

ATTACHMENTS TO THE PRESS RELEASE

ALTERNATIVE PERFORMANCE MEASURES	2
TIM GROUP - SEPARATE CONSOLIDATED INCOME STATEMENTS	4
TIM GROUP - CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	5
TIM GROUP - CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	6
TIM GROUP - CONSOLIDATED STATEMENTS OF CASH FLOWS	8
TIM GROUP - NET FINANCIAL DEBT	10
TIM GROUP - OPERATING FREE CASH FLOW	11
TIM GROUP - INFORMATION BY OPERATING SEGMENTS	12
DOMESTIC	12
BRAZIL	13
TIM GROUP - RECONCILIATION BETWEEN REPORTED DATA AND ORGANIC DATA	14
DOMESTIC - RECONCILIATION BETWEEN REPORTED DATA AND ORGANIC DATA	15
TIM GROUP - DEBT STRUCTURE, BOND ISSUES AND EXPIRING BONDS	16
TIM GROUP - EFFECTS OF NON-RECURRING EVENTS AND TRANSACTIONS ON EACH ITEM OF THE SEPARATE CONSOLIDATED INCOME STATEMENTS	18
TIM GROUP - ADOPTION OF THE NEW IFRS 9 AND IFRS 15 STANDARDS	19

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 periodical 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 some useful indicator of the ability of the Group (as a whole and at Business Unit level) to generate profits from its revenues. In fact, EBITDA margin and EBIT margin measure the operating performance of an entity by analyzing the percentage of revenues that are converted into EBITDA and EBIT respectively. Such indicators are used by TIM in internal presentations (*business plans*) and in external presentations (to analysts and investors) in order to illustrate the results from operations also through the comparison of the operating results of the period with those of the prior 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 Interim Financial Report at March 31, 2018 and are unaudited.

Such statements, as well as the Consolidated Net Financial Debt are in any case consistent with the ones of the consolidated financial statements included in the annual and first half financial reports.

The accounting policies and consolidation principles have been applied on a basis consistent with those adopted in the Annual Consolidated Financial Statements at December 31, 2017, except for the new accounting principles applied starting from January 1, 2018 whose effects are shown in the following chapter "TIM Group - Adoption of the new IFRS 9 and IFRS 15 standards".

To enable the year-on-year comparison of the economic and financial performance for the first quarter of 2018, this press release shows "comparable" financial position figures and "comparable" income statement figures, prepared in accordance with the previous accounting standards applied (IAS 39, IAS 18, IAS 11, and relative Interpretations).

TIM GROUP - SEPARATE CONSOLIDATED INCOME STATEMENTS

(millions of euros)	1st Quarter	1st Quarter	1st Quarter	Change	
	2018	2018 comparable	2017	(a-b)	
		(a)	(b)	amount	%
Revenues	4,709	4,742	4,819	(77)	(1.6)
Other income	57	57	78	(21)	(26.9)
Total operating revenues and other income	4,766	4,799	4,897	(98)	(2.0)
Acquisition of goods and services	(1,996)	(1,969)	(2,061)	92	4.5
Employee benefits expenses	(780)	(773)	(760)	(13)	(1.7)
Other operating expenses	(368)	(359)	(273)	(86)	(31.5)
Change in inventories	37	37	28	9	32.1
Internally generated assets	158	158	159	(1)	(0.6)
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	1,817	1,893	1,990	(97)	(4.9)
Depreciation and amortization	(1,055)	(1,089)	(1,129)	40	3.5
Gains (losses) on disposals of non-current assets	2	2	4	(2)	(50.0)
Impairment reversals (losses) on non-current assets	-	-	-	-	-
Operating profit (loss) (EBIT)	764	806	865	(59)	(6.8)
Share of profits (losses) of associates and joint ventures accounted for using the equity method	(2)	(2)	-	(2)	-
Other income (expenses) from investments	10	10	-	10	-
Finance income	327	322	385	(63)	(16.4)
Finance expenses	(684)	(676)	(769)	93	12.1
Profit (loss) before tax from continuing operations	415	460	481	(21)	(4.4)
Income tax expense	(163)	(174)	(256)	82	32.0
Profit (loss) from continuing operations	252	286	225	61	27.1
Profit (loss) from Discontinued operations/Non-current assets held for sale	-	-	-	-	-
Profit (loss) for the period	252	286	225	61	27.1
Attributable to:				-	
Owners of the Parent	216	250	200	50	25.0
Non-controlling interests	36	36	25	11	44.0

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 Quarter 2018	1st Quarter 2017
Profit (loss) for the period	(a)	252	225
Other components of the Consolidated Statement of Comprehensive Income			
Other components that will not be reclassified subsequently to Separate Consolidated Income Statement			
Financial assets measured at fair value through other comprehensive income:			
Profit (loss) from fair value adjustments		-	-
Income tax effect		-	-
	(b)	-	-
Remeasurements of employee defined benefit plans (IAS19):			
Actuarial gains (losses)		-	-
Income tax effect		-	-
	(c)	-	-
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		-	-
Income tax effect		-	-
	(d)	-	-
Total other components that will not be reclassified subsequently to Separate Consolidated Income Statement	(e=b+c+d)	-	-
Other components that will be reclassified subsequently to Separate Consolidated Income Statement			
Financial assets measured at fair value through other comprehensive income:			
Profit (loss) from fair value adjustments		(14)	(3)
Loss (profit) transferred to Separate Consolidated Income Statement		16	(3)
Income tax effect		1	2
	(f)	3	(4)
Hedging instruments:			
Profit (loss) from fair value adjustments		(281)	69
Loss (profit) transferred to Separate Consolidated Income Statement		95	56
Income tax effect		44	(33)
	(g)	(142)	92
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		(167)	73
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement		-	-
Income tax effect		-	-
	(h)	(167)	73
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		-	-
Loss (profit) transferred to Separate Consolidated Income Statement		-	-
Income tax effect		-	-
	(i)	-	-
Total other components that will be reclassified subsequently to Separate Consolidated Income Statement	(k=f+g+h+i)	(306)	161
Total other components of the Consolidated Statement of Comprehensive Income	(m=e+k)	(306)	161
Total comprehensive income (loss) for the period	(a+m)	(54)	386
Attributable to:			
Owners of the Parent		(41)	337
Non-controlling interests		(13)	49

TIM GROUP - CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions of euros)	3/31/2018 (a)	12/31/2017 (b)	Change (a-b)
Assets			
Non-current assets			
Intangible assets			
Goodwill	29,431	29,462	(31)
Intangible assets with a finite useful life	6,786	7,192	(406)
	36,217	36,654	(437)
Tangible assets			
Property, plant and equipment owned	13,978	14,216	(238)
Assets held under finance leases	2,146	2,331	(185)
	16,124	16,547	(423)
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	16	17	(1)
Other investments	53	51	2
Non-current financial assets	1,438	1,768	(330)
Miscellaneous receivables and other non-current assets	2,169	2,422	(253)
Deferred tax assets	903	993	(90)
	4,579	5,251	(672)
Total Non-current assets (a)	56,920	58,452	(1,532)
Current assets			
Inventories	326	290	36
Trade and miscellaneous receivables and other current assets	5,335	4,959	376
Current income tax receivables	39	77	(38)
Current financial assets			
<i>Securities other than investments, financial receivables and other current financial assets</i>	1,668	1,430	238
<i>Cash and cash equivalents</i>	1,680	3,575	(1,895)
	3,348	5,005	(1,657)
Current assets sub-total	9,048	10,331	(1,283)
Discontinued operations / Non-current assets held for sale	-	-	-
Total Current assets (b)	9,048	10,331	(1,283)
Total Assets (a+b)	65,968	68,783	(2,815)

(millions of euros)

	3/31/2018	12/31/2017	Change
	(a)	(b)	(a-b)
Equity and Liabilities			
Equity			
Equity attributable to owners of the Parent	21,434	21,557	(123)
Non-controlling interests	2,208	2,226	(18)
Total Equity	(c) 23,642	23,783	(141)
Non-current liabilities			
Non-current financial liabilities	26,260	28,108	(1,848)
Employee benefits	1,738	1,736	2
Deferred tax liabilities	235	265	(30)
Provisions	827	825	2
Miscellaneous payables and other non-current liabilities	1,363	1,678	(315)
Total Non-current liabilities	(d) 30,423	32,612	(2,189)
Current liabilities			
Current financial liabilities	5,020	4,756	264
Trade and miscellaneous payables and other current liabilities	6,809	7,520	(711)
Current income tax payables	74	112	(38)
Current liabilities sub-total	11,903	12,388	(485)
Liabilities directly associated with Discontinued operations/Non-current assets held for sale	-	-	-
Total Current Liabilities	(e) 11,903	12,388	(485)
Total Liabilities	(f=d+e) 42,326	45,000	(2,674)
Total Equity and liabilities	(c+f) 65,968	68,783	(2,815)

TIM GROUP - CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of euros)

	1st Quarter 2018	1st Quarter 2017
Cash flows from operating activities:		
Profit (loss) from continuing operations	252	225
Adjustments for:		
Depreciation and amortization	1,055	1,129
Impairment losses (reversals) on non-current assets (including investments)	–	13
Net change in deferred tax assets and liabilities	137	155
Losses (gains) realized on disposals of non-current assets (including investments)	(2)	(4)
Share of losses (profits) of associates and joint ventures accounted for using the equity method	2	–
Change in provisions for employee benefits	(5)	(7)
Change in inventories	(36)	(29)
Change in trade receivables, net amounts due from customers on construction contracts and contract asset	(210)	31
Change in trade payables	(19)	(48)
Net change in current income tax receivables/payables	(1)	76
Net change in miscellaneous receivables/payables and other assets/liabilities	(243)	(156)
Cash flows from (used in) operating activities	(a) 930	1,385
Cash flows from investing activities:		
Purchase of intangible assets	(186)	(327)
Purchase of tangible assets	(489)	(519)
Total purchase of intangible and tangible assets on an accrual basis	(675)	(846)
Change in amounts due for purchases of intangible and tangible assets	(609)	(634)
Total purchase of intangible and tangible assets on a cash basis	(1,284)	(1,480)
Capital grants received	2	–
Acquisition of control of companies or other businesses, net of cash acquired	–	–
Acquisitions/disposals of other investments	(2)	–
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)	(230)	383
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of	–	–
Proceeds from sale/repayments of intangible, tangible and other non-current assets	8	2
Cash flows from (used in) investing activities	(b) (1,506)	(1,095)
Cash flows from financing activities:		
Change in current financial liabilities and other	(505)	(214)
Proceeds from non-current financial liabilities (including current portion)	102	1,182
Repayments of non-current financial liabilities (including current portion)	(896)	(775)
Changes in hedging and non-hedging derivatives	293	–
Share capital proceeds/reimbursements (including subsidiaries)	–	–
Dividends paid	–	–
Changes in ownership interests in consolidated subsidiaries	1	–
Cash flows from (used in) financing activities	(c) (1,005)	193
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	(d) –	–
Aggregate cash flows	(e=a+b+c+d) (1,581)	483
Net cash and cash equivalents at beginning of the period	(f) 3,246	3,952
Net foreign exchange differences on net cash and cash equivalents	(g) (19)	24
Net cash and cash equivalents at end of the period	(h=e+f+g) 1,646	4,459

Additional Cash Flow information

(millions of euros)	1st Quarter 2018	1st Quarter 2017
Income taxes (paid) received	(22)	(17)
Interest expense paid	(553)	(613)
Interest income received	106	120
Dividends received	-	-

Analysis of Net Cash and Cash Equivalents

(millions of euros)	1st Quarter 2018	1st Quarter 2017
Net cash and cash equivalents at beginning of the period		
Cash and cash equivalents - from continuing operations	3,575	3,964
Bank overdrafts repayable on demand - from continuing operations	(329)	(12)
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	-	-
	3,246	3,952
Net cash and cash equivalents at end of the period		
Cash and cash equivalents - from continuing operations	1,680	4,461
Bank overdrafts repayable on demand - from continuing operations	(34)	(2)
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	-	-
	1,646	4,459

TIM GROUP - NET FINANCIAL DEBT

(millions of euros)	3/31/2018 (a)	12/31/2017 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	19,009	19,981	(972)
Amounts due to banks, other financial payables and liabilities	5,177	5,878	(701)
Finance lease liabilities	2,074	2,249	(175)
	26,260	28,108	(1,848)
Current financial liabilities (*)			
Bonds	2,914	2,221	693
Amounts due to banks, other financial payables and liabilities	1,933	2,354	(421)
Finance lease liabilities	173	181	(8)
	5,020	4,756	264
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	-	-	-
Total gross financial debt	31,280	32,864	(1,584)
Non-current financial assets			
Securities other than investments	-	-	-
Financial receivables and other non-current financial assets	(1,438)	(1,768)	330
	(1,438)	(1,768)	330
Current financial assets			
Securities other than investments	(1,199)	(993)	(206)
Financial receivables and other current financial assets	(469)	(437)	(32)
Cash and cash equivalents	(1,680)	(3,575)	1,895
	(3,348)	(5,005)	1,657
Financial assets relating to Discontinued operations/Non-current assets held for sale	-	-	-
Total financial assets	(4,786)	(6,773)	1,987
Net financial debt carrying amount	26,494	26,091	403
<i>Reversal of fair value measurement of derivatives and related financial liabilities/assets</i>	(957)	(783)	(174)
Adjusted Net Financial Debt	25,537	25,308	229
<i>Breakdown as follows:</i>			
Total adjusted gross financial debt	29,616	31,149	(1,533)
Total adjusted financial assets	(4,079)	(5,841)	1,762
<i>(*) of which current portion of medium/long-term debt:</i>			
Bonds	2,914	2,221	693
Amounts due to banks, other financial payables and liabilities	1,283	1,371	(88)
Finance lease liabilities	173	181	(8)

TIM GROUP - OPERATING FREE CASH FLOW

(millions of euros)	1st Quarter 2018	1st Quarter 2017	Change
EBITDA	1,817	1,990	(173)
Capital expenditures on an accrual basis	(660)	(831)	171
Change in net operating working capital:	(1,238)	(795)	(443)
<i>Change in inventories</i>	(36)	(29)	(7)
<i>Change in trade receivables, net receivables for contract work and assets arising from contracts</i>	(210)	31	(241)
<i>Change in trade payables (*)</i>	(643)	(697)	54
<i>Other changes in operating receivables/payables</i>	(349)	(100)	(249)
Change in provisions for employee benefits	(5)	(7)	2
Change in operating provisions and Other changes	69	4	65
Net operating free cash flow	(17)	361	(378)
<i>% of Revenues</i>	<i>(0.4)</i>	<i>7.5</i>	<i>(7.9) pp</i>

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

TIM GROUP - INFORMATION BY OPERATING SEGMENTS

DOMESTIC

(millions of euros)	1st Quarter 2018	1st Quarter 2018 comparable (a)	1st Quarter 2017 (b)	Change (a-b)		
				amount	%	% organic
Revenues	3,681	3,709	3,647	62	1.7	2.0
EBITDA	1,470	1,533	1,621	(88)	(5.4)	(5.3)
EBITDA margin	39.9	41.3	44.4		(3.1) pp	(3.2) pp
EBIT	639	678	787	(109)	(13.9)	(13.7)
EBIT margin	17.4	18.3	21.6		(3.3) pp	(3.3) pp
Headcount at period-end (number)	49,722		⁽¹⁾ 49,851	(129)	(0.3)	

(1) Headcount at December 31, 2017.

Core Domestic

(millions of euros)	1st Quarter 2018 comparable	1st Quarter 2017	Change	
			amount	%
Revenues	3,481	3,395	86	2.5
Consumer	1,851	1,820	31	1.7
Business	1,160	1,120	40	3.6
Wholesale	420	419	1	0.2
Other	50	36	14	38.9
EBITDA	1,510	1,583	(73)	(4.6)
EBITDA margin	43.4	46.6		(3.2) pp
EBIT	682	776	(94)	(12.1)
EBIT margin	19.6	22.9		(3.3) pp
Headcount at period-end (number)	48,966	⁽¹⁾ 49,095	(129)	(0.3)

(1) Headcount at December 31, 2017.

International Wholesale – Telecom Italia Sparkle group

(millions of euros)	1st Quarter 2018 comparable	1st Quarter 2017	Change		
			amount	%	% Organic
Revenues	286	310	(24)	(7.7)	(4.3)
of which third parties	240	261	(21)	(8.0)	(4.0)
EBITDA	24	42	(18)	(42.9)	(38.5)
EBITDA margin	8.4	13.5		(5.1) pp	(4.6) pp
EBIT	(4)	12	(16)		
EBIT margin	(1.4)	3.9		(5.3) pp	(5.1) pp
Headcount at period-end (number)	756	⁽¹⁾ 756	-	-	

(1) Headcount at December 31, 2017.

BRAZIL

	(millions of euros)			(millions of Brazilian reais)			Change	
	1st Quarter 2018	1st Quarter 2018 comparable	1st Quarter 2017	1st Quarter 2018	1st Quarter 2018 comparable	1st Quarter 2017	amount	%
		(a)	(b)		(c)	(d)	(c-d)	(c-d)/d
Revenues	1,033	1,037	1,181	4,120	4,139	3,951	188	4.8
EBITDA	353	365	372	1,407	1,456	1,247	209	16.8
EBITDA margin	34.2	35.2	31.6	34.2	35.2	31.6		3.6 pp
EBIT	131	133	81	523	530	272	258	94.9
EBIT margin	12.7	12.8	6.9	12.7	12.8	6.9		5.9 pp
Headcount at period-end (number)				9,670		(1) 9,508	162	1.7

(1) Headcount at December 31, 2017.

TIM GROUP - RECONCILIATION BETWEEN REPORTED DATA AND ORGANIC DATA

REVENUES – reconciliation of organic data

(millions of euros)	1st Quarter 2018	1st Quarter 2017	Change	
			amount	%
REPORTED REVENUES	4,709	4,819	(110)	(2.3)
Adoption new accounting principles effect	33			
Comparable revenues on the same accounting basis	4,742	4,819	(77)	(1.6)
Foreign currency financial statements translation effect		(202)	202	
Changes in the scope of consolidation		-	-	
ORGANIC REVENUES	4,742	4,617	125	2.7

EBITDA – reconciliation of organic data

(millions of euros)	1st Quarter 2018	1st Quarter 2017	Change	
			amount	%
REPORTED EBITDA	1,817	1,990	(173)	(8.7)
Adoption new accounting principles effect	76			
Comparable EBITDA on the same accounting basis	1,893	1,990	(97)	(4.9)
Foreign currency financial statements translation effect		(62)	62	
Changes in the scope of consolidation		-	-	
ORGANIC EBITDA	1,893	1,928	(35)	(1.8)
of which Non-recurring Income/(Expenses)	(95)	(24)	(71)	
Foreign currency translation effect on Non-recurring Income/(Expenses)		-	-	
ORGANIC EBITDA, excluding Non-recurring items	1,988	1,952	36	1.8

EBIT – reconciliation of organic data

(millions of euros)	1st Quarter 2018	1st Quarter 2017	Change	
			amount	%
REPORTED EBIT	764	865	(101)	(11.7)
Adoption new accounting principles effect	42			
Comparable EBIT on the same accounting basis	806	865	(59)	(6.8)
Foreign currency financial statements translation effect		(14)	14	
Changes in the scope of consolidation		-	-	
ORGANIC EBIT	806	851	(45)	(5.3)
of which Non-recurring Income/(Expenses)	(95)	(24)	(71)	
Foreign currency translation effect on Non-recurring Income/(Expenses)		-	-	
ORGANIC EBIT, excluding Non-recurring items	901	875	26	3.0

DOMESTIC - RECONCILIATION BETWEEN REPORTED DATA AND ORGANIC DATA

EBITDA – reconciliation of organic data

(millions of euros)	1st Quarter 2018	1st Quarter 2017	Change	
			amount	%
REPORTED EBITDA	1,470	1,621	(151)	(9.3)
Adoption new accounting principles effect	63			
Comparable EBITDA on the same accounting basis	1,533	1,621	(88)	(5.4)
Foreign currency financial statements translation effect	-	-	-	
Changes in the scope of consolidation	-	(3)	3	
ORGANIC EBITDA	1,533	1,618	(85)	(5.3)
of which Non-recurring Income/(Expenses)	(95)	(24)	(71)	
ORGANIC EBITDA, excluding Non-recurring items	1,628	1,642	(14)	(0.9)

EBIT – reconciliation of organic data

(millions of euros)	1st Quarter 2018	1st Quarter 2017	Change	
			amount	%
REPORTED EBIT	639	787	(148)	(18,8)
Adoption new accounting principles effect	39			
Comparable EBIT on the same accounting basis	678	787	(109)	(13,9)
Foreign currency financial statements translation effect		-	-	
Changes in the scope of consolidation		(1)	1	
ORGANIC EBIT	678	786	(108)	(13,7)
of which Non-recurring Income/(Expenses)	(95)	(24)	(71)	
ORGANIC EBIT, excluding Non-recurring items	773	810	(37)	(4,6)

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 March 31, 2018:

(billions of euros)	3/31/2018		12/31/2017	
	Committed	Utilized	Committed	Utilized
Revolving Credit Facility – due May 2019	-	-	4.0	-
Revolving Credit Facility – due March 2020	-	-	3.0	-
Revolving Credit Facility – due January 2023	5.0	-	-	-
Total	5.0	-	7.0	-

As at March 31, 2018 TIM had a syndicated *Revolving Credit Facility* for the amount of 5 billion euros and expiring on January 16, 2023, currently unused.

Furthermore, TIM has:

- a bilateral Term Loan with Mediobanca for the amount of 134 million euros expiring in November 2019, drawn down for the full amount; on May 7, 2018 TIM exercised its right of early resolution, in force on May 10, 2018;
- a bilateral Term Loan with ICBC for the amount of 120 million euros expiring in July 2020, drawn down for the full amount;
- a hot money loan with Banca Popolare Emilia Romagna for the amount of 150 million euros expiring in July 2018, drawn down for the full amount;
- a hot money loan with Intesa Sanpaolo for the amount of 200 million euros expiring in December 2018, drawn down for the full amount.

Bonds

With reference to bond evolution neither new issues nor repayments occurred in the first quarter 2018 compared to December 31, 2017.

With respect to the Telecom Italia S.p.A. 2002-2022 bonds, reserved for subscription by employees of the Group, at March 31, 2018, the amount was 205 million euros (nominal amount) and increased by 1 million euros compared to December 31, 2017 (204 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 March 31, 2018 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 4,145 million euros with the following detail:

- 593 million euros, due May 25, 2018;
- 549 million euros (equivalent to 677 USD million), due June 4, 2018;
- 582 million euros, due December 14, 2018;
- 832 million euros, due January 29, 2019;
- 617 million euros (equivalent to 760 USD million), due June 18, 2019;
- 972 million euros (equivalent to 850 GBP million), due June 24, 2019.

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 involve the early automatic redemption of the bonds in relation to events other than the insolvency of the TIM Group⁽¹⁾. Furthermore, the repayment of the bonds and the payment of interest are not covered by specific guarantees nor are there commitments provided relative to the assumption of future guarantees, except for the full and unconditional guarantees provided by TIM S.p.A. for the bonds issued by Telecom Italia Finance S.A. and Telecom Italia Capital S.A..

Since 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").

⁽¹⁾ The case of change in control would involve the repayment in advance of the convertible bond of TIM S.p.A., the EIB loans and the bilateral Term Loan with Mediobanca, as better described hereafter.

With reference to the loans received by TIM S.p.A. from the European Investment Bank (“EIB”), as at March 31, 2018, 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 not controlled 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, at the investors’ discretion, the possible constitution of guarantees or the repayment in advance of the issued amount by cash or shares 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 March 31, 2018, 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 Quarter 2018	1st Quarter 2017
Acquisition of goods and services:		
Professional expenses, consulting services and other costs	(2)	-
Employee benefits expenses:		
Expenses related to restructuring, rationalization and other	(1)	(5)
Other operating expenses:		
Sundry expenses and other provisions	(92)	(19)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	(95)	(24)
Impact on EBIT - Operating profit (loss)	(95)	(24)
Finance expenses:		
Interest expenses and other finance expenses	(2)	(7)
Impact on profit (loss) before tax from continuing operations	(97)	(31)
Income taxes on non-recurring items	4	9
Provision charges for Sparkle tax dispute	-	(93)
Impact on profit (loss) for the period	(93)	(115)

TIM GROUP - ADOPTION OF THE NEW IFRS 9 AND IFRS 15 STANDARDS

This section provides an overview of the main elements of IFRS 9 (*Financial Instruments*) and IFRS 15 (*Revenue from Contracts with Customers*) and reports the impact of the application of the standards as of January 1, 2018.

IFRS 9 (FINANCIAL INSTRUMENTS)

On November 22, 2016, Regulation (EU) 2016/2067 was issued, which adopted IFRS 9 (Financial Instruments) at EU level, relating to the classification, measurement and derecognition of financial assets and liabilities, impairment of financial instruments, and hedge accounting.

As permitted by IFRS 9, the TIM Group has opted for:

- the continued application of the hedge accounting requirements of IAS 39, instead of the requirements of IFRS 9;
- the non-restatement of comparative information provided in the year the new standard is first applied.

Commencing as of January 1, 2018, TIM has amended the impairment model applied to financial assets (including trade receivables due from customers), adopting an expected credit loss model, which replaces the incurred loss model required by IAS 39. In application of IFRS 9, the classification (and hence measurement) of financial assets has also been modified and is now based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Under IAS 39, financial assets were classified (and hence measured) on the basis of their destination.

TIM Management has identified its business models for Group financial assets (other than trade receivables due from customers) on the basis of how the financial instruments are managed and their cash flows used. The purpose of the models is to ensure an adequate level of financial flexibility and to best manage, in terms of risks and returns, the short, medium and long-term financial resources immediately available to the Group through the treasuries of Group companies and in accordance with the strategies set forth by the Parent TIM.

The business models adopted by the TIM Group are:

- *Hold to Collect*: covering financial instruments measured at "amortized cost": i) which are used to absorb temporary cash surpluses and ensure suitable market returns; ii) which by their nature are low risk; iii) which are mainly held to maturity;
- *Hold to Collect and Sell*: covering financial instruments measured at "fair value through other comprehensive income": i) which are used to absorb short/medium-term cash surpluses; ii) which are classed as low-risk monetary or debt instruments; iii) which are normally held to maturity or sold in the event that specific cash needs arise;
- *Hold to Sell*: covering financial instruments measured at "fair value through profit or loss": i) which are used to dynamically manage cash surpluses not managed under the business models identified above; ii) which are classed as monetary, debt or equity trading instruments with a higher level of risk and subject to greater price volatility than in the previous business models; iii) which are not normally held until their natural maturity, but purchased and sold repeatedly, even in very short periods of time.

For the management of trade receivables, TIM Management has identified different business models based on the specific nature of the receivables, the type of counterparty and collection times, in order to optimize the management of working capital through the constant monitoring of the payment performance of customers, the steering of credit collection policies, the management of programs for the disposal of receivables, and the factoring of receivables, in line with financial planning needs.

The business models adopted by the TIM Group for managing trade receivables are:

- *Hold to Collect*: this model covers receivables from the provision of services and the sale of products to Corporate customers, the Public Sector, and OLOs, as well as other "non core" receivables. Such receivables are measured at "amortized cost", are low risk, and are generally held to maturity. Management will assess opportunities for the sale of individual positions only, where conditions are favorable;
- *Hold to Collect and sell*: this model envisages the recurring and mass sale of receivables from the provision of services to Consumer and Small Business customers, where invoices issued before the termination of the contract are earmarked for disinvestment, receivables from the sale of products to Mobile Consumer customers bundled with prepaid offers (handsets), receivables from sales to Dealer networks, and receivables from the sale of products to Fixed-line Consumer and Business customers on installment plans or single payment terms. These receivables are measured at "fair value through other comprehensive income".

At the transition date (January 1, 2018), TIM has chosen to continue to report gains and losses from "other investments (other than those in subsidiaries, associates and joint ventures), classified under IAS 39 as "available-for-sale financial

assets” and measured at fair value, in other comprehensive income (OCI), also under IFRS 9. Therefore, starting from January 1, 2018, other investments are measured at fair value through OCI. Only dividend income from other investments is recognized in the income statement, while all other gains and losses are recognized in OCI without reclassification to the separate income statement when the financial asset is disposed of or impaired as provided by IAS 39.

The changes in the classification of financial assets had no material impact on the measurement of the assets for the TIM Group.

The comprehensive net impact (including tax effects) of the adoption of IFRS 9 on consolidated equity at January 1, 2018 (transition date) was mainly linked to the recognition of higher provisions for expected losses on trade receivables, connected with the introduction of an expected credit loss model, replacing the incurred loss model required by IAS 39.

IFRS 15 (REVENUES FROM CONTRACTS WITH CUSTOMERS)

On September 22, 2016, Regulation (EC) 2016/1905 was issued, which adopted IFRS 15 (*Revenues from contracts with customers*) and the related amendments at EU level. On October 31, 2017, clarifications to IFRS 15 were adopted through Regulation 2017/1987.

IFRS 15 replaces the standards that formerly governed revenue recognition, namely IAS 18 (*Revenue*), IAS 11 (*Construction contracts*) and the related interpretations on revenue recognition (IFRIC 13 *Customer loyalty programmes*, IFRIC 15 *Agreements for the construction of real estate*, IFRIC 18 *Transfers of assets from customers* and SIC 31 *Revenue – Barter transactions involving advertising services*).

The TIM Group has applied the modified retrospective method with the recognition of the cumulative effect of the first-time application of the standard as an adjustment to the opening balance of equity for the period when the standard is adopted, without restating prior periods.

The adoption of IFRS 15 affected the recognition of revenues from fixed-line and mobile offers and the recognition of contract costs. The new standard does not affect cash flows. The main differences with respect to the previous accounting standards applied (IFRS 15 vs. IAS 18, IAS 11 and relative interpretations) concern:

- **Bundle offers** (bundled good and services): the allocation of contract discounts to performance obligations under IFRS 15 brings forward in time the recognition of revenues, resulting in the recognition of a contract asset and, in some cases, the deferral of revenues, entailing the recognition of a contract liability.
- **Activation/installation revenues:** under previous accounting policies, these were deferred over the expected duration of the customer relationship. IFRS 15 requires that such revenues – given that they are not allocated to separate performance obligations – are allocated to other contract obligations, bringing forward in time the recognition of the revenues.
- **Contract costs** (incremental costs of obtaining a contract and costs to fulfill a contract): under previous accounting policies, these costs were capitalized or deferred and recognized in the income statement on the basis of the expected duration of the contract and the type of customer. The approach is substantially confirmed under IFRS 15, with the exception of the reclassification of certain contract costs and the change in the types of costs considered, in some cases.

The comprehensive net impact (including tax effects) of the adoption of IFRS 15 on consolidated equity at January 1, 2018 (transition date) was not material and mainly connected with the combined effects of:

- the change in the types of contract costs that are deferred (negative effect);
- the new approach to recognizing activation/installation revenues and the recognition of contract assets connected with the earlier recognition of revenues from bundle offers (positive effect).

IMPACT OF THE ADOPTION OF IFRS 9 AND IFRS 15

Impacts on the consolidated financial position at 1/1/2018 (transition date)

The impacts of the transition on the main line items of the statement of financial position are shown below.

(millions of euros)

	12.31.2017 Historical	IFRS 9 impacts	IFRS 15 impacts	1.1.2018 Restated
Assets				
Non-current assets				
Intangible assets				
Intangible assets with a finite useful life	7,192		(110)	7,082
Other non-current assets				
Non-current financial assets	1,768			1,768
Miscellaneous receivables and other non-current assets	2,422		(269)	2,153
Deferred tax assets	993	27		1,020
Current assets				
Trade and miscellaneous receivables and other current assets	4,959	(147)	42	4,854
Current financial assets	5,005			5,005
Total Assets	68,783	(120)	(337)	68,326
Equity and Liabilities				
Equity				
Equity attributable to Owners of the Parent	21,557	(100)	17	21,474
Non-controlling interests	2,226	(7)	2	2,221
Total Equity	23,783	(107)	19	23,695
Non-current liabilities				
Miscellaneous payables and other non-current liabilities	1,678		(251)	1,427
Deferred tax liabilities	265	(11)	8	262
Current liabilities				
Trade and miscellaneous payables and other current liabilities	7,520		(113)	7,407
Current income tax payables	112	(2)		110
Total Equity and Liabilities	68,783	(120)	(337)	68,326

Impact of new accounting standards (IFRS 9 and IFRS 15) on the main line items of the separate consolidated income statement and consolidated statement of financial position for the first quarter of 2018

To enable the year-on-year comparison of the economic and financial performance for the first quarter of 2018, this press release shows “comparable” financial position figures and “comparable” income statement figures, prepared in accordance with the previous accounting standards applied (IAS 39, IAS 18, IAS 11, and relative Interpretations).

The breakdown of the impact of the new accounting standards on key consolidated income statement figures for the first quarter of 2018 is shown below.

(millions of euros)		1st Quarter	1st Quarter	impact of
		2018	2018	new
		(a)	comparable	standards
			(b)	(c=a-b)
Revenues	1)	4,709	4,742	(33)
Operating expenses	2)	(2,949)	(2,906)	(43)
Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		1,817	1,893	(76)
Depreciation and amortization	3)	(1,055)	(1,089)	34
Operating profit (loss) (EBIT)		764	806	(42)
Finance income/ (expenses)	4)	(357)	(354)	(3)
Profit (loss) before tax from continuing operations		415	460	(45)
Income tax expense	5)	(163)	(174)	11
Profit (loss) for the period		252	286	(34)
Attributable to:				
Owners of the Parent		216	250	(34)
Non-controlling interests		36	36	-

- (1) The change in **Revenues** was attributable to the different accounting of bundle offers and activation/installation revenues and to the discounting of revenues from installment sales at a revised discount rate, reflecting the creditworthiness of customers.
- (2) The change in **Operating expenses** was mainly due to the deferral of certain contract costs that were previously expensed and to the reclassification of some contract costs from intangible assets to other non-current assets (cost deferral), as well as higher provisions for expected losses on trade receivables, resulting from the introduction of an expected credit loss model (replacing the incurred loss model).
- (3) The change in **Depreciation and amortization** was due to the reclassification of certain contract costs from intangible assets to other non-current assets (cost deferral).
- (4) The change in **Finance income (expenses)** was due to higher provisions for expected losses on other financial assets, due to the introduction of an expected credit loss model (replacing the incurred loss model).
- (5) The change in **Income tax expense** shows the income tax effect of the changes illustrated above.

The breakdown of the impact of the new accounting standards on key consolidated statement of financial position figures at March 31, 2018 is shown below.

(millions of euros)	3/31/2018	3/31/2018	Impact of new standards
	(a)	comparable (b)	(c=a-b)
Assets			
Non-current assets			
Intangible assets	36,217	36,326	(109)
Tangible assets	16,124	16,124	-
Other non-current assets	4,579	4,823	(244)
Total Non-current assets	56,920	57,273	(353)
Current assets	9,048	9,165	(117)
Total Assets	65,968	66,438	(470)
Equity and Liabilities			
Equity			
Equity attributable to Owners of the Parent	21,434	21,548	(114)
Non-controlling interests	2,208	2,213	(5)
Total Equity	23,642	23,761	(119)
Non-current liabilities			
Current liabilities	11,903	11,987	(84)
Total Liabilities	42,326	42,677	(351)
Total Equity and Liabilities	65,968	66,438	(470)