TIM’S BOARD APPROVES H1 2018 FINANCIAL REPORT

OPERATIONAL RESULTS IN LINE WITH THE DIGITIM PLAN CONFIRM TIM’S LEADERSHIP IN A HIGHLY COMPETITIVE, CHALLENGING MARKET

► **Group Revenues:** 9.5 billion euros, +1.5% YoY (organic)

► **Group EBITDA:** 4 billion euros, YoY stable (on an organic basis and excluding non-recurring charges and “one-offs”)

► **Group EBIT:** 1.8 billion euros, -2.3% YoY (on an organic basis and excluding non-recurring charges and “one-offs”)

► **Group Net Income:** 618 million euros, +3.7% YoY

► **Group adjusted net financial debt:** 25,141 million euros (-167 million euros compared with 31 December 2017)

Rome, 24 July 2018

The Board of Directors of TIM met today chaired by Fulvio Conti, to approve the half-year financial report at 30 June 2018.

On an organic basis, **half-year total consolidated revenues** have been supported by **service revenues** (8.8 billion euros, +1.9% YoY), which performed positively in both Italy and Brazil (6.9 billion euros, +0.8% YoY, and 1.9 billion euros, +6.0% YoY, respectively).

In the second quarter of the year, Domestic Business Unit service revenues held, despite the impact of the return to monthly billing, reaching a figure broadly in line with the same period last year (-0.4% on an organic base).

**Organic EBITDA** net of the non-recurring component and other one-offs totalled **4 billion euros**, 2 million euros higher than in the same period of 2017.

The **Group’s comparable EBITDA for the half-year**, totalling 3.9 billion euros, was impacted by the reduction in the Domestic component (-4.8%) caused by non-recurring items, including the Solidarity agreement only renewed at the end of June 2018, the impact of the return to monthly billing, by the “roam like at home” EU regulation and other regulatory impacts.

The **domestic mobile segment** continued to perform well in the second quarter of the year, with revenues up 1.6% YoY, supported by revenues from retail services (+0.5% YoY), due to better operating performances which more than offset the competitive and regulatory challenges. Thanks to 271k total net adds on Mobile Broadband, and a 325k increase of LTE customers, TIM closed the period with 13.3 million active Mobile Broadband lines (on a total CB of 31.6 million).

**TIM S.p.A.**
Registered Offices: Via Gaetano Negri, 1 - 20123 Milan
Tax Code / VAT no. and registration with the Milan Business Register: 00488410010 - Registration in the R.A.E.E. (Register of Manufacturers of Electrical and Electronic Equipment) IT08020000000799
Share Capital €11,677,002,855.10 fully paid-up Certified e-mail address [Casella PEC]: telecomitalia@pec.telecomitalia.it
These results were achieved thanks to TIM’s best-in-class LTE coverage, which reaches over 98% of the population.

In the domestic fixed segment, TIM’s premium positioning was strengthened by further advances in UBB coverage, now reaching 80% of households and is characterised by simpler and more flexible new offers, better customer acquisition through diverse channels and an increasingly convergent customer offer. Together these led to a 590k net increase in fibre lines in Q2, equally split between Wholesale and Retail. As a result, the domestic fixed sector posted solid growth in Broadband ARPU (+2.4%), now at 26.1 euros per line per month.

The content convergence strategy is building up steadily with new offers and content partnerships, contributing to the 16% QoQ increase of the TIMVISION fixed customer base (+204k).

These solid operating results were accompanied by careful discipline on costs, which brought efficiencies in Opex and major results in Capex (740 million euros in Q2), consistent with the substantial increase in Fibre and UBB Mobile coverage already achieved, and confirming TIM’s technological leadership.

The net cash generation of 396 million euros in Q2 enabled the Group to reduce its debt by a further 167 million euros as at 30 June 2018.

The DigiTIM Plan transformation is ongoing, aimed at improving customer and employee experience, while pursuing efficiency through structural review of the company’s main processes and tools. In the first half-year, the smart capex allocation process, which directs and defines investment programmes based on expected profitability had the biggest impact. The number of customers served through digital channels increased appreciably, and a new, converging best-in-class app in Italy is ready. Several back-office customer care processes were also digitalised, and the productivity of "on-field" technicians was increased. Priorities are now focussed on speeding up decommissioning plans, extending use cases to Big-Data & Analytics and insourcing business.

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The results of the first half of 2018 will be illustrated to the financial community during a conference call scheduled for 25 July at 2.00 p.m. (CET). Journalists may listen to the presentation by calling: 06 3348 5042 or 06 3348 6868. There will be no opportunity to ask questions. The presentation slides will be available at www.telecomitalia.com/2Q2018/eng.

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Share Capital €11,677,002,855.10 fully paid-up Certified e-mail address [Casella PEC]: telecomitalia@pec.telecomitalia.it
The TIM Group’s financial report on the half year to 30 June 2018 was drafted in accordance with art. 154-ter (Financial Reporting) of Legislative Decree 58/1998 (Consolidated Law on Finance - CLF) and subsequent amendments and supplements and prepared in accordance with the international accounting standards issued by the International Accounting Standards Board and approved by the European Union (defined as “IFRS”), as well as the provisions issued in implementation of art. 9 of Leg. Decree 38/2005.

The half-year financial report includes:

- the interim Report on operations;
- the condensed half-year consolidated financial statements;
- the certification of the Condensed Half-Year Consolidated Financial Statements pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 as subsequently amended and supplemented.

The Condensed half-year consolidated Financial Statements as at 30 June 2018 are subject to a limited audit. This is currently underway.

The accounting policies and consolidation principles adopted for the preparation of the condensed half-year consolidated Financial Statements as at 30 June 2018 are consistent with those adopted in the Annual Consolidated Financial Statements of the TIM Group as at 31 December 2017, to which reference can be made, apart from the new accounting standards adopted from 1 January 2018, the effects of which are illustrated in the chapter entitled “Adoption of the new IFRS 9 and IFRS 15”, annexed to this report.

To permit comparison of the economic and financial results of the first half of 2018 with the corresponding period of the previous year, this communication presents the “comparable” profit and loss and balance sheet figures, formulated according to the preceding accounting standards (IAS 39, IAS 18, IAS 11 and their Interpretations).

In addition to the conventional IFRS financial performance indicators, TIM Group uses certain alternative performance indicators in order to give a clearer picture of the general performance and financial position of the company. Specifically, the alternative performance indicators are: EBITDA; EBIT; organic change in revenues, in EBITDA and EBIT; EBITDA margin and EBIT margin; net financial debt carrying amount and adjusted net financial debt. The meaning and content of these indicators are explained in the annexes.

Note that the chapter “Business Outlook for the 2018 fiscal year”, contains forward-looking statements about the Group’s intentions, beliefs and current expectations with regard to its financial results and other aspects of the Group’s operations and strategies. Readers of this Press Release should not place undue reliance on such forward-looking statements, as final results may differ significantly from those contained in these forecasts owing to a number of factors, the majority of which are beyond the Group’s control.

**MAIN CHANGES TO THE TIM GROUP CONSOLIDATION PERIMETER**

There were no changes to the consolidation perimeter in the first half of 2018 or in the same period of 2017.
TIM GROUP RESULTS FOR THE FIRST HALF OF 2018

The revenues of the first half of 2018 totalled 9,441 million euros. The comparable revenues, where accounting standards are equal, of the first half of 2018 totalled 9,512 million euros, 2.7% down compared to the first half of 2017 (9,772 million euros): the positive trend in the revenues of the Domestic Business Unit (+24 million euros) was offset by the reduction in the Brazil Business Unit (-286 million euros), which was entirely attributable to the devaluation of the Brazilian real, which exceeded 20% with respect to the first half of 2017. For lack of the negative exchange effect, growth of the Brazil business unit is positive for 100 million euros (+5.3%) and the organic change in Group consolidated revenues records a rise of 1.5% (+144 million euros).

The analysis of the revenues of the first half of 2018, broken down by operating sector, compared to the first half of 2017, using the same accounting standards, is as follows:

<table>
<thead>
<tr>
<th>(million euros)</th>
<th>H1 2018 comparable % of total</th>
<th>H1 2017 % of total</th>
<th>Changes absolute</th>
<th>%</th>
<th>% organic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>7,518 79.0</td>
<td>7,494 76.7</td>
<td>24 0.3</td>
<td>0.6</td>
<td></td>
</tr>
<tr>
<td>Core Domestic</td>
<td>7,038 74.0</td>
<td>6,965 71.3</td>
<td>73 1.0</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>International Wholesale</td>
<td>609 6.4</td>
<td>646 6.6</td>
<td>(37) (5.7)</td>
<td>(3.0)</td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>2,007 21.1</td>
<td>2,293 23.5</td>
<td>(286) (12.5)</td>
<td>5.3</td>
<td></td>
</tr>
<tr>
<td>Other Activities</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Adjustments and eliminations</td>
<td>(13) (0.1)</td>
<td>(15) (0.2)</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Consolidated Total</strong></td>
<td><strong>9,512 100.0</strong></td>
<td><strong>9,772 100.0</strong></td>
<td><strong>(260) (2.7)</strong></td>
<td>1.5</td>
<td></td>
</tr>
</tbody>
</table>

EBITDA for the first half of 2018 totalled 3,763 million euros. Comparable EBITDA in the first half of 2018 totalled 3,918 million euros (4,114 million euros in H1 2017), 196 million euros (-4.8%) lower, with a margin of 41.2% (42.1% in H1 2017, -0.9 percentage points). Organic EBITDA decreased by 63 million euros (-1.6%) compared with H1 2017, accounting for a percentage of revenues down by 1.3 percentage points from 42.5% in H1 2017 to 41.2% in H1 2018.

Organic EBITDA net of the non-recurring component and other one-offs totalled 4,039 million euros, 2 million euros higher than in the same period of 2017. More specifically, the TIM Group posted non-recurring operating charges of 121 million euros in the first half of 2018 (56 million euros in the first half of 2017, at the same exchange rates, and including some one-offs).

The non-recurring items in the first half of 2018 included primarily provisions made for the 74.3 million euro fine imposed for alleged breach of article 2 of L.D. no. 21 of 15/3/2012 (the "Golden Power" law), in an order of 8 May 2018. The Company has appealed the penalty notice of 8 May 2018 imposing the aforementioned fine to the Lazio Regional Administrative Court (TAR), requesting its precautionary suspension. With a ruling in July 2018, the TAR granted this application and suspended payment of the penalty, setting a date for the appeal to be heard. In addition, for purely comparative purposes, and to provide better understanding of the business trend in the current period, organic growth in EBITDA and EBIT is also reported, excluding organic items in the current period or in the period this is compared to that by their nature are non-linear or non-repetitive (one-offs) as well as non-recurring items, from the...
calculation. These items relate solely to the Domestic market, and should not be considered as given in lieu of the economic-financial information that they reclassify, are not audited and are produced for explanatory purposes only.

EBITDA for the first half of 2017 includes 39 million euros relating to the differential impacts following from the revision of the estimates of the presumed settlement of some contractual liabilities towards customers and suppliers, as reported in the 2017 Financial Statements.

The details of comparable EBITDA of the first half of 2018, broken down by operational sector, compared to the first half of 2017, and the percentage margin on revenues are as follows:

<table>
<thead>
<tr>
<th>(million euros)</th>
<th>H1 2018 comparable</th>
<th>H1 2017</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of total</td>
<td>% of total</td>
<td>absolute</td>
</tr>
<tr>
<td>Domestic</td>
<td>3,200</td>
<td>3,361</td>
<td>(161)</td>
</tr>
<tr>
<td>Margin (%)</td>
<td>42.6</td>
<td>44.8</td>
<td>(2.2) pp</td>
</tr>
<tr>
<td>Brazil</td>
<td>727</td>
<td>762</td>
<td>(35)</td>
</tr>
<tr>
<td>Margin (%)</td>
<td>36.2</td>
<td>33.2</td>
<td>3.0 pp</td>
</tr>
<tr>
<td>Other Activities</td>
<td>(9)</td>
<td>(9)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Adjustments and eliminations</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Consolidated Total</td>
<td>3,918</td>
<td>4,114</td>
<td>(196)</td>
</tr>
<tr>
<td>Margin (%)</td>
<td>41.2</td>
<td>42.1</td>
<td>(0.9) pp</td>
</tr>
</tbody>
</table>

Goodwill as defined in IAS 36 is not subject to depreciation, but to a check for reduction in value at least once a year, or more frequently if there are any specific events or circumstances that may suggest a reduction in value.

With specific reference to the value of the goodwill attributed to the Core Domestic CGU, and taking account of changes elements of the scenario, the volatility of the financial markets and of interest rates, the Company's performance and the progress of the various indicators, the impairment test was repeated as at 30 June 2018, also including sensitivity analyses. This valuation did not evidence to reduce the value of the goodwill attributed to the Core Domestic CGU. See the comments in the condensed consolidated half-year financial statements of the TIM Group as at 30 June 2018, which will be made available on the company website in the coming weeks.

EBIT in the first half of 2018 totalled 1,644 million euros. Comparable EBIT in the first half of 2018 totalled 1,728 million euros (1,871 million euros in H1 2017), 143 million euros (-7.6%) lower than the first half of 2017, with a margin of 18.2% (19.1% in H1 2017, -0.9 percentage points). Organic EBIT was down 109 million euros (-5.9%), with a margin of 18.2% (19.6% in H1 2017). EBIT in the first half of 2018 was impacted negatively by net non-recurring charges totalling 121 million euros (56 million euros in the first half of 2017, at the same exchange rates and taking account of the one-offs mentioned for EBITDA). Excluding these charges, the organic change in EBIT would have been a decrease of 44 million euros (-2.3%), with a margin of 19.4%.

The profits for the first half of 2018 attributable to the Shareholders of the Controlling Company totalled 554 million euros – the comparable figure stood at 618 million euros (596 million euros in H1 2017).
The TIM Group headcount at 30 June 2018 was **59,343**, including 49,493 in Italy (59,429 at 31 December 2017, including 49,689 in Italy).

**Capital expenditure**, totalling 1,597 million euros, may be broken down by operating sector as follows:

<table>
<thead>
<tr>
<th>(million euros)</th>
<th>H1 2018</th>
<th>H1 2018 comparable</th>
<th>H1 2017</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of total</td>
<td>(a) % of total</td>
<td>(b) % of total</td>
<td>(a-b)</td>
</tr>
<tr>
<td>Domestic</td>
<td>1,212 75.9</td>
<td>1,273 76.0</td>
<td>1,626 79.1</td>
<td>(353)</td>
</tr>
<tr>
<td>Brazil</td>
<td>385 24.1</td>
<td>402 24.0</td>
<td>430 20.9</td>
<td>(28)</td>
</tr>
<tr>
<td>Adjustments and eliminations</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
</tr>
<tr>
<td><strong>Consolidated Total</strong></td>
<td><strong>1,597</strong> 100.0</td>
<td><strong>1,675</strong> 100.0</td>
<td><strong>2,056</strong> 100.0</td>
<td><strong>(381)</strong></td>
</tr>
<tr>
<td>Margin (%)</td>
<td>16.9</td>
<td>17.6</td>
<td>21.0</td>
<td>(3.4) pp</td>
</tr>
</tbody>
</table>

Applying the same accounting standards, capital expenditure in the first half of 2018 totalled 1,675 million euros, 381 million euros less than in the first half of 2017.

Specifically:

- **the Domestic Business Unit** posted investments totalling 1,273 million euros, 353 million euros less than in the first half of 2017, confirming the efficiency initiatives undertaken in previous years with individual suppliers, implemented with a selective approach, to ensure broad levels of Ultrabroadband coverage and a focus on service quality;
- **the Brazil Business Unit** posted investments totalling 402 million euros in the first half of 2018, 28 million euros less than in the same period in 2017. Excluding the impact of the changes in exchange rates (-73 million euros), investments grew by 45 million euros, and were directed primarily at strengthening the mobile ultrabroadband network infrastructure and developing TIM Live's fixed broadband business.

**Cash flow from the Group's operations** was positive for **886 million euros** (958 million euros in the first half of 2017). The cash generated was absorbed primarily by 222 million euros paid in dividends and by financial operations (around 700 million euros in H1 2018 and around 800 million euros in H1 2017).

**Adjusted Net Financial Debt** was 25,141 million euros at 30 June 2018, 167 million euros less than at 31 December 2017 (25,308 million euros).

The net carrying amount of debt at 30 June 2018 was 26,041 million euros, 50 million euros less than at 31 December 2017 (26,091 million euros).

In Q2 2018, **adjusted net financial debt** was 396 million euros less than at 31 March 2018 (25,537 million euros) due to the positive cash flow which offset the 222-million-euro dividend payment.

The **liquidity margin** was **8,137 million euros**, and was calculated taking account of:

- “Cash and Cash Equivalents” and "Securities other than investments" for a total of 3,137 million euros (4,568 million euros at 31 December 2017);
the total of the new Revolving Credit Facility stipulated in January 2018, totalling 5,000 million euros.

This margin means that the financial liabilities of the Group falling due can be covered for the next 24-36 months.

**BUSINESS UNIT RESULTS**

**DOMESTIC**

The revenues of the first half of 2018 totalled **7,454 million euros**. Applying the same accounting standards, the comparable revenues of the first half of 2018 totalled 7,518 million euros, an increase of 24 million euros over the first half of 2017 (+0.3%). Service revenues totalled 6,879 million euros, and these too were higher than in the first half of 2017 (+0.8% on an organic base), benefiting from the constant development of both the Mobile and Fixed Broadband customer bases, and the sustained Human Mobile ARPU and Fixed ARPU levels consequent on the increase in penetration of ultrabroadband connectivity services (Fibre and LTE) and digital and ICT services.

In detail:

- the revenues of Fixed market services totalled 4,904 million euros, (-0.6% on the first half of 2017). The contraction in revenues from traditional voice services (-142 million euros) consequent on the decrease in traditional accesses and the reduction of regulated prices for some wholesale services (-37 million euros) is offset by the increase in Retail ARPU, revenues from ICT solutions (+39 million euros, +12.4%) and by the development of revenues from innovative data connectivity services (+133 million euros, +12.9%) led by the growth in Ultrabroadband customer numbers (+1.2 million compared to the first half of 2017) which reached 2.7 million (4.3 million if wholesale lines are included);
- mobile market service revenues totalled 2,265 million euros, with an increase of 38 million euros compared to the first half of 2017 (+1.7%). This trend is supported by positive performance on the retail market with respect to the regulatory and competitive scenario challenges.

Revenues from product sales, including changes to work in progress, totalled 639 million euros in the first half of 2018 (+13 million euros on the same period of the previous year).

**Core Domestic Revenues**

Core Domestic revenues totalled **7,038 million euros** an increase of 1% (6,965 million euros in H1 2017).

The performance of the individual market segments as compared with H1 2017 is as follows:

- **Consumer**: revenues for the first half of 2018 came to 3,753 million euros and were basically stable with respect to the first half of last year (-14.3 million euros; -0.4%), despite showing signs of slowing, which were more marked in the second quarter of 2018 than the growth trend seen in 2017.
The same dynamic observed on comprehensive revenues is also present on revenues from services, which came to 3,373 million euros, down 0.2% on the first half of 2017 (-8 million euros).

Specifically:

• Mobile revenues totalled 1,891 million euros (+2.4% on H1 of the previous year); service revenues increased by 14 million euros (+0.9% on H1 2017) with a slight slowing in the second quarter as compared with that observed the previous year;
• Fixed revenues came to 1,843 million euros, down on the first half of the previous year (-3.1% on total revenues of Fixed; -1.3% on revenues from services), with a trend that is mainly due to access dynamics and partially offset by an increase in ARPU levels.

**Business:** revenues segment totalled 2,333 million euros, an increase of 53 million euros compared to the first half of 2017 (+2.3%, +3.1% on revenues from services). Specifically:

• Mobile revenues performed better than in the first half of 2017 (+7.3%), thanks to a steady improvement in the services component (+5.8%) and, specifically, to the growth in new digital services (+11.7% compared to H1 2017);
• Fixed revenues grew by 13 million euros (+0.7% compared to H1 2017), thanks to the service component (+2.1%), for which the contraction in prices and revenues from traditional services (due to their technological replacement by VoIP solutions and systems) was more than offset by the constant increase in revenues from ICT services (+12.1%).

**Wholesale:** posted revenues of 860 million euros in the first half of 2018, up by 26 million euros from the first half of 2017 (+3.2%). The reduction in regulated prices, -37 million euros, was offset primarily by growth in accesses, led by the UBB compartment.

► **International Wholesale – Telecom Italia Sparkle Group Revenues**

Telecom Italia Sparkle - International Wholesale revenues in the first half of 2018 totalled 609 million euros, 37 million euros (-5.7%) less than in the first half of 2017. This result was primarily due to the expiry of long term contracts for the Mediterranean Basin and the fall in the value of the dollar against the euro, which had a significant effect on IP/Data and Voice Services revenues.

The EBITDA of the Domestic Business Unit was **3,068 million euros** in the first half of 2018. **The comparable EBITDA** in the first half of 2018 totalled 3,200 million euros, 161 million euro less than in the first half of 2017 (-4.8%), with a margin of 42.6%, (-2.2 percentage points compared to the same period of the previous year).

Organic EBITDA decreased by 156 million euros (-4.6%) compared with the first half of 2017, with a 2.3% reduction in margin, from 44.9% in the first half of 2017 to 42.6% in the first half of 2018. **Organic EBITDA**, net of the non-recurring component, totalled 3,321 million euros, 3.8% less than in the same period of 2017.

The Domestic Business Unit posted non-recurring operating charges totalling 121 million euros in the first half of 2018 (56 million euros in H1 2017, at the same exchange rates and including some one-offs), primarily due to the previously mentioned provision for the 74.3 million euros
fine imposed for the alleged breach of article 2 of legislative decree 21 of 15/3/2012 (the "Golden Power" law).

EBIT for the Domestic Business Unit in the first half of 2018 was **1,402 million euros**. The comparable EBIT for the first half of 2018 was 1,484 million euros (1,685 million euros in H1 2017), a fall of 201 million euros (-11.9%), with a margin of 19.7% (22.5% in H1 2017). Organic EBIT was down 199 million euros (-11.8%), with a margin of 19.7% (22.5% in H1 2017). Organic EBIT, net of the non-recurring component, totalled 1,605 million euros, 9.7% less than in the same period of 2017.

EBIT in the first half of 2018 was impacted negatively by net non-recurring charges totalling 121 million euros (56 million euros in the first half of 2017, at the same exchange rates and taking account of the one-offs mentioned for EBITDA). Excluding these charges, the organic change in EBIT would have been a decrease of 134 million euros (-7.7%), with a margin of 21.3%.

The **headcount**, of 49,658 employees, fell by 193 employees compared to 31 December 2017.

**BRAZIL (average real/euro exchange rate 4.14011)**

The **revenues of the TIM Brasil group** totalled **8,282 million reais** in the first half of 2018. Comparable revenues in the first half of 2018 totalled 8,310 million reais, an increase of 416 million reais (+5.3%) compared to the same period of the previous year. Service revenues, using the same accounting standards, totalled 7,947 million reais, with an increase of 453 million reais compared to the 7,494 million reais of the first half of 2017 (+6.0%).

Revenues from product sales, using the same accounting standards, totalled 363 million reais, (400 million reais in H1 2017; -9.3%). The fall reflects the change in commercial policy, more focussed on value than on increasing the volumes sold, and aimed at developing the acquisition of new handsets that can use broadband services on the 3G/4G networks by TIM's customers, and supporting the new offers to retain the highest value post-paid customers.

**Mobile ARPU** in the first half of 2018, using the same accounting standards, was **21.8 reais**, +13.5% higher than the value recorded in the first half of 2017 (19.2 reais). The **total number of lines** at 30 June 2018 was **56.6 million**, 2.0 million fewer than at 31 December 2017 (58.6 million). This fall is entirely attributable to the prepaid segment (-3.3 million), and is only partially offset by the growth in the post-paid segment (+1.3 million), also as an effect of the ongoing consolidation in the second SIM card market. Post-paid customers represented 33.7% of the customer base at 30 June 2018, 3.3 percentage points higher than at December 2017 (30.4%).

**EBITDA** for the first half of 2018 was **2,915 million reais**.

Comparable EBITDA for the first half of 2018 totalled 3,008 million reais, 384 million reais higher than in the same period of the previous year (+14.6%). The growth in EBITDA may be attributed to both the positive trend in revenues and the benefits deriving from the efficiency projects on the operating costs structure.

The EBITDA margin was 36.2%, using the same accounting standards, 3.0 percentage points higher than in the first half of 2017.

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EBIT for the first half of 2018 totalled **1,042 million reais**.

Comparable EBIT for the first half of 2018 totalled 1,050 million reais, 381 million reais (+57.0%) higher than in the same period of the previous year (669 million reais). This result benefited primarily from the higher EBITDA (+384 million reais) and a minor increase in depreciation and amortisation (3 million reais).

The **headcount** stood at **9,611 employees** (9,508 as of 31 December 2017).

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**EVENTS SUBSEQUENT TO 30 June 2018**

There have been no major events since 30 June 2018.

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**OUTLOOK FOR THE 2018 FINANCIAL YEAR**

The Board of Directors has examined the financial implications that could derive from the Company’s participation to the 5G auction and has started an evaluation process of the strategic option related to its subsidiaries, confirming that the Persidera sale should continue.

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**CORPORATE GOVERNANCE ISSUES**

With the consent of the Nomination and Remuneration Committee, the Board of Directors also proceeded to make some changes to the Procedure for performing transactions with related parties, approved on 25 June last. Specifically, qualification as related parties was extended to participants in shareholder agreements that regulate candidacies for appointment as Directors of the Company, where a majority of the Directors were appointed from the list such shareholders have submitted. This provision, present in the preceding version of the document, was reinserted to guarantee greater transparency.

It also took the opportunity to clarify the mechanism of escalation to the Shareholders’ Meeting, in order to possibly supersede a negative opinion expressed by the Related Parties Committee of a transaction of greater importance, and to discipline (in the Committee Regulations) the presence of Committee members who are Directors appointed from the minority slate. The updated versions of the Procedure and the Regulations are being published on the Company website.

Continuing the definition of the Board’s internal governance, it also decided to appoint Director Dante Roscini as Lead Independent Director, to support the (independent) Chairman in coordinating board activities, with the power and responsibilities set out in the Borsa Italiana Code.
The Executive responsible for preparing the corporate accounting documents, Piergiorgio Peluso, hereby declares, pursuant to subsection 2, Art.154 bis of Italy's Consolidated Law on Finance, that the accounting information contained herein corresponds to the company's documentation, accounting books and records.