TIM’S BOARD APPROVES Q1 2018 FINANCIAL REPORT

SOLID QUARTERLY RESULTS, DRIVEN BY POSITIVE PERFORMANCE IN ITALY AND STRONG GROWTH IN BRAZIL SUPPORTED BY DIGITIM STRATEGY

► Group Revenues: 4.7 billion euros, +2.7% YoY (organic)

► Group EBITDA: 2 billion euros, +1.8% YoY (organic and excluding non-recurring charges)

► Group EBIT: 0.9 billion euros, +3.0% YoY (organic and excluding non-recurring charges)

► Group Net Income: 250 million euros, +25% YoY

► Group adjusted net financial debt: 25,537 million euros (25,308 million euros at 31 December 2017)

Rome, 16 May 2018

The Board of Directors of TIM met today, chaired by Fulvio Conti, to approve the Interim Report on Operations to 31 March 2018.

On an organic basis, consolidated total revenues were boosted by the positive performance of service revenues at Group level (+3.1% YoY), in Italy (+2% YoY) and Brazil (+6.4% YoY).

On reported figures, non-recurring operating charges totalled 95 million euros impacting Group reported EBITDA which stands at 1.9 billion euros. Non-recurring operating expenses were mainly in relation to provisions covering the €74.3mln fine levied on 8 May 2018 for alleged infringement of the “Golden Power” rule, which TIM is contesting and will appeal against shortly. Organic EBITDA stood at 2 billion euros before non-recurring components (+1.8% YoY).

“The solid results of Q1 2018 are driven by positive Domestic performance and strong growth in Brazil which confirm we are already leveraging on the progress made with our DigitIM strategy”, comments TIM CEO, Amos Genish. “In Italy, both the Mobile and Fixed UBB customer base, together with ARPU, are steadily growing, rewarding TIM’s continuous coverage upgrading and focus on quality, supporting our premium player position.”

Domestic mobile continued its positive progression with an impressive +4.7% YoY growth in total revenues, supported by the steady mobile BB and UBB uptake (+158k users and +354k users respectively), reaching an active customer base of 27.4 million users (+1.4%). Service revenues performance was also strong, up +3.7% YoY. ARPU Human grew by +4.6% YoY.

Domestic fixed continued its positive evolution, posting +2.3% YoY increase in service retail revenues, with a 314k UBB retail net adds. Adding the wholesale component of 319k, the total UBB net adds in the quarter reaches 634k, leading to a total of 3.8 mln TIM UBB lines. TIM’s premium player position
was enhanced by further coverage improvements and is characterised by new simplified and flexible offers, optimized acquisitions via a mix of channels (online, direct and stores), and a reinforced convergent proposition. As a result, the domestic fixed business posted a solid ARPU growth, both in Consumer (+2.7% YoY) and in BB (+10.9%), confirming the success of TIM’s premium positioning. The content convergence strategy is building up steadily with new offers and content partnerships, contributing to the +6.5% QoQ increase of the TIMVISION fixed customer base.

Domestic organic EBITDA YoY performance was negatively impacted by the ongoing negotiations with the Unions to renew the Personnel Solidarity Agreement which expired at the end of 2017. Net of one-offs, the underlying domestic EBITDA trend shows a +1.3% YoY progression.

In Brazil, the recovery is well on track with a solid step up in cash flow generation, shown by an impressive +40% YoY growth in EBITDA less Capex. Mobile ARPU was strongly up, showing a 13.8% YoY growth. The Business Unit posted a positive +4.8% YoY increase in total revenues, supported by more post-paid mobile and more fixed broadband.

Group Adjusted Net Financial Position stood at 25.5 billion euro, impacted negatively also by the VAT split payment effect which absorbed approximately 400 mln euro in Q1; excluding this, the Group net debt was 150mln euro lower than at 31 December 2017.

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The results of Q1 2018 will be presented to the financial community during a conference call scheduled for 17 May at 2.00 p.m. (CET). Journalists may listen in to the presentation, without asking questions, by calling 0633168. The presentation slides will be available at www.telecomitalia.com/1Q2018/eng.

MAIN CHANGES TO THE TIM GROUP CONSOLIDATION PERIMETER

There were no changes to the consolidation perimeter in the first quarter of 2018 or in the same period of 2017.

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TIM Investor Relations
www.telecomitalia.com/investor_relations
TIM draws up and publishes Interim Reports on Operations for the first and third quarters of each year on a voluntary basis.

The consolidated figures in the TIM Group’s Interim Report on Operations to 31 March 2018 have been formulated in accordance with the IFRS accounting standards issued by the IASB and incorporated by the EU; these figures are not subject to audit.

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

To permit comparison of the economic and financial results of the first quarter 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 principles (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.

**TIM GROUP RESULTS**

The revenues of the first quarter of 2018 totalled **4,709 million euros**. The comparable revenues of the first quarter of 2018 totalled 4,742 million euros, 1.6% down compared to the first quarter of 2017 (4,819 million euros): the positive trend in the revenues of the Domestic Business Unit (+62 million euros) was offset by the reduction in the Brazil Business Unit (-144 million euros), which was entirely related to a negative exchange rate effect of 191 million euros, in the absence of which there would have been growth of 47 million euros.

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

<table>
<thead>
<tr>
<th>(million euros)</th>
<th>Q1 2018 comparable</th>
<th>Q1 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>3,709</td>
<td>3,647</td>
<td>62</td>
</tr>
<tr>
<td>Core Domestic</td>
<td>3,481</td>
<td>3,395</td>
<td>86</td>
</tr>
<tr>
<td>International Wholesale</td>
<td>286</td>
<td>310</td>
<td>(24)</td>
</tr>
<tr>
<td>Brazil</td>
<td>1,037</td>
<td>1,181</td>
<td>(144)</td>
</tr>
<tr>
<td>Other Assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjustments and eliminations</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Consolidated Total</strong></td>
<td><strong>4,742</strong></td>
<td><strong>4,819</strong></td>
<td><strong>77</strong></td>
</tr>
</tbody>
</table>

**EBITDA** in the first quarter of 2018 totalled **1,817 million euros**. Comparable EBITDA in the first quarter of 2018 totalled 1,893 million euros (1,990 million euros in Q1 2017), 97 million euros (-4.9%) lower, with a margin of 39.9% (41.3% in Q1 2017, -1.4 percentage points).
Organic EBITDA decreased by 35 million euros (-1.8%) compared with the first quarter of 2017, accounting for a percentage of revenues down by 1.9 percentage points from 41.8% in Q1 2017 to 39.9% in Q1 2018.

TIM Group posted non-recurring operating charges totalling 95 million euros in the first quarter of 2018 (24 million euros in Q1 2017, at the same exchange rates), primarily due to provisions made against the financial penalty of 74.3 million euros imposed for the alleged breach of article 2 of legislative decree 21 of 15/3/2012 (the "Golden Power" law), in an order issued on 8 May 2018. The Company has already appealed the order of the Presidency of the Council of Ministers made in September 2017 that confirmed the alleged breach by TIM of its obligation to notify, pursuant to the Golden Power law, that Vivendi S.A. had assumed control. The company will now proceed to appeal the order that imposed the aforementioned financial penalty. The Company considers that it has solid legal arguments to oppose the said decisions of the Presidency of the Council of Ministers and obtain their abrogation.

Organic EBITDA, net of the non-recurring component, totalled 1,988 million euros, an increase of 1.8%.

The details of Q1 2018 comparable EBITDA and the margins of the first quarter of 2018 vs the same period in 2017 (using the same accounting standards, broken down by operational sector) are as follows:

<table>
<thead>
<tr>
<th>(million euros)</th>
<th>Q1 2018 comparable</th>
<th>Q1 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>1,533</td>
<td>81.0</td>
<td>1,621</td>
</tr>
<tr>
<td>Margin (%)</td>
<td>41.3</td>
<td></td>
<td>44.4</td>
</tr>
<tr>
<td>Brazil</td>
<td>365</td>
<td>19.3</td>
<td>372</td>
</tr>
<tr>
<td>Margin (%)</td>
<td>35.2</td>
<td></td>
<td>31.6</td>
</tr>
<tr>
<td>Other Assets</td>
<td>(5)</td>
<td>(0.3)</td>
<td>(4)</td>
</tr>
<tr>
<td>Adjustments and eliminations</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td><strong>Consolidated Total</strong></td>
<td><strong>1,893</strong></td>
<td><strong>100.0</strong></td>
<td><strong>1,990</strong></td>
</tr>
<tr>
<td>Margin (%)</td>
<td>39.9</td>
<td></td>
<td>41.3</td>
</tr>
</tbody>
</table>

**EBIT** for the first quarter of 2018 totalled **764 million euros**. Comparable EBIT in the first quarter of 2018 totalled 806 million euros, 59 million euros (-6.8%) lower than the first quarter of 2017 (865 million euros), with a margin of 17.0% (17.9% in Q1 2017, -0.9 percentage points).

Organic EBIT was down 45 million euros (-5.3%), with a margin of 17.0% (18.4% in Q1 2017).

EBIT in the first quarter of 2018 reflected the negative impact of non-recurring net charges for a total of 95 million euros (24 million euros in Q1 2017, at the same exchange rate). Excluding these charges, the organic change in EBIT would have been positive for 26 million euros (+3.0%), with a margin of 19.0%.

The net profit for the first quarter of 2018 attributable to the Shareholders of the Controlling Company totalled **216 million euros** – the comparable net profit stood at 250 million euros (200 million euros in Q1 2017).

The TIM Group headcount at 31 March 2018 was **59,489**, including 49,584 in Italy (59,429 at 31 December 2017, including 49,689 in Italy).
Capital expenditure totalling 660 million euros may be broken down by operating sector as follows:

<table>
<thead>
<tr>
<th></th>
<th>Q1 2018</th>
<th>Q1 2018 comparable</th>
<th>Q1 2017</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(million euros)</td>
<td>(a)</td>
<td>% of total</td>
<td>(b)</td>
</tr>
<tr>
<td>Domestic</td>
<td>507</td>
<td>533</td>
<td>76.8</td>
<td>631</td>
</tr>
<tr>
<td>Brazil</td>
<td>153</td>
<td>161</td>
<td>23.2</td>
<td>200</td>
</tr>
<tr>
<td>Adjustments and eliminations</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Consolidated Total</td>
<td>660</td>
<td>694</td>
<td>100.0</td>
<td>831</td>
</tr>
<tr>
<td>% on Revenues applying the same standards</td>
<td>14.0</td>
<td>14.6</td>
<td>17.2</td>
<td>–</td>
</tr>
</tbody>
</table>

Applying the same accounting standards, capital expenditure in the first quarter of 2018 totalled 694 million euros, 137 million euros less than in the first quarter of 2017.

In particular:

- the Domestic Business Unit posted investments totalling 533 million euros, 98 million euros less than in the first quarter of 2017 due to continual attention to capital allocation choices based on strategic priorities and profitability.
- the Brazil Business Unit posted investments totalling 161 million euros in the first quarter of 2018, 39 million euros less than in the same period in 2017. Excluding the impact of exchange rate changes, totalling 32 million euros, the reduction was 7 million euros. The investments were primarily targeted at strengthening the mobile ultrabroadband network and developing the TIM Live fixed broadband business.

Cash flow from Group operations was negative for 17 million euros (positive for 361 million euros in the first quarter of 2017). The increased requirement in the first quarter of 2018 was primarily attributable to the payment of 400 million euros in outstanding VAT by TIM S.p.A. (no payment made in the first quarter of 2017), connected to the introduction of the split payment mechanism in Italy from July 2017.

Adjusted Net Financial Debt was 25,537 million euros at 31 March 2018, 229 million euros higher than at 31 December 2017 (25,308 million euros). The net carrying amount of debt at 31 March 2018 was 26,494 million euros, 403 million euros higher than at 31 December 2017 (26,091 million euros).

The liquidity margin was 7,879 million euros, and was calculated taking account of:

- “Cash and Cash Equivalents" and "Securities other than investments" for a total of 2,879 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 TIM Group falling due can be covered for at least the next 24 months.
BUSINESS UNIT RESULTS

DOMESTIC

The revenues of the first quarter of 2018 totalled **3,681 million euros**. The comparable revenues of the first quarter of 2018 totalled 3,709 million euros, an increase of 62 million euros over the first quarter of 2017 (+1.7%), confirming the progressive recovery that had already started in the previous year. Service revenues totalled 3,399 million euros, and these too were higher than in the first quarter of 2017 (+57 million euros, +1.7%), benefiting from the constant development of both the Mobile and Fixed Broadband customer bases, and the sustained 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 2,419 million euros, substantially in line with the first quarter of 2017 (-0.2%). The inevitable contraction in revenues from traditional voice services (-47 million euros) consequent on the decrease in traditional accesses and the reduction of regulated prices for some wholesale services (-14 million euros) has been more than offset by the increase in revenues from ICT solutions (+13 million euros, +8.1%) and, above all, by the development of revenues from innovative data connectivity services (+84 million euros, +17%) led by the growth in Ultrabroadband customer numbers (+1.2 million compared to the first quarter of 2017) which reached 2.5 million (3.8 million if wholesale lines are included);

- Mobile market service revenues totalled 1,123 million euros, with an increase of 40 million euros compared to the first quarter of 2017 (+3.7%). This was driven by positive competitive performance, which led to growth in the customer base with no significant dilution effects on ARPU levels.

Revenues from product sales, including changes to work in progress, totalled 310 million euros in the first quarter of 2018 (+5 million euros higher than in the same period of the previous year), and reflect the increase in sales of smartphones and other enabling devices (smart TVs, Smart Home products, modems, set-top boxes, etc.).

Core Domestic revenues totalled **3,481 million euros**, an increase of 2.5% (3,395 million euros in Q1 2017).

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

- **Consumer**: the revenues of the Consumer segment in the first quarter of 2018 totalled 1,851 million euros, with an increase of 31 million euros (+1.7%) on Q1 of the previous year, confirming the recovery trend that started in 2017. Service revenues totalled 1,669 million euros, higher than the first quarter of 2017 (+24 million euros). They benefit in particular of the constant growth of mobile internet and digital services and of the positive performance of the Broadband and Ultrabroadband customer base, and the actions to support the overall resilience of ARPU levels.

- **Business**: the revenues of the Business segment totalled 1,160 million euros, an increase of 40 million euros compared to the first quarter of 2017 (+3.6%, with service revenues +4.1%), thanks to the growth in new digital services (+13.9% compared to Q1 2017) and to growth in revenues from ICT services (+7.8%) notwithstanding the fall in prices and revenues from traditional services.
- **Wholesale**: the Wholesale segment posted revenues of 420 million euros in the first quarter of 2018, up slightly by 1 million euros (+0.2%) from the same period of 2017. The reduction in regulated prices, -14 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 quarter of 2018 totalled 286 million euros, 24 million euros (-7.7%) less than in the first quarter 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 **1,470 million euros** in the first quarter of 2018. The comparable EBITDA in the first quarter of 2018 totalled 1,533 million euros, 88 million euro less than in the first quarter of 2017 (-5.4%), with a margin of 41.3%, (-3.1 percentage points compared to the same period of the previous year). Organic EBITDA net of non-recurring charges (95 million euros in the first quarter of 2018 and 24 million euros in the same period of the previous year) posted a fall of 0.9%, with a margin of 43.9% (1.3 percentage points less than in the first quarter of 2017).

**EBIT** for the Domestic Business Unit in the first quarter of 2018 was **639 million euros**. The comparable EBIT for the first quarter of 2018 was 678 million euros (787 million euros in Q1 2017), a fall of 109 million euros (-13.9%), with a margin of 18.3% (21.6% in Q1 2017). EBIT in the first quarter of 2018 reflected the negative impact of non-recurring charges totalling 95 million euros (24 million euros in the same period of 2017).

Excluding these charges, the organic change in EBIT would have been negative and equal to -4.6%, with a margin of 20.8%.

The trend in EBIT reflects the reduction in EBITDA mentioned above, and the increase in amortisation (+19 million euros).

The **headcount**, of **49,722 employees**, fell by 129 employees compared to 31 December 2017.

**BRAZIL (average real/euro exchange rate 3.99014)**

The revenues of the TIM Brasil group totalled **4,120 million reais** in the first quarter of 2018. Comparable revenues in the first quarter of 2018 totalled 4,139 million reais, an increase of 188 million reais (+4.8%) compared to the same period of the previous year. Service revenues, using the same accounting principles, totalled 3,983 million reais, with an increase of 239 million reais compared to the 3,744 million reais of the first quarter of 2017 (+6.4%).

Revenues from product sales, using the same accounting principles, totalled 156 million reais, (207 million reais in Q1 2017; -24.6%). The fall reflects the change in commercial policy, more focussed on value than on 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 quarter of 2018, using the same accounting principles, was **21.6 reais**, 13.8% higher than the value recorded in the first quarter of 2017 (19.0 reais).

The **total number of lines** at 31 March 2018 was **57,894 thousand**, a decrease of 740 thousand from the figure at 31 December 2017 (58,634 thousand). This fall is entirely attributable to the prepaid segment (-1,409 thousand), and is only partially offset by the growth in the post-paid segment (+669 thousand), also as an effect of the ongoing consolidation in the second SIM card market. Post-paid
customers represent 31.9% of the customer base at 31 March 2018, an increase of 1.5 percentage points compared to December 2017 (30.4%).

EBITDA for the first quarter of 2018 was 1,407 million reais.

The comparable EBITDA for the first quarter of 2018 totalled 1,456 million reais, 209 million reais higher than in the same period of the previous year (+16.8%). 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 operating costs structure.

The EBITDA margin was 35.2%, using the same accounting principles, 3.6 percentage points higher than in the first quarter of 2017.

EBIT for the first quarter of 2018 totalled 523 million reais.

The comparable EBIT for the first quarter of 2018 totalled 530 million reais, 258 million reais (+94.9%) higher than in the same period of the previous year (272 million reais). This result benefited from the higher EBITDA (+209 million reais) and lower depreciation and amortisation (-49 million reais).

The headcount stood at 9,670 employees (9,508 as of 31 December 2017).

EVENTS SUBSEQUENT TO 31 MARCH 2018

APPOINTMENT OF THE NEW BOARD OF DIRECTORS

See the Press Release on the same subject issued on Friday 4 May 2018

APPOINTMENT OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

See the Press Release on the same subject issued on Monday 7 May 2018

OUTLOOK FOR THE 2018 FINANCIAL YEAR

See the press release on the 2018-2020 Strategic Plan, issued on Tuesday 6 March 2018.

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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.