Press Release

TIM: BOARD OF DIRECTORS APPROVES THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2017

RECORD RESULTS FOR Q4 AND FULL YEAR 2017, SUPPORTED BY STRONG OPERATING PERFORMANCE IN ALL BUSINESS UNITS

PERFORMANCE IN ITALY SUPPORTED BY STRONG INCREASE IN FIXED UBB TAKE-UP AND GROWTH OF 4G CUSTOMERS, DRIVEN BY GROWING DEMAND FOR DATA AND CONTENT

TIM BRASIL REVENUES ACCELERATED, EBITDA AND ARPU GREW DOUBLE DIGIT

- **4Q 2017 MAIN RESULTS**

  - **GROUP REVENUES AT 5.1 BILLION EUROS (+2.8% YoY ORGANIC) SUPPORTED BY OPERATIONS IN ITALY (+2.0% YoY ORGANIC) AND BRAZIL (+5.3% YoY ORGANIC)**

  - **DOMESTIC SERVICE REVENUES GREW TO 3.6 BILLION EUROS (+ 2.4% YoY ORGANIC) SECURING THE BEST RESULT OF THE LAST 10 YEARS**

  - **GROUP EBITDA 2.2 BILLION EUROS (+4.1% YoY) IN ORGANIC TERMS AND EXCLUDING NON-RECURRING CHARGES, BENEFITING FROM BRAZIL (+13.6%, 465 MILLION EUROS) AND DOMESTIC (1.8 BILLION EUROS, +1.9%); REPORTED GROUP EBITDA AT AT 1.6 BILLION EUROS**

  - **GROUP EBIT STOOD AT 1.1 BILLION (+12.5% YoY) IN ORGANIC TERMS AND EXCLUDING NON-RECURRING CHARGES; REPORTED GROUP EBIT AT 457 MILLION EUROS;**

- **FY 2017 MAIN RESULTS**

  - **GROUP REVENUES GREW TO 19.8 BILLION EUROS (+2.7% YoY ORGANIC)**

  - **IN ITALY, UBB CUSTOMERS INCREASED BY 1.2 MILLION ON FIXED AND BY 2.1 MILLION ON LTE; FIBRE COVERAGE STEPPED-UP FROM 60% TO 77% OF THE POPULATION, 4G COVERAGE OVER 98% OF THE POPULATION; TIMVISION FIXED CUSTOMERS GREW BY 63% TO 1.3 MILLION**

  - **STRONG PERFORMANCE IN BRAZIL, WITH EBITDA GROWING BY 15.3% (NET OF FX DIFFERENCE) AND ARPU BY 12.2%**

  - **GROUP EBITDA AT 8.7 BILLION EUROS (+4.6% YoY) IN ORGANIC TERMS EXCLUDING NON-RECURRING CHARGES; REPORTED GROUP EBITDA AT 7.8 BILLION EUROS**

  - **GROUP EBIT AT 4.2 BILLION EUROS (+6.9% YoY) IN ORGANIC TERMS AND EXCLUDING NON-RECURRING CHARGES; REPORTED GROUP EBIT AT 3.3 BILLION EUROS**

TIM S.p.A.
A company directed and coordinated by Vivendi SA
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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

- **PROFIT OF PARENT COMPANY AT 1.1 BILLION EUROS, AROUND 270 MILLION EUROS HIGHER THAN 2016 ON A NORMALIZED BASIS**
- **INVESTMENTS AT 5.7 BILLION EUROS (+825 MILLION EUROS)**
- **YEAR-END 2017 GROUP ADJUSTED NET FINANCIAL DEBT AT 25.3 BILLION EUROS (25.1 BILLION EUROS AT THE END OF 2016), FALLING 920 MILLION EUROS IN Q4; EXCLUDING LICENCE RENEWALS IN ITALY AND SPECTRUM CLEAN-UP COSTS IN BRAZIL, DEBT WOULD HAVE BEEN REDUCED BY AROUND 700 MILLION EUROS ON A FULL-YEAR BASIS**

▶ **DIVIDEND PROPOSED FOR SAVINGS SHARES IS 2.75 EUROCENTS**

▶ **SHAREHOLDERS' MEETING CALLED FOR 24 APRIL 2018**

The 2017 results will be illustrated to the financial community during a conference call scheduled for 7 March 2018 at 2 pm (Italian time). Journalists may listen in to the presentation, without being able to ask questions, by calling 0633168. The presentation slides will be available at www.telecomitalia.com/FY2017andplan/eng.

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The economic and financial results of the TIM Group and of TIM S.p.A. for the 2017 financial year as well as the previous year's results to which they are compared have been prepared according to the International Accounting Standards issued by the International Accounting Standards Board and homologated by the European Union (defined as "IFRS"). In 2017, TIM applied accounting principles in line with those used for the previous year, apart from the new Principles/Interpretations adopted for the first time in the financial statements for the year to 31 December 2017, which had no impact on the 2017 results.

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

Finally, it should be noted that the audit of the TIM consolidated and separate Financial Statements at 31 December 2017 has not yet been completed.

MAIN VARIATIONS TO THE TIM GROUP CONSOLIDATION SCOPE

There were no significant changes to the consolidation scope during the 2017 financial year.

The following changes occurred in 2016:

- *TIMVISION S.r.l. (Domestic Business Unit): established on 28 December 2016;*
- *Noverca S.r.l. (Domestic Business Unit): TIM S.p.A. acquired 100% of the company on 28 October 2016;*
- *Flash Fiber S.r.l. (Domestic Business Unit): established on 28 July 2016;*
- *Sofora - Telecom Argentina Group: classified under Discontinued operations (discontinued operations/non-current assets held for sale) was sold on 8 March 2016*

Milan, 6 March 2018

TIM's Board of Directors today approved the consolidated financial statements of the TIM Group, the draft separate financial statements of TIM S.p.A. and the Consolidated Non-Financial Statement / Sustainability Report at 31 December 2017.

TIM GROUP RESULTS

Revenues in 2017 totalled **19,828 million euros**, up 4.2% on the 2016 financial year (19,025 million euros). The 803 million euro rise is attributable primarily to the Domestic Business Unit (348 million euros), and to the Brazil Business Unit (455 million euros, including a positive exchange rate effect of 284 million euros).
The organic change in consolidated revenues increased by 2.7% (+526 million euros) compared to 2016.

Revenues by operating segment were as follows:

(million euros)	2017		2016		Changes		
		% of total		% of total	absolute	%	% organic
Domestic	15,354	77.4	15,006	78.9	348	2.3	2.4
Core Domestic	*14,249*	*71.9*	*13,926*	*73.2*	*323*	*2.3*	*2.3*
International Wholesale	*1,349*	*6.8*	*1,351*	*7.1*	*(2)*	*(0.1)*	*0.4*
Brazil	4,502	22.7	4,047	21.3	455	11.2	4.0
Other Assets	–	–	11	0.1	(11)		
Adjustments and eliminations	*(28)*	*(0.1)*	*(39)*	*(0.3)*	*11*		
Consolidated Total	**19,828**	**100.0**	**19,025**	**100.0**	**803**	**4.2**	**2.7**

Revenues in Q4 2017 were 63 million higher than in Q4 2016 (+1.2%); in organic terms the percentage change, excluding the exchange rate effect essentially relating to the Brazil Business Unit, was +2.8%.

2017 EBITDA was 7,790 million euros (8,002 million euros in 2016), 212 million euros less than in 2016 (-2.6%), with a margin of 39.3% (42.1% in 2016; -2.8 percentage points). In organic terms, EBITDA fell by 303 million euros (-3.7%) compared to 2016, and the margin reduced by 2.6 percentage points.

EBITDA for the year reflected the negative impact of non-recurring charges for a total of 883 million euros (198 million euros in 2016 at the same exchange rates), principally due to restructuring processes. Without these charges, EBITDA would have been +4.6%, with a margin of 43.7%, up 0.7 percentage points on 2016.

(million euros) **Net non-recurring charges**	**2017**	**2016**
Acquisition of goods and services and Change in inventories		
Charges connected to agreements and to the development of one-off projects	10	2
Personnel costs (*)		
Charges connected to restructuring, rationalisation and other processes	697	160
Other charges and provisions		
Charges consequent on disputes, fines of a regulatory nature, and liabilities related to these charges, charges connected to disputes with former employees and amounts owed to customers and suppliers	176	36
Impact on EBITDA	**883**	**198**
Capital (gain)/loss on sale of Brazil towers(*)	-	(13)
Amortisation of intangible assets	30	-
Impact on EBIT	**913**	**185**

(*) The 2016 value of the Brazil Business Unit is stated at constant exchange rates (average 2017 exchange rate). The non-recurring component of the cost of labor at historical exchange rates amounted to 14 million euros, while the gain realized on the disposal of telecommunication towers amounted to 12 million euros.

Net non-recurring charges include primarily provisions connected to the start of TIM S.p.A.'s new business restructuring plan, to be developed throughout the life of the 2018-2020 Strategic Plan, which will allow the company to support the digital transformation process using all the tools made available by the law. In particular, for executive and non-executive employees, the company intends, among other tools, to apply the provisions of art. 4, subsections 1-7ter of law 92 of 28 June 2012, the "Fornero law" (which facilitates early retirement) and tools that will contribute to the economic sustainability of the plan. The non-recurring charges also include charges consequent on disputes, fines of a regulatory nature, and liabilities related to these charges, charges for disputes with former employees and amounts owed to customers and/or suppliers.

Fourth quarter 2017 EBITDA totalled 1,577 million euros, 547 million euros lower (-25.8%) than in the same period last year (2,124 million euros). The margin was 30.6% (41.8% in the fourth quarter of 2016).
In organic terms and excluding non-recurring charges (661 million in Q4 2017 and 43 million euros in the same period of 2016 at the same exchange rate), the change would have been positive, a 4.1% rise, with a margin of 43.5% (42.9% in Q4 2016).

The following table details EBITDA and EBITDA margin by business unit for 2017:

(million euros)	**2017**		**2016**		**Changes**		
		% of total		% of total	absolute	%	% organic
Domestic	6,171	79.2	6,698	83.7	(527)	(7.9)	(7.8)
Margin (%)	*40.2*		*44.6*			*(4.4) pp*	*(4.4) pp*
Brazil	1,635	21.0	1,325	16.6	310	23.4	15.3
Margin (%)	*36.3*		*32.7*			*3.6 pp*	*3.6 pp*
Other Assets	(16)	(0.2)	(18)	(0.2)	2		

Adjustments and eliminations	–	–	*(3)*	*(0.1)*	*3*		
Consolidated Total	**7,790**	**100.0**	**8,002**	**100.0**	**(212)**	**(2.6)**	**(3.7)**
Margin (%)	*39.3*		*42.1*			*(2.8) pp*	*(2.6) pp*

2017 **EBIT** was **3,291 million euros** (3,722 million euros in 2016), 431 million euros lower (-11.6%) than in 2016, with an EBITDA margin of 16.6% (19.6% in FY 2016, -3.0 percentage points).

Organic EBIT was down 455 million euros (-12.1%), accounting for 16.6% of revenues (19.4% in FY 2016).

EBIT for the year reflects the negative impact of non-recurring net charges, including asset writedowns, for a total of 913 million euros (185 million euros in the first nine months of 2016 at the same exchange rate). Without these charges, the organic change in EBIT would have been 273 million euros higher (+6.9%), with a margin of 21.2%, an increase of 0.8 percentage points on 2016.

The EBIT of the first quarter of 2017 totalled 457 million euros (954 million euros in the fourth quarter of 2016). In organic terms, excluding non-recurring charges (661 million euros in Q4 2017 and 41 million euros in the same period of 2016 at the same exchange rate), this figure is 12.5% higher than in the total posted for the fourth quarter of 2016, with a margin of 21.7% (19.8% in Q4 2016).

The 2017 profits attributable to the Parent Company Shareholders totalled 1,121 million euros (1,808 million euros in 2016) with net non-recurring charges of 714 million euros. In comparable terms, i.e. excluding non-recurring items and, in 2016, the positive impact of the fair value valuation of the implicit option included in the mandatory convertible bond, the profits attributable to the Parent Company Shareholders in 2017 totalled about 270 million euros more than the previous year.

TIM Group headcount at 31 December 2017 was **59,429,** including 49,689 in Italy (61,229 at 31 December 2016, including 51,125 in Italy).

Capital expenditure in the 2017 financial year totalled **5,701 million euros**, 825 million euros more than in 2016, and may be broken down per operational sector as follows:

(million euros)	**2017**		**2016**		**Changes**
		% of total		% of total	
Domestic	4,551	79.8	3,709	76.1	842
Brazil	1,150	20.2	1,167	23.9	(17)
Adjustments and eliminations	–	–	–	–	–
Consolidated Total	**5,701**	**100.0**	**4,876**	**100.0**	**825**
Margin (%)	*28.8*		*25.6*		*3.2 pp*

Investments in the **Domestic Business Unit** totalled **4.551 million euros**, 842 million euros higher than in the previous year. This increase is attributable to costs for the renewal of GSM frequency use rights (630 million euros), and the speeding up of innovative investments in infrastructure development (+395 million euros more than in 2016); in particular, investments in the development of new generation services and networks represented 63% of total network investments in 2017 (6.3 percentage points higher than in 2016). Other types of investment reduced, again as a result of greater selectivity and ensuring that capital allocation decisions are guided by strategic priorities and profitability.

The **Brazil Business Unit** posted investments totalling **1,150 million euros** in 2017, 17 million euros less than in 2016. Excluding the impact of exchange rate dynamics, for 82 million euros, the reduction was 99 million euros, and this primarily reflects lower expenditure on the renewal of frequency use rights (-52 million euros) and the development of Information Technology projects (-47 million euros), after the strong growth recorded in 2016

after the launch of the new commercial offers and the introduction of the new billing system. Investments in network infrastructure during 2017 totalled 806 million euros (3 million euros less than in 2016, at the same exchange rates), and were focussed for the most part on the development of the 4G mobile broadband network, reaching 3,003 cities (1,748 more than in 2016), covering 91.2% of the urban population.
2017 **Cash flow from Group operations** was positive for **2,496 million euros** (2,856 million euros in 2016).

Adjusted Net Financial Debt was **25,308 million euros** as of 31 December 2017, 189 million euros higher than on 31 December 2016 (25,119 million euros). The positive operational-financial dynamics absorbed almost all of the financial requirement generated by payments of income taxes, significantly higher than in 2016, and the payment of 630 million euros to renew the rights to use mobile telephony frequencies in the Domestic market, and 257 million euros in Brazil for the clean up by the appointed consortium of the 700 Mhz spectrum that the Business Unit acquired use rights to in 2014.
The net carrying amount of debt at 31 December 2017 totalled 26,091 million euros (25,955 million euros at 31 December 2016).
In the **fourth quarter** of 2017, the adjusted net financial debt decreased by 920 million euros, from the figure at 30 September 2017 (26,228 million euros); the resources generated by the positive operational-financial dynamic meant that the higher financial requirement created by the tax payments could be covered.

The **liquidity margin** was **9,568 million euros**, the sum of "Cash and cash equivalents" and "Securities other than investments" for a total of 4,568 million euros (5,483 million euros at 31 December 2016) and unused committed lines of credit for a total of 5,000 million euros This margin means that the financial liabilities of the Group falling due can be covered for at least the next 24 months.

BUSINESS UNIT RESULTS

DOMESTIC

2017 revenues totalled **15,354 million euros**, an increase of 348 million euros over 2016 **(+2.3%)**, confirming the **progressive recovery** that had already started in the previous year. Growth was higher in Q4 2017 than in the corresponding period of 2016, with revenues +1.8%, an improvement on the performance of the previous quarter (+0.8%); in organic terms, the increase was 2.0%.
Service revenues totalled **14,000 million euros**, again higher than in 2016 (+122 million euros, +0.9%), and with a trend even better than that displayed by total revenues. In fact, they were 2.1% higher than in the same period of the previous year, which was the best performance for over 10 years, led by the growth in the customer base in both the Mobile and Fixed Broadband sectors, maintenance of ARPU levels, due to the increased penetration of ultrabroadband connectivity services (Fibre and LTE), digital services and ICT.
In detail:

- the service revenues generated in the **Fixed market** totalled **9.952 million euros**, almost the same as in 2016 (-0.1%), but with a **significant recovery and improvement in Q4 2017** (+1.2% compared to the same period of 2016). The inevitable contraction in revenues from traditional voice services (-279 million euros) consequent on the decrease in traditional accesses and the reduction of regulated prices for some wholesale services (-72 million euros) has been more than offset by the increase in revenues from ICT solutions (+56 million euros, +9%) and, above all, by the development of **revenues from innovative data connectivity services** (+284 million euros, +15%) led by the growth in **UBB customer numbers** (+1.2 million compared to 2016) which reached 2.1 million (3.1 million if wholesale lines are included);
- **Mobile market** service revenues totalled **4,655 million euros**, with an increase of 75 million euros compared to the previous year **(+1.6%)**. This is driven by positive competitive performance, which led to growth in the customer base with no dilution effects on ARPU levels. This performance, noted already in the preceding quarters, was confirmed in Q4 (+0.5%, compared to the fourth quarter of 2016), despite the impact of the new regulation on roaming in the European Union.

Revenues from product sales, including changes to work in progress, totalled 1,354 million euros in 2017 (+226 million euros higher than in 2016), and reflect the increase in sales of smartphones and connected devices (smart TVs, Smart Home products, modems, set-top boxes, etc.).

The Domestic Business Unit operates separately in two different reference environments; their revenues are analysed below:

Core Domestic Revenues

Core Domestic **revenues** totalled **14,249 million euros,** an increase of 2.3% (13,926 million euros in 2016). The performance of the individual market segments as compared with the 2016 financial year is as follows:

- **Consumer:** the 2017 revenues of the Consumer segment totalled 7,737 million euros, an increase of 348 million euros compared to 2016 (+4.7%); this dynamic confirmed the recovery trend that started in 2016. Service revenues totalled 6,947 million euros, higher than in 2016 (+153 million euros).

In particular:

- Mobile revenues amounted to 3,893 million euros, 3.6% higher than in 2016 (+134 million euros). Service revenues increased by 105 million euros (+3.2% compared to 2016), confirming the improvement already seen in the preceding quarters (+2.9% in the fourth quarter), thanks to steady growth in mobile internet and digital services that supported ARPU levels;
- fixed revenues totalled 3,809 million euros, an increase of 225 million euros compared with 2016 (+6.3%). Service revenues also confirmed the recovery trend already noted, which started in 2016, thanks in particular to the positive performance of the Broadband and Ultrabroadband customer base, and the overall resilience of ARPU levels.

- **Business**: the revenues of the Business segment totalled 4,656 million euros, 125 million euros higher than 2016 (+2.8%), 21 million euros (+0.5%) of which 21 million euros from the service component and 104 million euros (+22%) from equipment and products.

In detail:

- the performance of Mobile revenues was better than in 2016 (+1.2%), thanks to the steady improvement in the services component (+4.5% in the fourth quarter). In particular, the growth of new digital services (+13% compared to the previous year) more than offset the ongoing contraction in traditional services (-9% compared to 2016, primarily in the voice component);
- Fixed revenues grew by 111 million euros (+3.2% compared to 2016) thanks primarily to the devices and products component. Service revenues were actually substantially in line with those of 2016: the fall in the prices and revenues for traditional services (due to technological shift towards VoIP systems and solutions) was offset by the steady growth in revenues from ICT services (+9.3%).

- **Wholesale:** the Wholesale segment posted revenues of 1,690 million euros in 2017, 90 million euros (-5.1%) lower than in 2016. This performance is due to the absence of one-off events relating to the sale of infrastructure (cable ducts and dark fibre/Backbone) to other operators which had a positive impact on 2016 revenues; in 2017, however, growth in revenues from ultrabroadband and access services (+88 million euros) more than offset the effect of the reduction in regulated prices (-72 million euros).

International Wholesale – Telecom Italia Sparkle Group Revenues

The 2017 revenues of the Telecom Italia Sparkle group - International Wholesale - totalled 1,349 million euros, 0.4% higher than in 2016, in organic terms, and 2.0% higher excluding revenues from other Group companies. In particular, the growth in revenues from voice and mobile services was 50.7 million euros in organic terms, which more than offset the fall in revenues from IP/Data/Other services, which were impacted by the end of the long-term contracts that expired in May 2017 (-33.7 million euros). Net of these expired long-term contracts, the growth in the IP/Data/Others component was +4.0- million euros in organic terms.

Domestic Business Unit **EBITDA** in 2017 totalled **6,171 million euros**, 527 million euros lower compared to 2016 (-7.9%), with an EBITDA margin of 40.2% (-4.4 percentage points compared to 2015). However, 2017 suffered the negative impact of non-recurring charges totalling 882 million euros (182 million euros in the previous year) relating to the company reorganisation/restructuring processes already mentioned, commercial disputes and settlements, particularly in the fourth quarter of 2017.
In the absence of these charges, the organic change in EBITDA would have been a 2.5% increase, with a margin of 45.9%, in line with 2016, despite the higher incidence of revenues from products with lower margins than revenues from services in the total turnover.
The performance of EBITDA benefited from both the positive commercial results, and their related impact on revenues, and the programme to optimise costs, particularly industrial and general operational costs, which at the same time safeguarded the levers that underpin the commercial push.

EBIT for the Domestic Business Unit in 2017 was **2,772 million euros** (3,376 million euros in 2016), a reduction of 604 million euros (-17.9%), with an EBIT margin of 18.1% (22.5% in 2016).
The 2017 results reflect the negative impact of non-recurring charges totalling 912 million euros (182 million euros in 2016). Excluding these charges, the organic change in EBIT would have been positive and equal to 3.6%, accounting for 24.0% of revenues.

The **headcount**, of **49,851** employees, fell by 1,429 units compared to 31 December 2016.

BRAZIL (average real/euro exchange rate 3.60584)

2017 TIM Brasil **revenues** totalled **16,234 million reais**, up by 617 million reais **(+4.0%)** compared to the previous year. Revenues from services totalled 15,474 million reais, with an increase of 754 million reais compared to the 14,720 million reais of the 2016 financial year (+5.1%).
Revenues from product sales totalled 760 million reais, (897 million reais in 2016 (-15.3%). 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 to support the new offers to retain the highest value post-paid customers.
Revenues for Q4 2017 were 214 million reais higher than in the fourth quarter of 2016 (+5.3%)

Mobile ARPU in 2017 was 20.2 reais compared with 18.0 reais in 2016 (+12.2%).

The total number of lines at 31 December 2017 was **58,634 thousand**, a decrease of 4,784 thousand from the figure at 31 December 2016 (63,418 thousand). This reduction is entirely attributable to the prepaid segment (-7,701 thousand), and is only partially offset by the growth in the post-paid segment (+2,918 thousand), also as an effect of the ongoing consolidation in the second SIM card market.

EBITDA totalled **5,894 million reais,** 780 million reais higher than in 2016 (+15.3%). The growth in EBITDA may be attributed to both the positive trend in revenues and to the benefits deriving from the efficiency projects on the operational costs structure that started in the second half of the previous year.
The EBITDA margin was 36.3%, 3.6 percentage points higher than in 2016.
It should also be noted that personnel costs for 2016 also included non-recurring charges for redundancy costs totalling 56 million reais. Here too, excluding the impact of the non-recurring charges, 2017 EBITDA was higher (+14.0%) than in 2016.
EBITDA totalled 1,758 million reais in Q4 2017, with performance that showed a progressive improvement, compared to the figures posted in the preceding quarters. The EBITDA margin was 41.3%, 3.0 percentage points higher than in the same period of the previous year.

EBIT totalled **1,931 million reais,** an improvement of 513 million reais (+36,2%) compared to 2016 (1,418 million reais). This result benefits from the greater contribution of the EBITDA (+780 million reais) offset by higher

depreciation (+228 million reais) due to the development of the industrial infrastructure and the lower impact of net capital gains on asset sales (-39 million reais), principally related to the operation of telecommunications towers. On this point, it should be noted that the last partial sale of telecommunications towers, to American Tower do Brasil was finalised in the second quarter of 2017; this operation produced a small injection of cash with little economic impact.
EBIT in the fourth quarter of 2017 was 729 million euros (586 million euros in Q4 2016), 24.4% higher than in the same period of 2016, with a margin of 17.1% (14.5% in Q4 2016).

The **headcount** stood at **9,508 employees** (9,849 as of 31 December 2016).

THE RESULTS OF TIM S.p.A.

Revenues totalled **14,099 million euros**, 429 million euros **(+3.1%)** higher than in 2016. The results confirm the trend of steady improvement supported, in particular, by the growth in the broadband customer base, in both the Mobile and the Fixed sectors, as well as the resilience of ARPU levels thanks to the growing penetration of Fibre and LTE ultrabroadband connectivity services, ICT and digital services. The concurrent increase in sales of smartphones, smart TVs and other smart products had a positive impact on this trend.

EBITDA totalled **5,801 million euros,** a decrease of 503 million euros (-8.0%) compared to 2016 (6,304 million euros), with a margin of 41.1% (46.1% in 2016).

EBITDA for 2017 reflected the negative impact of non-recurring charges due primarily to the aforementioned restructuring plan for a total of 876 million euros. Without these, the change in EBITDA would have been +3.4%, with an EBITDA margin of 47.4% of revenues, broadly in line with 2016.

EBIT totalled **2,567 million euros**, an increase of 567 million euros compared to 2016 (3,134 million euros). The EBIT margin reduced from the 22.9% of 2016 to 18.2% of 2017.

EBIT reflected the negative impact of non-recurring net charges totalling 906 million euros (156 million euros in 2016). Without these charges, the change would have been 183 million euros higher (5.6%), with a margin of 24.6%, an increase of 0.5 percentage points on 2016.

TIM S.p.A.'s **profits for the year** totalled **1,087 million euros** (1,897 millions at 31 December 2016), and were impacted by the non-recurring net charges for 671 million euros. In comparable terms, namely, excluding the non-recurrent items and the positive impact in 2016 of the fair value valuation of the implicit option included in the mandatory convertible bond, the profits for 2017 would have totalled around 1.8 billion euros, almost 0.5 billion higher than in 2016 (1.3 billion euros).

EVENTS SUBSEQUENT TO 31 December 2017

TIM: THE CONTENT OFFER IS STRATEGIC, THE CREATION OF THE JOINT VENTURE GOES AHEAD

See the Press Release on the same subject issued on 17 January 2018.

PERSIDERA: TIM BOD EMPOWERS THE CEO TO CONCLUDE THE SALE

See the Press Release on the same subject issued on 23 February 2018.

TIM: CLARIFICATION ON THE PROXY TO SELL PERSIDERA CONFERRED TO ADVOLIS S.A.

See the Press Release on the same subject issued on 3 March 2018.

OUTLOOK FOR THE 2018 FINANCIAL YEAR

See the Press Release on the Strategic Plan 2018-2020 issued today.

CONSOLIDATED NON-FINANCIAL STATEMENT - SUSTAINABILITY REPORT

The Board of Directors also approved the 2017 Consolidated Non-Financial Statement/Sustainability Report, a document drawn up in compliance with the obligations set out in Legislative Decree 254/2016 to report information of a non-financial nature, and information on diversity.
The subjects the law has made it obligatory for companies to report on are subjects that TIM Group has been reporting on since 1997, when the Group published its first social report, which was then subsequently extended to cover environmental issues.
The current Sustainability Report follows a multi-stakeholder approach, through the joint analysis of actions taken in relation to the principal holders of interests with which the Company interacts. It is based on the Global Reporting Initiative standards for sustainability reporting, and on the principles (inclusiveness, materiality and responsiveness) of the AA1000 AccountAbility Principles Standard (APS 2008), adopted by the Group from the 2009 Financial Statements onwards.
The 2017 matrix of materiality, which combines the points of view of the Company and its stakeholders, has also identified the Sustainable Development Goals (SDGs) that the Group believes it can make an appreciable contribution to, through the digitalisation of the country, social inclusion and safeguarding human rights, improvement in the sustainability in the value chain and the fight against climate change.
The non-financial reporting accompanies the Company's ranking in the principal sustainability indexes, that, in 2017, among others, saw TIM Group confirmed, for the 14th consecutive year, in the Dow Jones Sustainability Indices World (DJSI World) and Europe (DJSI Europe), as well as its entry into the Euronext Vigeo World 120 and confirmation in the Euronext Vigeo, Eurozone 120 and Euronext Vigeo Europe 120.

CALL OF THE SHAREHOLDERS MEETING

The Board of Directors has called the Shareholders' meeting for 24 April 2018 (single call) at the auditorium in Rozzano (Milan), Viale Toscana 3.
The following will be proposed to the Shareholders' meeting:

- confirmation of the office of Director of the serving Chief Executive Officer Amos Genish, who was co-opted on 28 September 2017 and will therefore remain in office until the next Shareholders' Meeting;
- that it approve the financial statements for the year and distribution of the privileged dividend for savings shares only, totalling 2.75 eurocents per share (in accordance with the previously announced dividend policy);
- that it approve the remuneration report, pursuant to law;
- approval of an incentive plan based on performance share, divided into two tranches intended respectively for the Chief Executive Officer and members of the management of the TIM Group;
- appointment of the new Board of Statutory Auditors, following expiry of the term of office;
- conferment of the appointment on the new external auditor for the nine-year period 2019-2027, based on the selection made by the Board of Statutory Auditors.

The dividends will be made payable to the entitled parties based on the evidence in the share deposit accounts at the end of the record date of 19 June 2018 (record date), starting from 20 June 2018 next, while the coupon date will be 18 June 2018.

The Board of Statutory Auditors will be appointed, in accordance with the laws and Bylaws, on the basis of slates submitted by shareholders holding at least 0.5% of the capital with voting rights, by 30 March 2017 (unless extended to 3 April in the event of only one or no slate being submitted, or even the submission of only slates connected to the relative majority shareholder Vivendi S.A.). The appointment must comply with rules on gender equality, under which there must be three Standing Auditors of one gender and two of the other, and two Alternate Auditors of each gender.

As of the 2019 financial statements and up until the 2027 financial statements (at the end of the 2010-2018 appointment already awarded to PricewaterhouseCoopers S.p.A.) the external auditor will be identified through an early selection which is necessary to respect the principle of the independence of the new external auditor, prevented from performing certain services from the start of the audit period.

The approval of a long-term share-based incentive plan, reserved for the Chief Executive Officer Amos Genish (assuming his confirmation) and members of the senior management of the Group, to be selected by the Board of Directors at the suggestion of the Executive Chairman and the Chief Executive Officer, will also be proposed to the Shareholders' Meeting. The initiative is based on the so-called performance shares, through the free-of-charge allocation, subject to a two-year lock-up, of a maximum amount of 85,000,000 ordinary shares, in a variable number depending on the achievements in the 2018-2020 period (which corresponds to the lifetime of the Group's strategic planning) of predetermined Performance Parameters relating to (i) the performance of ordinary shares on the stock market in the period from 1 January 2018 – 31 December 2020 (except for cases of early termination with the right maintained, i.e. of subsequent allocation), compared to a basket of securities issued by a panel of peers (weight: 70%) and (ii) the free cash flow accumulating over the incentive period, as per the strategic plan (weight 30%). The attribution of performance shares to the Chief Executive Officer (a maximum number of 30,000,000) represents a transaction of lesser importance with related parties, and was made at the proposal and having heard the opinion of the Nomination and Remuneration Committee, as per the specific corporate procedure. A specific information notice on the initiative will be made available to the public in the terms laid down by current regulations together with the explanatory report of the Directors to the Shareholders' Meeting.

CORPORATE GOVERNANCE ISSUES

In addition to approving the report on corporate governance and share ownership (which, inter alia, indicates that Directors Antonini, Bernabè, Borsani, Calvosa, Cornelli, Frigerio, Herzog, Jones, Moretti and Vivarelli continue to meet the independence requirements of the law and the Borsa Italiana Code) and the 2017 Consolidated Non-Financial Statement/Sustainability Report (see the specific section on this topic above), the Board of Directors examined the new organisational plan being implemented, based on the development of the new strategic plan.

In doing so, it acknowledged the appointment of Michel Sibony, who as of today join the TIM Group as head of the Procurement Unit and Real Estate department. Michel Sibony does not hold any TIM shares. His CV is attached to this release.

Michel Sibony joins the management team through partial secondment from Vivendi S.A., a related party of TIM. The transaction occurred in compliance with the specific company procedure, which qualifies it as a transaction excluded from the application of the Consob Regulation due to the subject, terms and value, subject to the responsibility and assessment of the management. The secondment was subject to direction and coordination activities by Vivendi, and occurred as a result of the aforementioned reorganization process, in light of the

Company's interest in acquiring the collaboration of a resource with consolidated experience, also gained in international contexts, to hold a role deemed to be strategic.

The anticipated compensation package is aligned with market practices and the relationship follows a previous consultancy one.

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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.