# ATTACHMENTS TO THE PRESS RELEASE

## ALTERNATIVE PERFORMANCE MEASURES

In this press release, 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 the financial condition related to the TIM Group. Such measures, which are presented in the financial reports (annual and interim), should, however, not be considered 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 a 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 losses (profits) 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. In this press release, is also provided the reconciliation between the "accounting or reported" data and the "organic" ones.

- **EBITDA margin and EBIT margin**: TIM believes that these margins represent useful indicators of the Group's ability, as a whole and at the 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 the Net Financial Debt represents an accurate indicator of its ability to meet its financial obligations. It is represented by Gross Financial Debt less Cash and Cash Equivalents and other Financial Assets.
  In this press release is included a table showing the amounts taken from the statement of financial position and used to calculate the Net Financial Debt of the Group.
  In order to better represent the actual change in Net Financial Debt, in addition to the usual measure (named "Net financial debt carrying amount") is also shown the "Adjusted net financial debt", which excludes effects that are purely accounting in nature resulting from the fair value measurement of derivatives and related financial liabilities/assets.

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 included in Discontinued operations/Non-current assets held for sale |
| **B)** | **Financial Assets** |
| **C=(A - B)** | **Net Financial Debt carrying amount** |
| **D)** | **Reversal of fair value measurement of derivatives and related financial liabilities/assets** |
| **E=(C + D)** | **Adjusted Net Financial Debt** |

*The reclassified Separate Consolidated Income Statements, Consolidated Statements of Comprehensive Income, Consolidated Statements of Financial Position and the Consolidated Statements of Cash Flows as well as the Consolidated Net Financial Debt of the TIM Group, herewith presented, are the same as those included in the Interim Management Report of the Half-year Financial Report at June 30, 2017 and are unaudited.*
*Such statements, as well as the Consolidated Net Financial Debt, are however consistent with those included in the TIM Group Half-year Condensed Consolidated Financial Statements at June 30, 2017.*
*The accounting policies and consolidation principles adopted in the preparation the Half-year Condensed Consolidated Financial Statements at June 30, 2017 have been applied on a basis consistent with 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.*
*Furthermore, please note that the limited review work by our independent auditors on the TIM Group Half-year Condensed Consolidated Financial Statements at June 30, 2017 has not yet been completed.*

## TIM GROUP - 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 (loss) 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) |

## TIM GROUP - CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In accordance with IAS 1 (Presentation of Financial Statements) here below are presented the Consolidated Statements of Comprehensive Income, including 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 Statement of Comprehensive Income** | | | |
| **Other components that will not be reclassified subsequently to Separate Consolidated Income Statement** | | | |
| **Remeasurements of employee defined benefit plans (IAS19):** | | | |
| Actuarial gains (losses) | | 33 | (118) |
| Income tax effect | | (8) | 32 |
| | **(b)** | **25** | **(86)** |
| **Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:** | | | |
| Profit (loss) | | – | – |
| Income tax effect | | – | – |
| | **(c)** | **–** | **–** |
| **Total other components that will not be reclassified subsequently to Separate Consolidated Income Statement** | **(d=b+c)** | **25** | **(86)** |
| **Other components that will be reclassified subsequently to Separate Consolidated Income Statement** | | | |
| **Available-for-sale financial assets:** | | | |
| Profit (loss) from fair value adjustments | | 34 | 76 |
| Loss (profit) transferred to Separate Consolidated Income Statement | | (37) | (69) |
| Income tax effect | | 2 | (4) |
| | **(e)** | **(1)** | **3** |
| **Hedging instruments:** | | | |
| Profit (loss) from fair value adjustments | | (331) | (327) |
| Loss (profit) transferred to Separate Consolidated Income Statement | | 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 Separate Consolidated Income Statement | | 19 | 304 |
| Income tax effect | | – | – |
| | **(g)** | **(532)** | **922** |
| **Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:** | | | |
| Profit (loss) | | – | – |
| Loss (profit) transferred to Separate Consolidated Income Statement | | – | – |
| Income tax effect | | – | – |
| | **(h)** | **–** | **–** |
| **Total other components that will be reclassified subsequently to Separate Consolidated Income Statement** | **(i=e+f+g+h)** | **(410)** | **841** |
| **Total other components of the Consolidated Statement 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 |

# TIM GROUP - 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** | | | | |
| of a financial nature | | – | – | – |
| of a non-financial nature | | – | – | – |
| | | **–** | **–** | **–** |
| **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<br>(a) | 12/31/2016<br>(b) | Change<br>(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** | | | | |
| of a financial nature | | – | – | – |
| of a non-financial nature | | – | – | – |
| | | **–** | **–** | **–** |
| **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)** |

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# TIM GROUP - 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 losses (profits) of associates and joint ventures accounted for using the equity method | | 1 | 2 |
| Change in provisions for 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 of companies 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/repayments 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** |

## TIM GROUP - NET FINANCIAL DEBT

| (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 liabilities/assets* | *(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* |

## TIM GROUP - OPERATING FREE CASH FLOW

| (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 provisions for 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* |

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

## TIM GROUP - INFORMATION BY OPERATING SEGMENTS

# DOMESTIC

| (millions of euros) | 1st Half 2017 | 1st Half 2016 | Change amount | Change % | Change % 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.

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

## International Wholesale – Telecom Italia Sparkle group

| (millions of euros) | 1st Half 2017 | 1st Half 2016 | Change amount | Change % | Change % organic |
|---|---|---|---|---|---|
| **Revenues** | **646** | **649** | **(3)** | **(0.5)** | **(1.2)** |
| *of which third parties* | *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 | 34 | 4.5 | |

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

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## BRAZIL

| | (millions of euros) | | (millions of Brazilian 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.

# TIM GROUP - RECONCILIATION BETWEEN REPORTED DATA AND ORGANIC DATA

## REVENUES – reconciliation of organic data

| (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** |

## EBITDA – reconciliation of organic data

| (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 translation effect on Non-recurring Income/(Expenses) | | (2) | 2 | |
| **ORGANIC EBITDA, excluding Non-recurring items** | **4,209** | **3,932** | **277** | **7.0** |

## EBIT – reconciliation of organic data

| (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 translation effect on Non-recurring Income/(Expenses) | | – | – | |
| **ORGANIC EBIT, excluding Non-recurring items** | **1,967** | **1,794** | **173** | **9.6** |

# DOMESTIC - RECONCILIATION BETWEEN REPORTED DATA AND ORGANIC DATA

## EBITDA – reconciliation of organic data

| (millions of euros) | 1st Half 2017 | 1st Half 2016 | Change amount | Change % |
|---|---|---|---|---|
| **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 items** | **3,456** | **3,269** | **187** | **5.7** |

## EBIT – reconciliation of organic data

| (millions of euros) | 1st Half 2017 | 1st Half 2016 | Change amount | Change % |
|---|---|---|---|---|
| **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 items** | **1,780** | **1,665** | **115** | **6.9** |

## TIM GROUP - DEBT STRUCTURE, BOND ISSUES AND EXPIRING BONDS

***Revolving Credit Facilities and term loans***

In the table below are shown the composition and the drawdown of the committed credit lines available as of June 30, 2017:

| (billions of euros) | 06/30/2017 | | 12/31/2016 | |
|---|---|---|---|---|
| | Committed | Utilized | Committed | Utilized |
| Revolving Credit Facility – due May 2019 | 4.0 | - | 4.0 | - |
| Revolving Credit Facility – due March 2020 | 3.0 | - | 3.0 | - |
| Total | 7.0 | - | 7.0 | - |

TIM has two syndicated *Revolving Credit Facilities* for the amounts of 4 billion euros and 3 billion euros maturing, respectively, on May 24, 2019 and on March 25, 2020, both not utilized.

Furthermore, TIM has:

- a bilateral Term Loan with Banca Regionale Europea for the amount of 200 million euros expiring in July 2019, drawn down for the full amount;
- two bilateral Term Loans with Mediobanca respectively for the amount of 200 million euros expiring in November 2019 and for the amount of 150 million euros expiring in July 2020, drawn down for the full amounts;
- a bilateral Term Loan with ICBC for the amount of 120 million euros expiring in July 2020, drawn down for the full amount;
- a bilateral Term Loan with Intesa Sanpaolo for the amount of 200 million euros expiring in August 2021, drawn down for the full amount;
- a hot money loan with Banca Popolare Emilia Romagna for the amount of 200 million euros expiring in July 2017, drawn down for the full amount.

On March 6, 2017 TIM signed a supplementary agreement with Mediobanca according to on July 3, 2017 TIM has repaid in advance an amount of 75 million euros of the bilateral Term Loan for the original amount of 150 million euros expiring in July 2020, drawn down for the full amount.

***Bonds***

The following tables show the evolution of the bonds during the first half 2017:

### New issues

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

### Repayments

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

(1) Net of 455 million euros repurchased by TIM S.p.A. during 2015.

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

The nominal amount of repayment, net of the Group's bonds buyback, related to the bonds expiring in the following 18 months as of June 30, 2017 issued by TIM S.p.A., Telecom Italia Finance S.A. and Telecom Italia Capital S.A. (fully and unconditionally guaranteed by TIM S.p.A.) totals 3,249 million euros with the following detail:

- 628 million euros, due September 20, 2017;
- 853 million euros (equivalent to 750 GBP million), due December 15, 2017;
- 593 million euros, due May 25, 2018;
- 593 million euros (equivalent to 677 USD million), due June 4, 2018;
- 582 million euros, due December 14, 2018.

The bonds issued by the TIM Group do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interest, etc.) or clauses that would force the early redemption of the bonds in relation to events other than the insolvency of the TIM Group. Furthermore, the repayment of the bonds and the payment of interest are not covered by specific guarantees nor are there commitments provided relative to the assumption of future guarantees, except for the full and unconditional guarantees provided by TIM S.p.A. for the bonds issued by Telecom Italia Finance S.A. and Telecom Italia Capital S.A..
Since these bonds have been placed principally with institutional investors in major world capital markets (Euromarket and the U.S.A.), the terms which regulate the bonds are in line with market practice for similar transactions effected on these same markets, including, for example, commitments not to use the company's assets as collateral for loans ("negative pledges").

With reference to the loans received by TIM S.p.A. from the European Investment Bank ("**EIB**"), as at June 30, 2017, the total nominal amount of outstanding loans amounted to 1,950 million euros, of which 800 million euros at direct risk and 1,150 million euros secured.

**EIB loans not secured by bank guarantees** for a nominal amount equal to 800 million euros need to apply the following covenant:

- in the event the company becomes the target of a merger, demerger or contribution of a business segment outside the Group, or sells, disposes or transfers assets or business segments (except in certain cases, expressly provided for), it shall immediately inform the EIB which shall have the right to ask for guarantees to be provided or changes to be made to the loan contract, or, only for certain loan contracts, the EIB shall have the option to demand the advance repayment of the loan (should the merger, demerger or contribution of a business segment outside the Group compromise the Project execution or cause a prejudice to EIB in its capacity as creditor);
- in the loan of 500 million euros signed on December 14, 2015 TIM enter into a contractual agreement according to which, for all the duration of the loan, the total financial indebtedness of the companies of the Group different from TIM S.p.A., and except in case that indebtedness is entirely and irrevocably guaranteed by TIM S.p.A., will be less than the 35% (thirty-five per cent) of the Group total financial indebtedness.

**EIB loans secured by bank** or approved parties **guarantees** for a total nominal amount of 1,150 million euros and the loans at direct risk, respectively, of 300 million euros signed on July 30, 2014 and 500 million euros signed on December 14, 2015, need to apply the following covenants:

- "Inclusion clause", provided on loans for a total amount of 1,650 million euros, according to which in the event TIM commits to keep in other loan contracts financial covenants (and in the loans at direct risk signed in 2014 and 2015, also more stringent clauses, for example, cross default and restrictions of the sale of goods) which are not present or are stricter than those granted to the EIB, then the EIB will have the right to request, at its fair opinion, in case those variations shall have negative consequences on TIM financial capacity, the providing of guarantees or the modification of the loan contract in order to envisage an equivalent provision in favor of the EIB;
- "Network Event", clause provided on loans for a total amount of 1,350 million euros, according to which, against the disposal of the entire fixed network or of a substantial part of it (in any case more than half in quantitative terms) in favor of third parties or in case of disposal of the controlling stake of the company in which the network or a substantial part of it has previously been transferred, TIM shall immediately inform EIB, which shall have the option of requiring the provision of guarantees or amendment of the loan contract or an alternative solution.

TIM S.p.A. loan contracts do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interests, etc.) which would oblige the Company to repay the outstanding loan if the covenants are not observed.

The loan contracts contain the usual other types of covenants, including the commitment not to use the Company's assets as collateral for loans (negative pledges), the commitment not to change the business purpose or sell the assets of the Company unless specific conditions exist (e.g. the sale takes place at fair market value). Covenants with basically the same content are also found in the export credit loan agreement.

In the Loan contracts and in the Bonds, TIM must provide communication in case of change in control. Identification elements to prove that event of change in control and the applicable consequences – among which the possible constitution of guarantees or the repayment in advance of the issued amount and the cancellation of the commitment in absence of a different agreement – are precisely disciplined in each contract. Furthermore, the outstanding loans contain a general commitment by TIM, whose breach is an event of default, not to implement mergers, demergers or transfer of business, involving entities outside the Group. Such event of default may entail, upon request of the Lender, the early redemption of the drawn amounts and/or the cancellation of the undrawn commitment amounts.

In the documentation of the loans granted to certain companies of the Tim Brasil group, the companies must generally respect certain financial ratios (e.g. capitalization ratios, ratios for servicing debt and debt ratios) as well as the usual other covenants, under pain of a request for the early repayment of the loan.

We finally underline that, as of June 30, 2017, no covenant, negative pledge clause or other clause relating to the above-described debt position, has in any way been breached or violated.

## TIM GROUP - EFFECTS OF NON-RECURRING EVENTS AND TRANSACTIONS ON EACH ITEM OF THE SEPARATE CONSOLIDATED INCOME STATEMENTS

The effects of non-recurring events and transactions on the separate consolidated income statements line items are set out below in accordance with Consob communication DME/RM/9081707 dated September 16, 2009:

| (millions of euros) | 1st Half 2017 | 1st Half 2016 |
|---|---|---|
| **Acquisition of goods and services:** | | |
| Sundry expenses | (2) | – |
| **Employee benefits expenses:** | | |
| Expenses related to restructuring and rationalization | (10) | (75) |
| **Other operating expenses:** | | |
| Sundry expenses and other provisions | (83) | (16) |
| **Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)** | **(95)** | **(91)** |
| **Gains (losses) on disposals of non-current assets:** | | |
| Gain on disposals of non-current assets | – | 9 |
| Losses on disposals of non-current assets | (1) | – |
| **Impact on EBIT - Operating profit (loss)** | **(96)** | **(82)** |
| **Finance expenses:** | | |
| Interest expenses and other finance expenses | (14) | (11) |
| **Impact on profit (loss) before tax from continuing operations** | **(110)** | **(93)** |
| Income taxes on non-recurring items | 30 | 27 |
| Provision for tax risks Sparkle case | (93) | – |
| Discontinued operations – Effect of the disposal of the Sofora – Telecom Argentina | – | (12) |
| **Impact on profit (loss) for the period** | **(173)** | **(78)** |