flows	**(e=a+b+c+d)**	**229**	**(675)**
Net cash and cash equivalents at beginning of the period	**(f)**	**3,952**	**3,216**
Net foreign exchange differences on net cash and cash equivalents	**(g)**	(95)	159
Net cash and cash equivalents at end of the period	**(h=e+f+g)**	**4,086**	**2,700**

Additional Cash Flow Information

(millions of euros)	1st Half 2017	1st Half 2016
Income taxes (paid) received	(27)	(104)
Interest expense paid	(1,198)	(1,327)
Interest income received	432	516
Dividends received	–	7

Analysis of Net Cash and Cash Equivalents

(millions of euros)	1st Half 2017	1st Half 2016
Net cash and cash equivalents at beginning of the period		
Cash and cash equivalents - from continuing operations	3,964	3,559
Bank overdrafts repayable on demand – from continuing operations	(12)	(441)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	–	98
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	–	–
	3,952	**3,216**
Net cash and cash equivalents at end of the period		
Cash and cash equivalents - from continuing operations	4,086	2,707
Bank overdrafts repayable on demand – from continuing operations	–	(7)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	–	–
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	–	–
	4,086	**2,700**

OTHER INFORMATION

Average salaried workforce

(equivalent number)	1st Half 2017	1st Half 2016	Change
Average salaried workforce – Italy	45,907	47,448	(1,541)
Average salaried workforce – Outside Italy	9,392	11,688	(2,296)
Total average salaried workforce [1]	**55,299**	**59,136**	**(3,837)**
Discontinued operations/Non-current assets held for sale - Sofora - Telecom Argentina group	-	5,161	(5,161)
Total average salaried workforce - including Discontinued operations/Non-current assets held for sale	**55,299**	**64,297**	**(8,998)**

1) Includes employees with temp work contracts: the average headcount was 3 in the first half of 2017 (2 in Italy and 1 outside Italy). In the first half of 2016, the average headcount was 4 (2 in Italy and 2 outside Italy).

Headcount at period end

(number)	6/30/2017	12/31/2016	Change
Headcount – Italy	50,926	51,125	(199)
Headcount – Outside Italy	9,726	10,104	(378)
Total headcount at period end [1]	**60,652**	**61,229**	**(577)**

1) Includes employees with temp work contracts: 1 at 6/30/2017 and 4 at 12/31/2016.

Headcount at period end – Breakdown by Business Unit

(number)	6/30/2017	12/31/2016	Change
Domestic	51,095	51,280	(185)
Brazil	9,471	9,849	(378)
Other Operations	86	100	(14)
Total	**60,652**	**61,229**	**(577)**

EVENTS SUBSEQUENT TO JUNE 30, 2017

For details of subsequent events see the Note “Events Subsequent to June 30, 2017” in the TIM Group half-year condensed consolidated financial statements.

BUSINESS OUTLOOK FOR THE YEAR 2017

As envisaged in the 2017–2019 Plan, TIM will continue the process of profound transformation of the Company. This process consists of firm financial discipline in support of development, aimed at creating more room for investments for new networks and platforms (Fiber and mobile UltraBroadband and Cloud-based services) and eliminating less strategic cash costs, in addition to maximizing return on investment. The objective is to ensure structural growth in revenue and EBITDA and consolidate TIM's position as the market leader in terms of technology, network quality and service excellence in the Fixed-line and Mobile segments. The key elements of this approach are innovation, convergence, exclusive content and closeness to the Customer.

In the Domestic Fixed segment, TIM expects to reduce the decrease in the number of clients – and that all loss lines will be brought to zero by 2018 – through the faster spread and subsequent adoption of fiber optic networks. A crucial role will also be played by our commercial strategy that aims to retain and increase the number of customers by offering, inter alia, devices and appliances for the Smart Home connected to the home network and directly charged in the phone bill.

Within the Domestic Mobile segment, in an increasingly polarized and segmented competitive scenario, TIM – particularly in the high-end market with ever-increasing data usage – will leverage the reach of its 4G network (expected population coverage of over 99% in 2019) and the diffusion of convergent services and quality content. Kena, the second no-frills brand (launched in April), will allow the company to compete in the more price-sensitive segments.

Operations will be characterized by greater selectivity and priority in investment choices and efficiency recovery actions through structural cost optimization programs. At the same time, the transformation and simplification of organization and processes – combined with the commercial development and the expected growth in revenue – will provide the Group with EBITDA growth (low single digit) and the cash generation needed to reduce the Adjusted net financial debt to reported EBITDA ratio, which is expected to be below 2.7x in 2018.

In Brazil, the Plan provides for the continued turnaround of Tim Brasil through its re-positioning based on network and product quality, thereby enabling the company to maintain its leadership in the prepaid segment and successfully compete in the postpaid segment. The Cost Containment Plan launched in 2016 has also been continued and strengthened and will enable the achievement of solid profit and cash flow generation. More specifically, further impetus will be given to the construction of the UBB Mobile infrastructure – at completion of the Plan, the 4G network will reach 95% of the population with coverage of about 3,600 cities – and the development of convergent offers, also thanks to agreements with major premium content providers.

MAIN RISKS AND UNCERTAINTIES

Risk governance is a strategic tool for value creation. The TIM Group has adopted an Enterprise Risk Management Model based on the methodology of the Committee of Sponsoring Organizations of the Treadway Commission (ERM CoSO Report), which enables the identification and management of risk in a uniform manner across the Group companies, highlighting potential synergies among the actors involved in the assessment of the Internal Control and Risk Management System. The ERM process is designed to identify potential events that may affect the business, to manage risk within acceptable limits and to provide reasonable assurance regarding the achievement of corporate objectives.

The business outlook for 2017 could be affected in the second half of the year by risks and uncertainties caused by a multitude of factors, the majority of which are beyond the Group's control.
In particular, several major alterations need to be noted, such as the changes in several senior executive positions and the modification of the market environment, with the initiation of proceedings by the Anti-Trust Authority on the projects for development of the ultrabroadband and fiber optic networks, in addition to a possible revision of the business strategies for the content component. These risk factors may have repercussions – which are currently unforeseeable – in terms of the strategic choices adopted by the company and could have an impact, for example, on the ultrabroadband development plans and on the evolution model adopted in the multimedia market.
In view of the above risks, in addition to the expected performance of the domestic market and the impacts from the new tariff model for roaming services, as well as several non-recurring business trends in the third quarter of 2016 (resulting in a not fully like-for-like comparison in the second half of the year), management has confirmed the guidance announced for the full year 2017 and for the period of the Plan (e.g. low-single digit growth in Domestic EBITDA), despite the strong performance in the second quarter of 2017.

The main risks affecting the business activities of the TIM Group, which may impact, even significantly, the ability to achieve the objectives of the Group are detailed below.

STRATEGIC RISKS

Risks related to macro economic factors

The TIM Group's economic and financial situation is subject to the influence of numerous macroeconomic factors such as economic growth, political stability, consumer confidence, and changes in interest rates and exchange rates in the markets in which it operates. The expected results may be affected, in the domestic market, by the strengthening of the economic recovery: the year 2016 ended with growth of around 1% (a low figure when compared to the average of the EMU countries) and the forecast for 2017 is for higher growth, albeit only slightly. Consumption is starting to pick up again, after a slowdown in the second half of 2016, despite the erosion of purchasing power due to rising inflation. Confidence has also improved among consumers and businesses. Unemployment is still high, despite the significant fall from the second quarter of 2016, with consequent possible effects on income available for consumption.

On the Brazilian market, the expected results may be significantly affected by the macroeconomic and political situation. After 8 quarters of GDP decline, marking the deepest and most profound crisis in its history, Brazil returned to growth in the first quarter of 2017 (+1%). 2017 should close with a growth rate just above zero. Apart from this positive result, there is an ongoing situation of high political instability, as well as a very problematic employment situation (with a total of more than 14 million unemployed and an unemployment rate of 14% in the first quarter of 2017) which are significantly slowing down the recovery in domestic demand.

Risks related to competition

The telecommunications market is characterized by strong competition that may reduce market share in the geographical areas where the TIM Group is engaged as well as erode prices and margins. Competition is focused, on one hand, on innovative products and services and, on the other hand, on the price of traditional services. In addition, in the area of infrastructure competition, the growth of alternative operators could represent a threat for TIM, particularly in the years of the Plan after 2017 and also beyond the Plan period.
In the mobile market, Iliad S.A. is about to launch a new mobile operator in Italy with the aim of acquiring 10-15% of the market, as per its own announcements, by adopting the strategies it has already used for the French market. For its part, TIM has launched a new operator with its own independent systems and features.
In addition, Open Fiber and Infratel have announced their plans for the development of an ultrabroadband telecommunications network as an alternative to the TIM network, respectively in the major Italian cities and the "market failure" areas.

In Brazil, the deterioration of the macroeconomic environment continues to negatively impact on the telecommunications market. Competitive risk is given both by a deterioration of the business model tied to traditional services, which have not been replaced by innovative services, and by the rationalization of consumption by customers as a result of a contraction of their purchasing power. In this scenario, the Tim Brasil group may be further impacted in the short term to a greater extent than its main competitors, due to the higher proportion of customers with prepaid services, which are more affected by the current macroeconomic situation, and by a slowdown in their replacement with postpaid customers.

OPERATIONAL RISKS

Operational risks inherent in our business relate to possible inadequacies in internal processes, external factors, frauds, employee errors, errors in properly documenting transactions, loss of critical or commercially sensitive data and failures in systems and/or network platforms.

Risks related to business continuity

The TIM Group's success depends heavily on the ability to ensure continuous and uninterrupted delivery of the products and services we provide through the availability of processes and the relating supporting assets. In particular, the Network Infrastructure and the Information Systems are sensitive to various internal and external threats: power outage, floods, storms, human errors, system failures, hardware and software failures, software bugs, cyber attacks, earthquakes, facility failures, strikes, fraud, vandalism, terrorism, etc.. Each of these events could lead to an interruption in the supply of services/products and potentially affect our business both directly and indirectly: reduction in revenues and/or increased costs for recovery and for penalties and fines, decrease in customer satisfaction, and negative impact on reputation.

Risks related to the development of fixed and mobile networks

To maintain and expand our customer portfolio in each of the markets in which we operate, it is necessary to maintain, update and improve existing networks in a timely manner. A reliable and high quality network is necessary to maintain the customer base and minimize the terminations to protect the Company's revenues from erosion. The maintenance and improvement of existing installations depend on our ability to:

- upgrade the capabilities of the networks to provide customers with services that are closer to their needs; in this regard, the TIM Group may participate in tenders for broadcasting frequencies;
- increase the geographical coverage of innovative services;
- upgrade the structure of the systems and the networks to adapt it to new technologies;

- sustaining the necessary level of capital expenditure in the long term.

Risks of internal/external fraud

The TIM Group has adopted an organizational model to prevent fraud. However, the implementation of this model cannot ensure the total mitigation of the risk. Dishonest activities and illegal acts committed by people inside and outside the organization could adversely affect the Company's operating results, financial position and image.

Risks related to disputes and litigation

The TIM Group has to deal with disputes and litigation with tax authorities, regulators, competition authorities, other telecommunications operators and other entities. The possible impacts of such proceedings are generally uncertain. In the event of settlement unfavorable to the Group, these issues may, individually or as whole, have an adverse effect, which may even be significant, on its operating results, financial position and cash flows.

FINANCIAL RISKS

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

On June 23, 2016, a referendum was held in the United Kingdom, commonly referred to as “Brexit”, in which voters approved the UK’s exit from the European Union. The potential impact of Brexit will depend, in part, on the outcome of the negotiations on tariffs, trade, regulations and other matters, which started in the second half of June 2017. The result of the referendum had an adverse effect on the global markets and also produced a sharp decline in the pound against the dollar and the euro. Brexit and the possible changes during the exit negotiations could create further instability in the global financial markets and uncertainty about the laws and regulations of the European Union that the United Kingdom may decide to replace with national laws and regulations. The potential effects of Brexit could adversely affect our financial conditions, our business and the related earnings and cash flows.

REGULATORY AND COMPLIANCE RISKS

Regulatory risks

The telecommunications industry is highly regulated. In this context, new decisions by the Communications Authority (AGCom) may lead to changes in the regulatory framework that may affect the expected results of the Group. More specifically, the main elements that introduce uncertainty are:

- lack of predictability in start-up timing and consequent new process decisions;
- decisions with retroactive effect (for example, price revisions for previous years as a result of judgments issued by the Administrative Courts);

- decisions that can influence the technological choices made and to be made, with potential impact on the timing of return on infrastructure investment.

Implementation has been completed of the New Equivalence Model (NEM), launched by TIM in 2015, aimed at further improving the effectiveness of guarantees for equal treatment between own business divisions and competitors that buy wholesale services. The NEM and the related implementation roadmap were approved by the Board of Directors of TIM on November 5, 2015. The Italian Antitrust Authority (AGCM) and the AGCom positively evaluated the effectiveness of the NEM and decided, respectively, to close the non-compliance proceedings A428C, acknowledging that TIM has complied with the earlier A428 decision, and to discontinue the ongoing penalty proceedings.

Compliance risks

The TIM Group may be exposed to risks of non-compliance due to non-observance/breach of internal (self-regulation, such as, for example, bylaws, code of ethics) and external rules (laws and regulations), with consequent judicial or administrative penalties, financial losses or reputational damage.
The TIM Group aims to ensure that processes, and, therefore, the procedures and systems governing them, and corporate conduct comply with legal requirements. The risk is associated with potential time lags in making the processes compliant with regulatory changes or whenever non-conformities are identified.

MAIN CHANGES IN THE REGULATORY FRAMEWORK

DOMESTIC

Wholesale fixed-line markets

Wholesale access services

Following the Resolution 623/15/CONS, in which AGCom requested TIM to submit a proposal for improving the effectiveness of its equivalence model in the processes for the supply of wholesale services to competitors and to its own commercial divisions, TIM completed the implementation of the New Equivalents Model (NEM) on April 30, 2017.
Within the above-mentioned Resolution, AGCom also requested TIM to submit a proposal containing the operating procedures for the introduction of a model for the unbundling of incidental services associated to the delivery and assurance of wholesale access lines for local loop unbundling and sub-loop unbundling services. The proposal submitted by TIM is based on the extension of the Unique System (i.e., use of outside companies at the request of the competitors) to the above-mentioned delivery and assurance activities. The procedure is still ongoing and AGCom final decision, after notification of the draft measure to the European Commission, is expected by the third quarter of 2017.

Infratel Tenders for the subsidizing of the Ultra Broadband networks

On March 7, 2017, Infratel Italia awarded the company Open Fiber (OF) all five lots of the tender for the construction and operation of networks enabling the offering of Ultra Broadband services (from 30 to 100 Mbit/s) in the so-called "White Areas" (in which the private operators had not envisaged the independent construction of Ultra Broadband infrastructure in the next three years) of the municipalities of six Italian regions (Abruzzo, Molise, Emilia Romagna, Lombardy, Tuscany and Veneto).
On March 20, 2017, a ruling with an unfavorable outcome for TIM was issued in the main proceedings for the appeal filed by TIM concerning the tender and on June 20, 2017 TIM lodged an appeal with the *Consiglio di Stato*.

Retail fixed-line markets

Universal Service

Through Resolution 46/17/CONS of January 26, 2017, AGCom introduced new measures regarding the subsidized financial conditions for access to fixed and mobile services for particular categories of disabled customers. The provisions of the measure, which apply to the deaf and the totally and partially blind, broaden the current subsidies, both in terms of discounted services (e.g. flat voice and data offers) and categories of disabled people covered (e.g. the partially blind).
In February 2017, TIM submitted an appeal to the Lazio Regional Administrative Court against Resolution 456/16/CONS of October 2016, through which AGCom rejected TIM's proposal for a price adjustment on the "Voice" offering (the basic voice telephony offering), and introduced a strict procedure for future changes of Universal Service prices, by providing, for example, a minimum time interval of a year between two successive tariff changes and the possibility to only change prices with reference to: (i) increase in *wholesale* costs; (ii) offsetting inflation; (iii) socio-economic conditions. The first hearing has been set for November 22, 2017.
Through resolution 163/17/CONS of April 18, 2017, AGCom imposed a fine of 232,000 euros on TIM for the failure to achieve 4 quality objectives of 2015.
For information on the pending disputes relating to the remuneration of the net costs of the Universal Service incurred by TIM in the years 1999-2003, excluding 2002, see the Note “Contingent liabilities, other information, commitments and guarantees” of the Consolidated financial statements of the TIM Group at December 31, 2016.

Wholesale mobile network markets

International roaming

On June 15, 2017, the provision of European Regulation 2015/2120 of November 25, 2015 ("Telecom Single Market - TSM Regulation") entered into force, which requires for the application of the national tariff for intra-EU voice, SMS and roaming data traffic.
On April 25, 2017, the European Parliament and the Council adopted a regulation establishing new wholesale caps for roaming traffic valid from June 15, 2017 to June 30, 2022 (Voice: 3.2 euro cents per minute; SMS 1 euro cents per SMS, data: 7.7 euro/GByte in 2017; 6 euro/GByte in 2018; 4.5 euro/GByte in 2019; 3.5 euro/GByte in 2020; 3 euro/GByte in 2021; and 2.5 euro/GByte in 2022).

AGCom contribution fee

On March 31, 2017, TIM paid an amount of 19.3 million euros, with reservation, for the 2017 AGCom contribution fee. The value was calculated by applying the rate of 0.0014 to the revenues recorded in the Company's 2015 Financial Statements. The guidelines for the calculation of the contribution fee, set out in the AGCom Resolutions 463/16/CONS and 62/17/CONS, have not changed with respect to those established for the calculation of the 2016 contribution fee.

Antitrust

For information on the pending legal disputes, relating to proceedings already completed by the AGCM – A428 and I761 – see the Note “Contingent liabilities, other information, commitments and guarantees” of the Half-year condensed consolidated financial statements of the TIM Group at June 30, 2017.

Case A500B

In April 2017, the AGCM extended to Telecom Italia Sparkle the case A500B, opened against TIM and regarding the possible improper conduct in the market consisting in bulk SMS messaging services.

Case “I799”

In February 2017, AGCM initiated investigation proceedings for possible violation of Article 101 TFEU (ban on competition-restricting agreements) against TIM S.p.A. and Fastweb S.p.A., following the signing of an agreement aimed at establishing a joint cooperative enterprise Flash Fiber S.r.l.. The end of the proceedings has been set at December 31, 2017.

Case “A514”

On June 28, 2017, AGCM initiated proceedings against TIM for possible breaches of Article 102 TFEU following complaints made by Infratel, Enel, Open Fiber, Vodafone and Wind-Tre. For more details see the description provided in the Note “Contingent liabilities, other information, commitments and guarantees” of the Half-year condensed consolidated financial statements of the TIM Group at June 30, 2017.

BRAZIL

700 MHz and Analog TV switch off

In September 2014, TIM won the tender for the award of the 700MHz (4G/LTE) band frequencies, for a price of 1.7 billion reais, and with additional commitments of 1.2 billion reais (in four annual installments, adjusted for inflation) as a contribution to the consortium established by the tender ("EAD") for all the operators (TIM, Algar, Claro and Vivo) awarded the contract for managing the freeing up of the 700MHz band through the switch off of analog TV, the redistribution of channels and the reduction of interference. To that end, the first payment (370 million reais) was made in April 2015 and the subsequent two payments (for a total of 860 million reais) were both made in January 2017.
In April 2017, the first towns to complete the implementation of the 4G/LTE network were Brasilia, Campo Grande and Teresina. Subsequently, seven other towns have installed the new network and start-up is scheduled in another nine towns within the year in the country.

CORPORATE BOARDS AT JUNE 30, 2017

BOARD OF DIRECTORS

The ordinary shareholders' meeting of the Company, held on May 4, 2017, appointed the new Board of Directors, setting its number of members at 15 and its term of office at three years (up to the approval of the financial statements at December 31, 2019). The Board of Directors' meeting, held on May 5, 2017, appointed Giuseppe Recchi as Chairman of the Board, Arnaud Roy de Puyfontaine as Deputy Chairman and Flavio Cattaneo as Chief Executive Officer of the Company.
On June 1, 2017 the Board of Directors approved a change in the company officers, with the appointment of Arnaud Roy de Puyfontaine as Chairman of the Board of Directors and Giuseppe Recchi as Deputy Chairman.
The Board of Directors of the Company at June 30, 2017 was composed as follows:

Chairman	Arnaud Roy de Puyfontaine
Deputy Chairman	Giuseppe Recchi
Chief Executive Officer	Flavio Cattaneo
Directors	Camilla Antonini (independent) Franco Bernabè (independent) Ferruccio Borsani (independent) Lucia Calvosa (independent) Francesca Cornelli (independent) Frédéric Crépin Dario Frigerio (independent) Félicité Herzog (independent) Anna Jones (independent) Marella Moretti (independent) Hervé Philippe Danilo Vivarelli (independent)
Secretary to the Board	Agostino Nuzzolo

All the board members are domiciled for the positions they hold in TIM at the registered offices of the Company in Milan, Via G. Negri 1.

The following board committees were in place at June 30, 2017:

- **Control and Risk Committee:** composed of the Directors: Lucia Calvosa (Chair appointed in the meeting of June 22, 2017), Francesca Cornelli, Frederic Crépin, Félicité Herzog and Marella Moretti;
- **Nomination and Remuneration Committee**: composed of the Directors: Anna Jones (Chair appointed in the meeting of June 15, 2017), Ferruccio Borsani, Frederic Crépin, Hervé Philippe and Danilo Vivarelli;
- **Strategy Committee:** made up of the Chairman of the Board of Directors, Arnaud Roy de Puyfontaine, the Chief Executive Officer, Flavio Cattaneo, the Deputy Chairman, Giuseppe Recchi, and the Directors Franco Bernabé and Dario Frigerio.

BOARD OF STATUTORY AUDITORS

The ordinary shareholders' meeting of May 20, 2015 appointed the Company's Board of Statutory Auditors with a term up to the approval of the 2017 financial statements.

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

Chairman	Roberto Capone
Acting Auditors	Vincenzo Cariello
	Paola Maiorana
	Gianluca Ponzellini
	Ugo Rock
Alternate Auditors	Francesco Di Carlo
	Gabriella Chersicla
	Piera Vitali
	Riccardo Schioppo

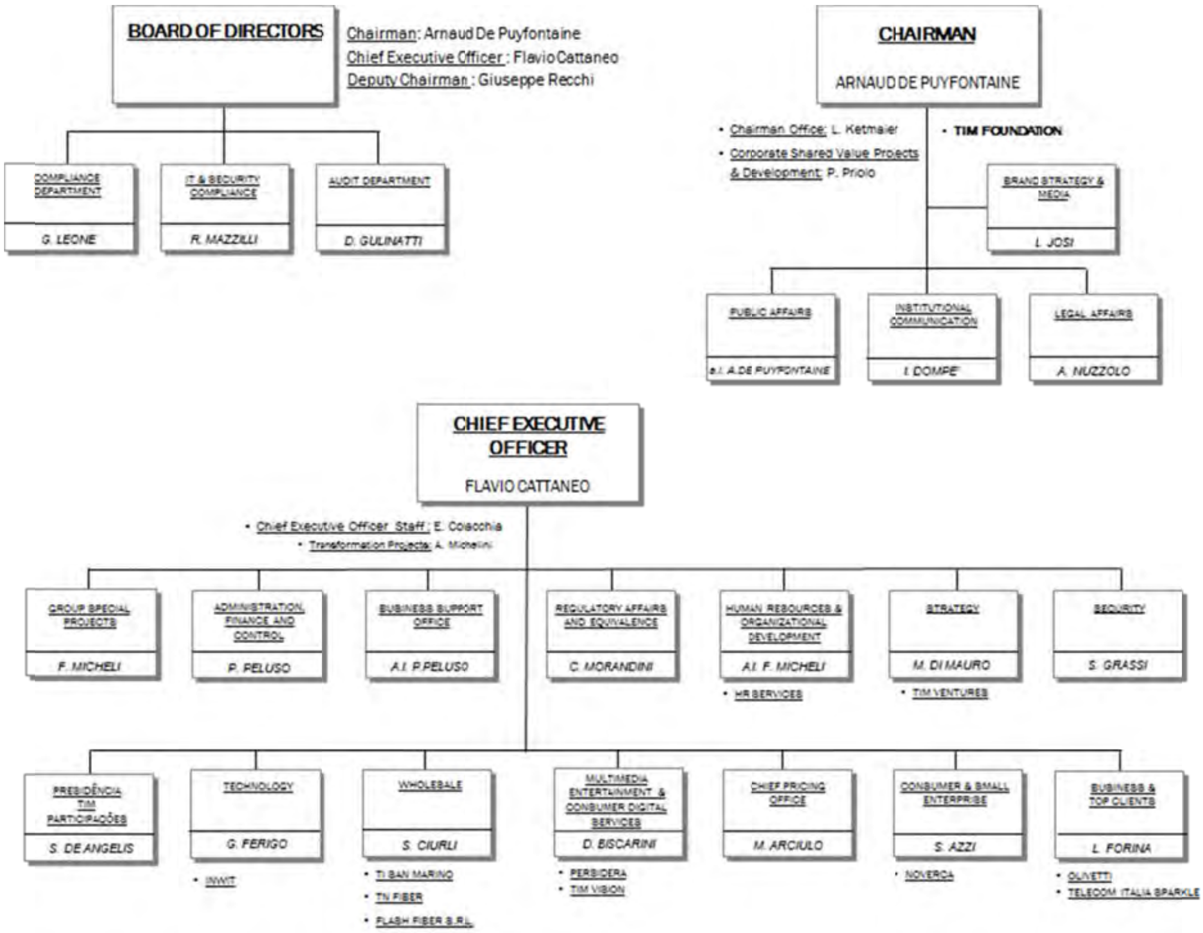
INDEPENDENT AUDITORS

The shareholders' meeting held on April 29, 2010 appointed the audit firm PricewaterhouseCoopers S.p.A. to audit TIM financial statements for the nine-year period 2010-2018.

MANAGER RESPONSIBLE FOR PREPARING THE CORPORATE FINANCIAL REPORTS

At the meeting of May 5, 2017, the Board of Directors confirmed Piergiorgio Peluso (Head of the Group Administration, Finance and Control Function) as the manager responsible for preparing TIM's financial reports.

MACRO-ORGANIZATION CHART AT JUNE 30, 2017



On July 24, 2017, the Board of Directors of TIM S.p.A. approved a settlement agreement for the termination, with effect from July 28, of Mr. Flavio Cattaneo's term of office as Chief Executive Officer and as the General Manager (with effect from July 31).

On July 27, 2017, the Board of Directors, in line with the Company's succession plan, temporarily assigned the Chief Executive Officer's responsibilities to the Executive Chairman Mr. de Puyfontaine. The responsibilities related to the Security Function and the company Telecom Italia Sparkle were assigned on an interim basis to the Deputy Chairman, Giuseppe Recchi.

INFORMATION FOR INVESTORS

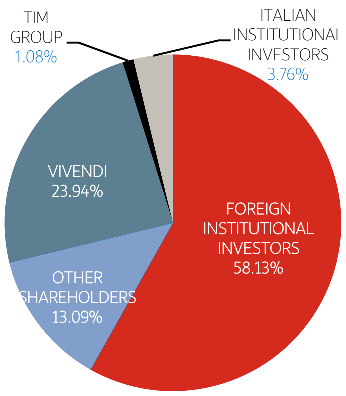
TIM S.P.A. SHARE CAPITAL AT JUNE 30, 2017

Share capital	11,677,002,855.10 euros
Number of ordinary shares (without nominal value)	15,203,122,583
Number of savings shares (without nominal value)	6,027,791,699
Number of TIM S.p.A. ordinary treasury shares	37,672,014
Number of TIM S.p.A. ordinary shares held by Telecom Italia Finance S.A.	126,082,374
Percentage of ordinary treasury shares held by the Group to total share capital	0.77%
Market capitalization (based on June 2017 average prices)	16,577 million euros

Regarding the trading of shares issued by Group companies on regulated markets, the ordinary and savings shares of TIM S.p.A. are listed in Italy (FTSE index), as well as the ordinary shares of INWIT S.p.A., whereas the ordinary shares of Tim Participações S.A. are listed in Brazil (BOVESPA index).
The ordinary and savings shares of TIM S.p.A., and the ordinary shares of Tim Participações S.A. are also listed on the NYSE (New York Stock Exchange); trading occurs through ADS (American Depositary Shares) that respectively represent 10 ordinary shares and 10 savings shares of TIM S.p.A. and 5 ordinary shares of Tim Participações S.A..

SHAREHOLDERS

Composition of Telecom Italia S.p.A. shareholders at June 30, 2017 according to the Shareholders Book, supplemented by communications received and other available sources of information (ordinary shares):



There are no significant shareholders' agreements for TIM pursuant to Article 122 of Italian Legislative Decree 58/1998.

MAJOR HOLDINGS IN SHARE CAPITAL

At June 30, 2017, taking into account the entries in the Shareholders Book, communications sent to Consob and to the Company pursuant to Italian Legislative Decree 58 of February 24, 1998, Article 120, and other available sources of information, the relevant holdings of TIM S.p.A.'s ordinary share capital are as follows:

Holder	Type of ownership	Percentage of ownership
Vivendi S.A.	Direct	23.94% (*)

(*) Equity interest obtained following receipt of a notification by Vivendi S.A. pursuant to Article 152 *octies*, paragraph 7, of the Consob Issuer Regulations.

Blackrock Inc. also notified Consob that, on November 15, 2016, as an asset management company, it indirectly held a quantity of ordinary shares equal to 3.10% of the total ordinary shares of TIM S.p.A. at June 30, 2017.

COMMON REPRESENTATIVES

- The special meeting of the savings shareholders held on June 16, 2016 renewed the appointment of Dario Trevisan as the common representative for three financial years, up to the approval of the financial statements for the year ended December 31, 2018.
- By decree of June 9, 2017, the Milan Court confirmed the appointment of Enrico Cotta Ramusino (already appointed by the decrees of April 11, 2014 and March 7, 2011) as the common representative of the bondholders for the “Telecom Italia S.p.A. 2002-2022 bonds at variable rates, open special series, reserved for subscription by employees of the TIM Group, in service or retired”, with a mandate for the three-year period 2017-2019.
- By decree of June 12, 2015, the Milan Court appointed Monica Iacoviello as the common representative of the bondholders for the "Telecom Italia S.p.A. 1,250,000,000 euros 5.375 percent. Notes due 2019" up to the approval of the 2017 Annual Report.

RATING AT JUNE 30, 2017

At June 30, 2017, the three rating agencies – Standard & Poor's, Moody's and Fitch Ratings – rated TIM as follows:

	Rating	Outlook
STANDARD & POOR'S	BB+	Stable
MOODY'S	Ba1	Stable
FITCH RATINGS	BBB-	Stable

On July 12, 2017, the rating agency Standard & Poor's upgraded TIM S.p.A.'s outlook from "Stable" to "Positive".

WAIVER OF THE OBLIGATION TO PUBLISH DISCLOSURE DOCUMENTS FOR EXTRAORDINARY OPERATIONS

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

RELATED PARTY TRANSACTIONS

In accordance with Article 5, paragraph 8 of Consob Regulation 17221 of March 12, 2010 concerning "related party transactions" and the subsequent Consob Resolution 17389 of June 23, 2010, no significant transactions were entered into in the first half of 2017 as defined by Article 4, paragraph 1, letter a) of the aforementioned regulation which had a major impact on the financial position or on the results of the TIM Group for the first half of 2017.
Furthermore, there were no changes or developments regarding the related party transactions described in the 2016 Report on operations which had a significant effect on the financial position or on the results of the TIM Group in the first half of 2017.
Related party transactions, when not dictated by specific laws, were conducted at arm's length. In addition, the transactions were carried out in accordance with an internal procedure that establishes the terms and timing for verification and monitoring.

Up to May 4, 2017, the companies of the Generali group, Intesa Sanpaolo group, Mediobanca group and Telefonica group (shareholders of the company Telco) were also considered related parties, based on the provision of TIM's procedure for the management of related party transactions according to which it applies "also to the participants in significant shareholder agreements according to Article 122 of the Consolidated Law on Finance that govern the candidacy to the position of Director of the Company, where the majority of the Directors nominated have been drawn from the list submitted". The members of the Board of Directors of TIM in office up to May 4, 2017 had in fact been drawn from the list originally submitted by the shareholder Telco. With the reappointment of the Board of Directors this circumstance no longer applied and the scope of related parties through Directors was therefore amended.

On May 3 and June 1, 2017, the Board of Directors of TIM approved several changes to the Procedure for the management of related party transactions, deciding, on a voluntary basis and therefore without any obligation, to treat Vivendi as if it was the parent, in accordance with the Consob Regulation. The process of identifying new entities that entered the scope of related parties essentially led to the identification of all the entities with which the Group has significant relationships. The full list is currently being completed.

The new Procedure for the management of related party transactions is available for consultation at the website www.telecomitalia.com, “About Us” section – “Governance System” channel.

The information on related parties required by Consob Communication DEM/6064293 of July 28, 2006 is presented in the financial statements and in the Note "Related party transactions" in the Half-year condensed consolidated financial statements at June 30, 2017 of the TIM Group.

ALTERNATIVE PERFORMANCE MEASURES

In this Half-year Financial Report at June 30, 2017 of the TIM Group, in addition to the conventional financial performance measures established by IFRS, certain *alternative performance measures* are presented for purposes of a better understanding of the trend of operations and financial condition. Such measures, which are also presented in other periodical financial reports (annual and interim) should, however, not be construed as a substitute for those required by IFRS.

The alternative performance measures used are described below:

- EBITDA: this financial measure is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of the operating performance of the Group (as a whole and at the Business Unit level), in addition to **EBIT**. These measures are calculated as follows:

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

- **Organic change in Revenues, EBITDA and EBIT:** these measures express changes (amount and/or percentage) in revenues, EBITDA and EBIT, excluding, where applicable, the effects of the change in the scope of consolidation and exchange differences.
  TIM believes that the presentation of the organic change in revenues, EBITDA and EBIT allows for a more complete and effective understanding of the operating performance of the Group (as a whole and at the Business Unit level). This method of presenting information is also used in presentations to analysts and investors. This Half-Year Financial Report provides a reconciliation between the "reported figure" and the "organic figure".

- **EBITDA margin and EBIT margin:** TIM believes that these margins represent useful indicators of the Group's ability, as a whole and at Business Unit level, to generate profits from its revenues. In fact, EBITDA margin and EBIT margin measure the operating performance of an entity by analyzing the percentage of revenues that are converted, respectively, into EBITDA and EBIT. Such indicators are used by TIM in internal presentations (business plans) and in external presentations (to analysts and investors) in order to illustrate the results from operations also through the comparison of the operating results of the reporting period with those of the previous periods.

- **Net Financial Debt:** TIM believes that Net Financial Debt represents an accurate indicator of the Group's ability to meet its financial obligations. It is represented by Gross Financial Debt less Cash and Cash Equivalents and other Financial Assets. This Half-Year Financial Report includes tables showing the amounts taken from the statement of financial position and used to calculate the Net Financial Debt of the Group.
  To better represent the real performance of Net Financial Debt, in addition to the usual indicator (called "Net financial debt carrying amount"), "Adjusted net financial debt" is also shown, which excludes effects that are purely accounting and non-monetary in nature deriving from the fair value measurement of derivatives and related financial assets and liabilities.

Net financial debt is calculated as follows:

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

SUSTAINABILITY

In the past, environmental, social and governance issues were of interest to a limited community of stakeholders; now, increasingly, they are an essential condition for the prosperity of companies in the long term. Introducing and integrating social responsibility in business activities, in order to promote it as an opportunity to create value, is a strategic lever to strengthen the competitiveness of the company.

To demonstrate the growing importance of sustainability issues, in January 2017 Legislative Decree n° 254 of December 30, 2016 came into force, which transposed Directive 2014/95/EU of the European Parliament[1]. The Decree takes the disclosure of diversity and non-financial information by businesses and large groups from being voluntary to mandatory as of the 2017 financial year.

The Decree lists the topics companies are required to provide information about, in particular:

- environmental aspects, including the use of energy resources, water usage, CO_2 emissions;
- social aspects;
- issues related to personnel management, including the actions taken to ensure gender equality and dialogue with social partners;
- respect for Human Rights and the actions taken to prevent violations and discriminatory conduct;
- the fight against active and passive corruption.

The content of the Decree recognizes what is increasingly felt by the financial and non-financial community, the need for the thorough representation of company activities; in fact it provides further tools that allow stakeholders, including shareholders, to perceive the contribution that sustainability can make to both the financial results of the company and to the community in terms of social value.

The TIM Group operates with the conviction that business activities must be conducted in a way that considers the expectations of stakeholders, in keeping with the principles established by internationally recognized standards. In defining and implementing its sustainability strategy and program, TIM is inspired by the guidelines issued by the main global guidance and standardization organizations in the field of Corporate Responsibility. TIM's sustainability report, prepared using the triple bottom line approach[2], has been prepared for almost 20 years and integrated into the consolidated financial statements from 2003 onwards. The adherence of the sustainability report to the GRI G4[3] standard, comprehensive version, enables TIM to be already compliant with Legislative Decree 254.

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[1] Directive 2014/95/EU of the European Parliament and of the Council of October 22, 2014, containing an amendment to Directive 2013/34/EU. The Directive concerns the disclosure of non-financial information and information on diversity by certain enterprises and certain large groups.

[2] This approach, defined for the first time by John Elkington in 1994, provides for the economic-financial data to be represented together with the environmental and social results.

[3] GRI: Global Reporting Initiative, the standard setter for sustainability issues. The comprehensive version is the most complete reporting option in terms of the indicators used.

RESEARCH & DEVELOPMENT AND INNOVATIVE SERVICES

As a result of the growing presence and importance of digitization in the lives of citizens, consumers and companies, technological and business innovation have become strategic for the market positioning and competitiveness of companies, particularly in the telecommunications sector.

The Group, in consideration of this, has adopted a strategy that aims to:

- promote the internal innovation lines, focusing research on key aspects of the development of the fixed and mobile network moving towards the future 5G standards and ultrabroadband, and issues concerning service platforms and the new operations systems[1].
- create initiatives such as Idea Sharing[2], to promote innovation and creativity among employees;
- continue with "Open Innovation" projects and activities which permit osmosis between innovation within the Company and external sources of innovative ideas.

This context also encompasses the development of laboratories specifically open to industrial collaboration, in particular in the context of the Internet of Things (IoT), and the Joint Open Labs (JOL), set up through collaborations with Universities of excellence, and TIM #WCAP, TIM's Corporate Accelerator covering around 5 thousand square meters in Rome, Milan, Bologna and Catania, entirely dedicated to entrepreneurial open innovation.

In terms of patents, 9 new ones were filed in the first half of 2017. In particular, 2 of these were created in close collaboration with the University of Pisa and the University of Genoa on specific Digital Home topics. Another initiative aimed at enhancing the world of inventions was held in Turin in March 2017: "Techshare Day 2017," a day entirely dedicated to sharing technological knowledge with companies that want to introduce patent-protected forms of innovation resulting from research in their specific activities.

For the JOL 2017 activities, focused on infrastructural issues and application solutions, specific research contracts are being finalized (16 with the Polytechnic University of Turin and 6 with the Polytechnic University of Milan) which commit around 660,000 euros, in addition to 30 of TIM's technical experts and 50 researchers from the Universities. With respect to the joint participation in projects funded as part of the European Programme Horizon 2020[3] a benefit of around one million euros is estimated in 2017 in the form of proceeds deriving from the activities of the JOL.

Moreover, thanks to collaboration and exchange between TIM and the Polytechnic University of Turin, the latter has become one of the first "5G campuses" in Europe, a technology campus but also a Living Lab open to students, researchers and possible partners and vendors, thereby involving energies from all over Italy.

Finally, in 2017 TIM #WCap strengthened its role as an innovation "tool", in line with TIM's business strategy, completing the evolution route which led to the launch of the "Call for Partners" in May 2017 for the selection of ready-to-market start-ups focused on specific areas of particular interest to the Company: IOT Consumer; Payment & Digital Identity, Industry 4.0, Cyber Security for Business customers. The start-ups selected will gain access to the Co-Creation Programme aimed at the design and implementation of Proof of Concept (POC) of the digital solutions proposed, with the involvement of the Business Units. The aim, therefore, is primarily to speed up the integration of innovative digital solutions in TIM's offer or technology.

With reference to technological innovation, the following are the projects most worthy of note:

- support for the launch of numerous LTE Advanced services at 225 Mbps and 300 Mbps and the first "in-the-field" testing of LTE Advanced services with speeds of up to 700 Mbps in download and up to 75 Mbps in upload, a new milestone following on from the European record achieved for the commercial launch of 4.5G technology of up to 500 Mbps. The service with speeds of up to 700 Mbps will be made available to TIM customers in the coming months, with the arrival of enabled smartphones and the upgrading of the 4.5G network currently underway in the principal cities;

[1] "Operations" are defined as the set of processes that help to create and deliver value to customers, in general through a mixture of products and services.
[2] Idea Sharing is an internal crowdsourcing project aimed at discovering the talent and creativity of TIM's employees to stimulate and promote innovation.
[3] Horizon 2020 (H2020) is the Framework Programme of the European Union (EU) for research and innovation relating to the period 2014-2020.

- support for the launch of 200M/20M offers on enhanced VDSL and the 1G/100M offer on FTTH;
- Smart Farm: this is Olivetti's solution which enables agricultural enterprises to improve the quality of their harvest and encourage increased profits by exploiting the most innovative IoT technologies. Smart Farm is based on an in-cloud platform that offers companies a complete system of tools and information to accurately monitor the factors that help to determine the health of plants, irrigation requirements and climatic conditions. Through a network of in-the-field sensors, data is collected and transmitted to an application, which is easy to use and accessible through a web interface which enables all the parameters of interest to be kept under control. This makes it possible to manage the activities as effectively as possible and to intervene in a prompt and targeted way where necessary;
- Smart Energy: is an added value service for customers who consume high amounts of electricity and are connected to low voltage which allows them to know their electricity consumption in real time, receive suggestions to optimize their consumption, reduce their electricity bill and choose the best offer available. Moreover, if there is a photovoltaic plant, the service helps the customer to optimize the use and return, and to control its effectiveness over time. The main characteristics of the service are simple DIY (do it yourself) installation and the ability to carry out an automatic energy audit through consumption behavior indicators and social comparisons with similar users.
- Energy Aggregation: enables management of an aggregate of the energy resources of industrial customers and their monetization by providing electricity services remunerated on the Dispatching Services Market[1]. It is based on an ICT platform equipped with the appropriate interfaces to receive dispatching orders from Terna and to execute them on an aggregate of energy resources, as well as to monitor the progress of the orders and measure the electrical flexibility capacity at any given time;
- Smart Retail: in early 2017 TIM set up the first 50 Smart Retail solutions distributed throughout Italy, equipping retail outlets with BLE (Bluetooth Low Energy) beacon technology, small devices installed in theme-based corners (e.g. TIM Vision area, Apple corner, etc.) which are detected by today's smartphones. Customers who have the MyTIM Mobile App are then guided during their visit to the shop, receiving welcome/goodbye messages (push notifications) and information on their position within the retail outlet. The solution goes beyond the physical confines of the shop, extending the customer's engagement to the geographic area in the immediate vicinity of the shop (geofence area) achieved by using proximity marketing cases: customers with the MyTIM Mobile App, when they are in the vicinity of Smart Retail or a shop that has activated a geofencing campaign, receive a message on their smartphone inviting them to visit the nearest TIM center to activate a promotional offer with particularly advantageous conditions. This idea is part of the company's New Concept Store project to renew retail outlets in terms of both their physical layout and technological equipment.

INDUSTRY 4.0

The innovations brought by Industry 4.0 are often represented as the fourth industrial revolution. The four key technological principles of Industry 4.0 for the Smart Factory, as defined by the promoters of this initiative (a working group of the German government set up during the Hannover Fair), are:

- Interoperability, seen as the capacity to communicate between smart devices, sensors and people in a transparent and standard way through the Internet of Things and of People (also known as the Internet of Everything);
- Information transparency, seen as the capacity to create a cybernetic image of the Factory, virtual and updated in real time, also enriched with information obtained from smart devices, sensors, legacy databases and the people who work in the factory;
- Technical Assistance, seen as the aggregation of information even using augmented reality techniques to support technicians who must resolve problems and make urgent interventions inside the Factory;

[1] The quantity of energy required by the set of consumers (families and companies) must be produced in real time, and must be transmitted so that supply and demand are always balanced, thereby ensuring the continuity and reliability of the supply of service. Management of these energy flows on the network is called dispatching.

- Remote control and the decentralization of decisions which can also be taken automatically by the CPS at the premises, but with supervision from a control room not necessarily located in the same building or in the same geographic area.

Case studies linked to Industry 4.0 under development are represented by the introduction of Internet technologies and IoT within the production processes of the manufacturing industry. They are essentially based on CPS (Cyber-Physical Systems), that is smart devices used in production processes seen as the evolution of present-day and widely used PLC (Programmable Logic Controllers)[1] . The aim is to create a smart factory, modular and with islands, which can be remotely controlled and represented through a virtual image. Through the IoT the CPS (evolution of the PLC) communicate and cooperate with each other and with human beings in real time and, again through the Internet (the Future Internet as defined for example in the FI-PPP Program[2] of the European Commission), they present services both to departments within the manufacturing industry and to external organizations.

Immersive Technologies

Immersive technologies, based on environments created around the user in which the latter is literally "immersed," linked to virtual, augmented and mixed reality, are becoming increasingly pervasive and in the near future may represent a new revolutionary computing platform, just as PCs and smartphones were in the past.

The panorama of immersive technologies is broken down into different areas. Virtual Reality (VR), the aim of which is to substitute some sense perceptions (first and foremost sight and hearing) with digital content and simulations that are so realistic they convince the user at a subconscious level of the credibility of the virtual world in which they are immersed. Using appropriate VR headsets (HMD – Head Mounted Display) the user's visual field is entirely replaced with digitally processed images which accurately follow the movements of the user's head. The user has the sensation of truly finding themselves in a different place, from a simulation of a space station cabin to a fantastic cartoon or a documentary on far-flung locations.

Instead, we are talking about Augmented and Mixed Reality (AR and MR) when the reality perceived by the user, instead of being completely replaced by a virtual world, is integrated with information and digital content. Already available for some time through applications for smartphones and tablets, these technologies now allow the direct overlapping of content in the user's visual field through the use of particular eyeglasses.
Thanks to the widespread availability of processing power offered by present-day devices and the lower costs of some components, such as LCD displays, for example, these technologies, until now reserved for niche markets and industrial scopes, are now accessible to the consumer market and will soon be part of our daily lives.

TIM is active in the research and development of solutions that use Virtual and Augmented Reality in many areas:

- Social VR, Interpersonal Communication, Collaboration: from an initial analysis VR might seem to be a technology that isolates people, but in fact it has the potential to be the most social platform ever tested. Thanks to integration with the network, the virtual worlds are not solitary experiences but places in which to meet real people with whom to interact and chat in the same natural way (or almost) one would in real life. Any application, game or content, can become an experience to share with friends. Applications relating to social networking, interpersonal communication, and company collaboration abound and they are all there to be explored.
- Digital entertainment: many of the main VR and AR applications will be linked, above all in the initial phase, to the entertainment area. Immersive technologies completely revolutionize present-day

[1] The Programmable Logic Controller (PLC) is a controller for industry originally specialized in managing or controlling industrial processes.
[2] Future Internet Public-Private Partnership Programme.

storytelling tools and will give rise to new and unexpected forms of artistic expression. The streaming of 360° immersive videos in 3D and high quality is a challenging matter from a technological viewpoint, and the potential offered by TIM's 4G LTE networks and the future innovations of the mobile wireless network will play a key role in making this content available everywhere.

- Culture and eTourism: the potential of these technologies linked to the world of education, culture and tourism is vast. Think for example of the possibility of bringing and entire class of students to see the pyramids in Egypt, the surface of Mars and the barrier reef, in just one day. The bHERE framework, which arose from the development of this application, will allow the creation of virtual museum experiences and narration of this type which, in the future, will also be available in VR.
- VR eCommerce: immersive technologies will make it possible to offer the entire commodity of present-day electronic commerce solutions combined with the advantages of visiting a real shop: the possibility of being able to view and touch the products (1:1 scale replicas) and interact with a real shop assistant in a virtual environment, even eliminating annoying queues.

ENVIRONMENTAL PROTECTION

Energy efficiency

Actions aimed at improving the efficiency of technological systems and reducing electricity consumption, consequently reducing greenhouse gas emissions, are always an integral part of TIM's environmental strategy.

2017 is marked by significant growth in technological developments in the Network context, leading to a substantial increase in energy consumption in both fixed and mobile, estimated for this year at around 200 GWh. Therefore, over the course of the first half year, further new adaptation and efficiency-improvement measures for the structures of fixed network exchanges were assessed and prepared, to be carried out in the second half of the year with the aim of offsetting the aforementioned demand and at the same time reducing the increase in consumption. All the sites not affected by the efficiency-improvement plans already launched (disposal and decommissioning of industrial buildings) were taken into consideration. Actions to reduce consumption in other areas (data centre rooms and offices) were also analysed.

The main projects already underway or planned for the months ahead are described below.

- Fixed network
  - Reengineering of Exchanges: planned adaptation work on both the power supply and air conditioning of the infrastructure of the exchanges is in the deployment phase, aimed at increasing energy efficiency, reducing the active electrical power and minimizing the reactive electrical power[1]. Plans have been conceived to carry out work, in the second half of 2017, on the 100 exchanges (SGUs[2] and POPs[3]) which consume the most energy (out of a total of 10,500 exchanges) which indicatively represent 11% of the total consumption of the exchanges, amounting to around 159 GWh per year (105 GWh telecommunications equipment and 54 GWh infrastructure) with a savings target, when fully operational, of around 21 GWh.
  - Revamping Equipment: a set of streamlining, compactness and optimization measures are in the deployment phase, aimed at reducing energy consumption in the SGU exchanges in Metropolitan areas with initial estimated savings, when fully operational, of around 4 GWh.
  - Summer Efficiency Trial: in order to handle situations of abnormal consumption, the launch of summer monitoring has been planned for 80 fixed network exchanges.

- Data Centre
  - Room cooling optimization: reducing consumption linked to the cooling of rooms is planned through the selective switching off of machines by installing a particular solution for the dynamic optimization of cooling mechanisms already tested in previous years. In the initial phase work will be carried out at a data center with significant consumption in the Rome area, obtaining an estimated annual saving of over 1 GWh.
  - Eco4Cloud solution: the plan is to expand the number of machines set up with real-time controlled and dynamic switching off of servers in 'farms in the cloud[4]' based on VMware virtualization[5], with optimization of the use of physical resources (CPU and RAM) and the

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[1] The 'active' or real power is that actually consumed by a load, while the 'reactive' power provides no consumption values as it is an exchange energy between the power line and the inductive load (motor, fluorescent lamps, etc.). Reducing the reactive power signifies, in practical terms, increasing the system's capacity to use energy to perform useful work by reducing the heating of the load and the cables, which cause energy losses due to the Joule effect.

[2] SGUs, or Urban Group Stages, are Area Exchanges that represent level 2 of TIM's switching hierarchy and are positioned between the Group Transit Stage (SGT, intercity network) and the Main Exchanges (MEs, which include the users through the distribution network).

[3] In telecommunications the POP, or Point of Presence, is a network access point (router) along the access network, provided by an Internet Service Provider (ISP), capable of routing traffic to the end-users connected to it.

[4] A 'farm in the cloud' is a 'farm' or a series of servers positioned in a single area in order to centralize the management, maintenance and security thereof. The various farms are distributed in the cloud.

[5] This involves a series of software packages developed by VMware Inc. which allow several operating systems to run in a virtual environment. This makes it possible to implement, on a platform with a Windows or Linux operating system and the relevant hardware, a number "n" of other virtual machines with different operating systems.

consequent energy savings. The solution, the efficiency of which has already been tested, leads to the better operation of IT farms in terms of performance and 'capacity planning', enabling optimization of the physical development of IT platforms following increases to the processing load required.

- Offices
  - Energy efficiency at sites used as offices through the Building Energy Management System (BEMS), namely a building management system, with a dynamic approach, which aims to achieve lower energy consumption during operation and for the entire life cycle of the building-plant system[1]; implementation is planned for 20 more energy-intensive offices which are not subject to divestment in the next 3 years.

As anticipated, decommissioning initiatives for 'obsolete' technological platforms already launched in previous years also continued in the first half of 2017, mainly with regard to the following projects:

- PSTN[2]: the project involves the migration of traditional accesses (except for ISDN accesses) to VoIP platforms. This results in reduced energy consumption, occupation of space and maintenance, and in general in the overcoming of the obsolescence of the traditional plants. The 2017 plan includes switching off 3.6 million ports with anticipated progress of over 50% by June with respect to the plan.
- SuperSGU: the initiative plans to make the fixed network equipment more compact, concentrating the functions of some SGUs on a reduced number of 'SuperSGUs' with direct benefits in terms of reducing energy consumption. The 2017 plan includes work on 25 SGUs with anticipated progress of over 50% by June with respect to the plan.
- ATM[3]: the project involves optimizing data accesses with the gradual disposal of ATM devices and a shift to IP technology devices. This results in reduced energy consumption and in general the overcoming of the obsolescence of the traditional plants. The 2017 plan includes switching off 1.3 million ports with anticipated progress of over 30% by June with respect to the plan.

[1] See also standard UNI EN 15232 - 'Energy Performance of Buildings - Impact of building automation, control and technical building management' which defines the methods for assessing the energy savings that can be achieved in buildings that use technologies for the management and automatic control of the technological systems and the electricity system.
[2] PSTN is the acronym for Public Switched Telephone Network; it is also known as RTG (General Telephone Network) or switched public telephone network.
[3] ATM, or Asynchronous Transfer Mode, identifies a series of network protocols developed from the '90s onwards capable of offering an integrated single telecommunications service which is able to combine voice services with various types of data services.

TIM PEOPLE

The evolution of the TLC industry towards Digital Telco models, the technological evolution of infrastructure and market challenges linked to the development of new digital and innovative services are all parts of the framework of an employment market undergoing profound transformation. The Digital Transformation, which TIM is working on, is pervasive and forces us to rethink processes and services and to develop new skills and professionals who are able to make the best use of the new opportunities.

At TIM in particular, the move towards a business model centered around Digital Innovation, the consequent need for a reshuffling of skills in line with the expanding range of offers and market positioning, and the extension of working life are the challenges that have the most impact on the definition of the new HR strategy, launched last year and currently on course for full application with particular emphasis on the following priority intervention areas:

Efficiency: in the first half of 2017 there was a continuation of actions aimed at rationalizing costs, simplifying the organizational structure and processes and improving productivity indexes.

Welfare: the reference model has been redesigned with a renewed proposal of services with particular attention to the 'work longevity' phenomenon. The various actions planned include those to support the enhancement of professional characteristics functional for the increase of Company's value irrespective of age and following a logic of equality, inclusion and sustainability.

Skills: a significant number of professional re-training programs are in progress (job center), with particular attention to the digitization of professions; individual professional and managerial development plans to ensure the alignment of skills profiles with the new strategic direction.

Development Model

Compared to last year's, TIM's development model has been further refined in terms of individual components in order to support people in the various phases of their professional path within the company.

In particular, the first half saw the continuation of activities related to onboarding programs which involved new graduates and junior professionals already working at the Company, in order, amongst other things, to further support them in their professional career in keeping with the evolution of the business.
With respect to the other evaluation processes - Performance, Motivation and Knowledge Review - which constitute the primary source for the construction of development plans 'open to all' directed at the entire Company population, the following activities were carried out:

- Performance: in February the 'choice of evaluators' phase was carried out by the persons responsible for the evaluation according to multirater logic; in March there was an evaluation phase involving everyone in the Group; the feedback phase was then initiated in April (starting with the MBO[1] beneficiaries) which concluded for the entire Company population in the month of June.
- Motivation Review: a new evaluation process aimed at detecting the energy people express in their work activities. In February the testing phase was initiated for the scientific validation of the tool; four companies in the Group are involved (TCC, Sparkle, HRS, INWIT).
- Knowledge Review: in May the planning of the critical knowledge assessment process was completed, the results of which will constitute the basis for defining development plans for Professional Leadership aimed at recognizing Knowledge Holders as possessors of strategic know-how for the current and future business of the Company.

[1] Management by Objectives

Finally, in the first half of the year, an overall review of the instrumentation for the Assessment of potential processes was carried out and the relative evaluation activities were started, aiming to define the development plans for Managerial Leadership.

Training

Continuing on the path of the enhancement and development of in-house expertise, which started in July 2016, the skills development strategy is outlined through the following main pillars:

- Professional re-training and enhancement
- Development of the managerial profile
- Evolution and digitization of skills
- Individual development plans

In keeping with these drivers, the consolidation of the TIM Academy and Development Model continues, in order to ensure tools and methodologies that can support employees at this delicate time of transformation.

The training activities are divided into four macro-categories, each of which entails several main activities carried out in the first half.

Management Education: training aimed at managers is essential to accelerate company turnaround and ensure the implementation of the 2017-2019 strategic plan. A Management Education course for 2017/2018 has been established, which will involve a total of 700 managers, offering targeted programs differentiated on the basis of the complexity of the roles managed by the participants. In June the planning was completed and the first programs are in the launch phase. The plan, developed in blended mode, includes: webinar sessions, online coaching sessions, bite-size training and video-talks, experimental laboratories, workshops and seminars on strategic topics with key speakers.

Development of role-based and specialized skills and new capabilities: training to develop role-based and specialized skills, as well as new capabilities, occupies a central role in TIM's training investments plan. The main projects launched in the first half are:

- "Open Access on-the-field technicians skills improvement": blended training for around 9,000 in-the-field technicians aimed at bridging the gaps in the technical skills that emerged from the skill assessment.
- 'Maintenance and Development of Corporate Certifications': measures to enable participation in tenders and contracts in the private sector and in Central and Local Public Administration.
- 'Big Data Transformation': development path for 'Big Data' skills to support the transformation underway at TIM.
- 'Field Management Training': management training for 52 Coordinator Managers for Integrated Access Network Assurance & Delivery (Field Force) in the Open Access area.

Development and empowerment

The organizational changes and the evolution of business-linked skills require new tools to support the change and the awareness of TIM's people.
'The Skills Model' e-learning course has been created, which aims to increase awareness and promote the culture needed to guide the behavior of the Group's personnel.

Institutional and corporate culture

Institutional and mandatory training, involving the entire population of the Company, aims to raise awareness and disseminate knowledge of the content required by the legal formalities and support the transformation of the organizational culture. The main projects of the first half year are:

- New Equivalence Model (NEM): dedicated to staff in the commercial departments to facilitate the transition towards the New Model.
- Safety: in relation to the obligations deriving from current regulations, around 100 senior managers are involved in the 'Sicuri Adesso' (Safe Now) training project.

- Anti-corruption and whistleblowing: a digital learning module has been created, which involves the entire population of the company and the Group in order to encourage the adoption of transparency, correctness and behaviors in good faith by the whole Company.

Job Centre and the development of in-house expertise

In relation to the re-training paths in progress, professional re-skilling activities continued as part of the Job Centre Project, which pursues the following main objectives:

- re-allocating the people currently assigned to support activities with a direct impact on the business and on customers;
- provide a professional qualification for people to be re-employed in activities previously outsourced and now brought back in-house;
- represent a professional opportunity which allows the company to open up to the market more effectively and efficiently, with energy, skills and professionalism, while also allowing people to maintain an updated professional profile.

At the end of June more than 2,700 people have been envolved in the Job Center.

HR Partnerships

In 2017 we implemented the new model of relations with the educational ecosystem (academic world, schools, business schools, institutional and social entities) pro-actively collaborating on the definition of training projects, the teaching of the topics specific to our business and the implementation of specific School-Work Alternation courses with technical institutions and schools from across the country.

The aim of the new partnership model is to generate value in the short-medium term for the organization, on the one hand, through the blending of different knowledge; and for young people, on the other, making our know-how available to them.

People Caring

TIM believes that being an inclusive company, one that is able to take care of its people and to create solutions that put everyone in a position to give the best of themselves, is the basis for economic and social sustainability. In this context, 2017 also saw numerous initiatives launched in various and diverse areas, all connected by the common thread of placing people at the center, which are encompassed in the following four macro areas:

- Work-life balance and Family Care (including daycare centers, summer camps for employees' children, commute management, free tickets and the testing of agile working);
- Volunteering initiatives by employees (including blood donation days organized at Company offices, stands hosted at Company offices to sell charity products and participate in charitable activities);
- Equity & Inclusion Management (which include disability management and longevity management initiatives);
- Promotion and support for people and their well-being (for example the provision of financial assistance to support employees in particular financial difficulties; the provision of scholarships, for visits abroad and the reimbursement of university taxes; and for enrolment in the first year of single-cycle university programs and selected master's degrees for worthy children of employees).

Health and Safety

During the first half, the main areas of action in the field of health and safety at work, related to the re-modelling of the process of identifying and assessing risks in keeping with TIM's shift to a 'multi-employer' model, which resulted in the reviewing of the organizational and procedural framework linked to the management of prevention aspects.

Campaigns to monitor physical agents continued by means of tools specific to the measurement of vibrations, noise and electromagnetic fields. Training activities for all company employees were planned and launched, in particular for operational technical staff increasingly affected by the application of new technologies and involved in new operating scenarios.

As part of the information and awareness-raising initiatives to strengthen the safety culture, planning started for a video on how to handle emergencies in the event of earthquakes.

With reference to the monitoring of accidents, in the first half the careful analysis of events and the potential identification of corrective actions continued; for greater synergy, there was stronger direct involvement of the staff affected.

A number of digital projects are also being developed in collaboration with technical personnel; these are also aimed at the application of new technologies in the Safety area.

Industrial relations

In the first half, in keeping with the Industrial Relations model shaped by seeking dialogue and a constructive comparison of ideas, and in compliance with contractual structures, information and discussion sessions with trade unions continued at both national and regional level.

At national level, on several occasions TIM outlined the strategic positioning of the Company in relation to the main economic and production indicators and the consequent need to identify measures aimed at supporting the recovery of competitiveness and profitability as well as improving the quality of services, in order to safeguard employment levels and the company scope.

In this context, in February the Company issued a Company Regulation which innovates and modernizes some fundamental aspects of the employment relationship, including, inter alia, with respect to remuneration, specific individual incentive measures for technical staff. This Regulation was then subsequently refined and improved, accepting the proposals and suggestions of the trade union organizations.

In June, the Company and the Trade Union reached an understanding that defines the structure of the 2017/2019 Performance Bonus for companies of the TIM Group.

The Bonus takes a new approach: it provides for equal incentive systems for all, from managers to technical personnel, and they are based on the results achieved with respect to the goals set.
The agreement, which positively concludes the negotiations started last month with the trade union, provides for the performance bonus to be comprised of:

- a “basic” bonus, which uses the Group EBITDA as an indicator;
- a “production” bonus, which uses the revenues from group services net of product revenues as an indicator;
- an “improvement” bonus which uses the Customer Satisfaction Index as an indicator;
- a “department” bonus linked to the departmental targets.

The objectives, changed by managerial incentive systems, recognize the contribution of all workers to the achievement of the forecast economic and production results.
The average value of the Bonus for TIM was also defined (1,300 euros per year), correlated and commensurate to the achievement of the goals set.
The payout will concern all employees, including those with apprenticeship and fixed-term contracts, but the bonus will be awarded upon achievement, first of all, of the measure set for the Group EBITDA indicator.
The parties have also provided for the Welfare option, according to which people may choose whether to receive all or a part of the bonus in welfare services, benefiting from full tax relief. The list of services

includes, inter alia, daycare centers, taxes and schools books, elderly care, healthcare costs, pension funds, loans, shopping vouchers, sports and free time which are only a part of the welfare capital, in which TIM invests a total of over 100 million euros each year.
A consultancy body has been set up to manage the agreement, which will be notified of the goals each year, derived from the budget process, in keeping with the Business Plan.
With respect to the trend reversal of the Company's main economic and profit indicators, recorded in the second half of 2016, TIM paid its employees a contribution made on the basis of overall efficiency recovery and improvement of the Company's economic performance. In this sense TIM's people were paid a One-off Bonus, diversified according to their grade. Appreciation was also shown to personnel of the Group's other companies - to whom the Telecommunications Collective Employment Agreement applies - with the agreement on the Performance Bonus which expired in 2016.