Telecom Italia Finance Group

Half-Year Condensed Consolidated Financial Statements at June 30, 2018

Unaudited Half-Year Condensed Consolidated Financial Statements as at June 30, 2018, which have been authorized by the Board of Directors held on July 23, 2018

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Directors' report

The Business Units

BRAZIL

The Brazil Business Units (TIM Brasil Group) provides services in the area of UMTS, GSM and LTE technologies. Moreover, with the acquisitions and subsequent integrations into the Group of Intelig Telecomunicações, TIM Fiber RJ and TIM Fiber SP, the services portfolio has been extended by offering fiber optic data transmission using full IP technology such as DWDM and MPLS and by offering residential broadband services.

- TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A.
  - TIM PARTICIPAÇÕES S.A.
    - TIM S.A. (Former INTELIG TELECOMUNICAÇÕES LTDA)
    - TIM CELULAR S.A.

OTHER OPERATIONS

This Business Unit mainly provides financial assistance to TIM Group companies and manages the liquidity buffer through money market instruments.
As of June 30, 2018:

- The amount of notes (issued by Telecom Italia Finance and listed on Bourse of Luxembourg) worth 1.015 million euros.
- The amount of net financial debt is equal to -3.053 million euros.

- TELECOM ITALIA FINANCE

Key operating Financial Data

Consolidated Operating and Financial Data

(millions of euros)	1st Half 2018	1st Half 2017
Revenues	**2.001**	**2.293**
EBITDA	**701**	**758**
EBIT	**248**	**190**
Profit (loss) before tax from continuing operations	158	98
Profit (loss) for the period	**125**	**72**
Profit (loss) for the period attributable to Owners of the Parent	77	44
Capital expenditures	**385**	**429**

Consolidated Financial Position Data

(millions of euros)	30/06/2018	31/12/2017
Total assets	**12.575**	**13.932**
Total equity	**7.792**	**8.370**
Attributable to Owners of the Parent	6.395	6.813
Attributable to non-controlling interests	1.397	1.557
Total liabilities	**4.783**	**5.562**
Total equity and liabilities	**12.575**	**13.932**
Share capital	**1.819**	**1.819**
Net financial debt carrying amount	**-2.396**	**-2.479**

Headcount

	30/06/2018	31/12/2017
Number in the Group at period end	9.621	9.518
Average number in the Group	9.147	9.075

Highlights

ADOPTION OF NEW ACCOUNTING PRINCIPLES

Starting from January 1, 2018, the Group is required to adopt the IFRS 9 and IFRS 15 principles.
For further details please refer to the specific section of the Note "Accounting policies"

To enable the year-on-year comparison of the economic and financial performance for the second quarter of 2018, this Interim Report 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).

FINANCIAL HIGHLIGHTS

In terms of economic and financial performance of 1st half 2018:

- **Consolidated revenues** amounted to 2,0 billion euros, down 12,5% compared to the same period 2017.
- **EBITDA** amounted to 0,7 billion euros, down by 5,1% on the 1st half 2017.
- **Operating profit (EBIT)** was 0,2 billion euros, up by 28,7% on the 1st half 2017.
- The **Profit for the period attributable to Owners of the Parent** amounted to 77 million euros (Profit attributable to Owners of the Parent for 44 million euros on the 1st half 2017).
- **Capital expenditures** in 1st half 2018 amounted to 385 million euros, 402 million euros considering comparable accounting principles (429 million euros in 1st half 2017).
- **Net financial debt** amounts to -2.397 million euros at June 30, 2018, down of 82 million euros on December 31, 2017.

Consolidated operating performance

The operating performance of the Group is almost totally attributable to the Brazil Business Unit.

	Other operations (millions of euros)			Brazil Business Unit (millions of euros)			Brazil Business Unit (millions of reais)			Change	
	1st Half 2018	1st Half 2018 comparable	1st Half 2017	1st Half 2018	1st Half 2018 comparable	1st Half 2017	1st Half 2018	1st Half 2018 comparable (a)	1st Half 2017 (b)	Amount (a-b)	% (a-b)/b
Revenues	-	-	-	**2.001**	**2.007**	**2.293**	**8.282**	**8.310**	**7.894**	**416**	**5,3**
EBITDA	**-4**	**-4**	**-3**	**704**	**727**	**761**	**2.915**	**3.008**	**2.624**	**384**	**14,6**
EBITDA Margin				35,2	36,3	33,2	35,2	36,3	33,2		3,1pp
EBIT	**-4**	**-4**	**-3**	**252**	**254**	**195**	**1.042**	**1.050**	**669**	**381**	**57,0**
EBIT Margin				12,6	12,7	8,5	12,6	12,7	8,5		4,2pp
Headcount at period end (number)	**10**	**10**	**10[*]**				**9.611**	**9.611**	**9.508[*]**	**103**	**1,1**

[*] Figures as of December 31, 2017.

	1st Half 2018	1st Half 2017
Lines at period end (thousands)	56.554	58.634[*]
MOU (minutes/month)	118,8	106,7
ARPU (reais)	21,8	19,2

[*] Lines as of December 31, 2017

REVENUES

All the revenues are related to Brazil Business Unit.
Revenues for 1st Half 2018 amounted to 8.282 million reais. Considering the comparable amount, revenues amounted to 8.310 million reais, up 5,3% from 7.894 million reais in the same period of 2017. Service revenues totaled 7.947 million reais, with an increase of 453 million reais compared to 7.494 million reais of 2017 (+6,0%). Mobile Average Revenue Per User (ARPU) amounted to 21,8 reais for 1st Half 2018 compared with 19,2 reais for the same period of 2017 (+13,5%) due to the general repositioning towards the postpaid segment and new commercial initiatives aimed at increasing data usage and the average spend per customer.
The total number of lines at June 30, 2018 was 56,6 million, representing a decrease of 2,0 million compared to December 31, 2017 (58,6 million). This reduction was entirely attributable to the prepaid segment (-3,3 thousand) and was only partially offset by the growth in the postpaid segment (+1,3 million), also as a result of the consolidation underway in the market for second SIM cards. Postpaid customers represented 33,7% of the customer base at June 30, 2018, up 3,3 percentage points on December 2017 (30,4%).
Revenues from product sales, considering comparable accounting principles, came to 363 million reais from 400 million reais in June 30, 2017 (-9,3%).The reduction reflects the change in the commercial policy, which is now more focused on value rather than sales volume growth and whose main goals are to increase the purchasing of new handsets giving TIM customers access to broadband services on 3G/4G networks and to support the new loyalty offerings for higher-value postpaid customers.

EBITDA

EBITDA totaled 701 million euros, of which 704 million euros attributable to the Brazil BU.

The Brazil's EBITDA amounted to 3.008 million reais, up to 384 million reais on the first half of 2017 (+14,6%).
The growth in EBITDA was attributable to both the positive performance of revenues and the benefits from the projects to improve the efficiency of the operating expenses.
The EBITDA margin, considering comparable accounting principles, stood at 36,3%, 3,1 percentage points higher than in the first half of 2017.

The changes in the main costs for the BU are shown below:

	(millions of euros)		(millions of reais)		
	1st Half 2018 comparable (a)	1st Half 2017 (b)	1st Half 2018 comparable (c)	1st Half 2017 (d)	Change (c-d)
Acquisition of goods and services	956	1.169	3.960	4.025	- 65
Employee benefits expenses	154	178	636	613	23
Other operating expenses	242	262	1.004	901	103
Change in inventories	-12	-5	-49	-18	- 31

EBIT

EBIT totaled 248 million euros (190 million euros in the same period 2017), up 58 million euros.

Considering Brazil BU, EBIT amounted to 1.042 million reais. Seeing the comparable amount, for the BU the EBIT amounted 1.050 million reais, up 381 million reais compared to the first half 2017. This result benefited from the greater contribution from the EBITDA (+384 million reais), which was slightly offset by higher depreciation (+3 million reais).

PROFIT (LOSS) FOR THE PERIOD

The details are as follows:

(millions of euro)	1st Half 2018	1st Half 2017
Profit (loss) for the period	**125**	**72**
Attributable to		
Owners of the Parent	77	44
Non-controlling interests	48	28

CAPITAL EXPENDITURE

All the capital expenditure was referred to the Brazil Business Unit and amounted to 385 million euros. Considering the comparable amount, capital expenditure amounted to 402 million euros showing a decrease of 28 million euros compared to the first half 2017. Excluding a negative exchange rate effect of 73 million euros, the investments increased of 45 million euros and were primarily targeted at strengthening mobile ultra-broadband network infrastructure and developing the fixed broadband business of TIM Live.

Consolidated financial position and cash flows performance

Non-current assets

Non-current assets are mainly referred to the Brazil Business Unit.

- **Goodwill** decreased by 115 million euros as a result of changes in foreign exchange rates applicable to the Group's Brazilian operations. Further details are provided in the Note "Goodwill".
- **Other intangible assets** decreased by 419 million euros representing the balance of the following items:
  - Capex (+80 million euros)
  - Amortization charge for the year (-198 million euros)
  - Disposals, exchange differences, reclassifications and other changes (for a net negative balance of -301 million euros).
- **Tangible assets** decreased by 285 million euros representing the balance of the following items:
  - Capex (+304 million euros)
  - Change in financial lease contracts (+7 million euros)
  - Depreciation charge for the year (-261 million euros)
  - Disposals, exchange differences, reclassifications and other changes (for a net negative balance of 335 million euros).

Consolidated equity

Consolidated equity amounted to 7.792 million euros (8.370 million euros at December 31, 2017, 8.354 million euros considering comparable accounting principles), of which 6.395 million euros attributable to Owners of the Parent (6.813 million euros at December 31, 2017, 6.802 million euros considering comparable accounting principles) and 1.397 million euros attributable to non-controlling interests (1.557 million euros at December 31, 2017, 1.552 million euros considering comparable accounting principles).

Cash flows

The details of Group cash flows are as follow:

(millions of euros)	1st Half 2018	1st Half 2017
Cash flows from (used in) operating activities	412	296
Cash flows from (used in) investing activities	-1.383	-415
Cash flows from (used in) financing activities	-157	-236
Aggregate cash flows	**-1.128**	**-355**
Net foreign exchange differences on net cash and cash equivalents	-53	-91
Net cash and cash equivalents at beginning of the period	**2.717**	**2.876**
Net cash and cash equivalents at end of the period	**1.589**	**2.521**

Net financial debt

The following table shows the net financial debt of the Group:

(millions of euros)	Other operations		Brazil Business Unit	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017
Non-current financial liabilities	1.660	1.690	913	1.246
Current financial liabilities	368	311	291	376
Total gross financial debt	**2.028**	**2.001**	**1.204**	**1.622**
Non-current financial assets	-1	-1	-37	-42
Current financial assets	-2.020	-2.694	-501	-963
Net financial debt as per ESMA	**7**	**-694**	**666**	**617**
Other Non-current financial assets	-3.061	-2.395	-10	-7
Net financial debt	**-3.053**	**-3.089**	**656**	**610**

Main changes in the regulatory framework

Brazil

Revision of the model for the provision of telecommunications services
In April 2016, the working group composed of the Ministry of Science, Technology, Innovation and Communications (MCTIC) and Anatel published its final report with a "diagnosis" on the telecommunications industry and proposed guidelines for the revision of the Brazilian regulatory model. A bill (PLC 79/2016) was then presented to the National Congress of Brazil to propose amendments to the General Telecommunications Law. Although the bill was passed by both chambers of Congress, the opposition challenged the legislative procedure followed in the Supreme Court, where the bill remained blocked for months. At the beginning of October 2017, the bill PLC 79/2016 was referred back to the Senate, where it is expected to be debated again over the course of 2018.
In October and November 2017, the Ministry of Science, Technology, Innovation and Communications (MCTIC) held a public consultation to review the general telecommunications policy, which is expected to lead to the issue and publication of a new Presidential Decree in 2018. The public consultation process proposed the setting of guidelines and objectives for the provision of telecommunications services, for the technological development of digital services and broadband infrastructure, and for the spread of "smart cities".
In relation to the deadlines for the upgrading of pipelines not compliant with current regulations, authorizations for user licenses to radio frequencies, and the introduction of other statutory provisions generally, planned investments (as identified by Anatel and approved by the MCTIC) will focus primarily on the expansion of mobile and fixed-line broadband networks and on specific areas of the country. TLC networks built under the investment plan will have shared access.

700 MHz and Analog TV switch off
In September 2014, TIM won the tender for the award of the 700 MHz (4G/LTE) band frequencies, for a price of 1,7 billion reais, and with additional commitments (in four annual installments, adjusted for inflation) of 1,2 billion reais as a contribution to the consortium established by the tender ("EAD") for all the operators (TIM, Algar, Claro and Vivo) awarded the contract for managing the freeing up of the 700 MHz band through the switch off of analog TV, the redistribution of channels and the clean-up of interference. To that end, the first payment (370 million reais) was made in April 2015 and another two payments (for a total of 860 million reais) were both made in January 2017. The final installment (142 million reais) has been paid in January 2018.
Since 2016, 3.801 municipalities have released the spectrum for mobile operations, including major cities in North, North-West and West. These municipalities represent 70,0% of the Brazilian population (143,1 million people). It is foreseen that the spectrum will be available in others major cities before September 2018. The switch-off process is currently being executed in 1.110 cities.

Revision of Competition Rules
In November 2012, the Brazilian regulator Anatel introduced instruments for the market analysis, the identification of operators with significant market power (SMP) and the consequent imposition of ex-ante obligations (Plano Geral de Metas de Competição – PGMC).
Currently, TIM has SMP in (i) passive infrastructure (towers); (ii) mobile network termination, and (iii) national roaming. A public consultation on reforms to the PGMC was begun on December 7, 2016 and concluded on March 22, 2017. Alongside the re-identification of relevant markets, work is underway for the classification of towns on the basis of specific competition levels (1: competitive, 2: moderately competitive, 3: not very competitive, 4:

uncompetitive) before any asymmetric regulatory measures are applied. Under the regulatory agenda, the new regulation is expected to be introduced in 2018.

"Marco Civil da Internet" and Network Neutrality
The "Marco Civil da Internet" (MCI), approved in April 2014 by Brazilian Law No. 12,965/2014, defined network neutrality as the "duty to treat different data packages in the same way, without distinction based on content, origin and destination, service, terminal or application". On May 11, 2016, Brazilian Presidential Decree No. 8.771/2016 was published, which regulates exceptions to the principle of net neutrality, set out in article 9 of the mentioned law.
In August 2017, the oversight board ("GS") of the Administrative Council for Economic Defense (CADE) handed down a decision in favor of Brazil's mobile TLC providers, which excluded the imposition of fines in relation to a preliminary investigation into alleged unfair competition in "zero rating" offers and promotions on Internet data consumption. The oversight board heard the depositions of various parties, including the Ministry of Science, Technology, Innovation and Communications (MCTIC) and Anatel, and concluded that Internet business models should not be banned ex-ante, but instead should be monitored comprehensively to prevent any unfair competition outcomes.

Digital transformation strategy and internet of things (IoT)
From December 15, 2016 to February 5, 2017 MCTIC issued Public Consultation on public procedure regarding solutions for the Brazilian market of Machine to Machine services (M2M) and Internet of things (IoT). The final report has been published in November 2017 with the aim to analyze regulatory and fiscal aspects, public procedures, investments and education matters. A decree including a national plan for IoT will be published by the end of 2018.
Furthermore, on August and September 2017, MCTIC issued Public Consultation on Digital Transformation Strategy (E-Digital) with the aim to discuss about and create strategies for digitalization of economy in Brazil. The E-Digital decree 9319/2018 launched 100 strategic actions aiming to increase competition and online productivity level in the country, as well as connectivity and digital inclusion levels.

Data protection
A law project for data protection is currently under discussion of the Brazilian Congress. It will be approved by the end of 2018.

Events subsequent to June 30, 2018

For details of subsequent events, see the specific Note "Events Subsequent to June 30, 2018".

Business outlook for the 2nd Half 2018

The Group is working on the implementation and roll-out of the 2018–2020 Plan in its Brazil market. For more details on the main drivers of focus for the outlook of the Group, see the Annual Financial Report at December 31, 2017.

Tim Brasil reorganization
The corporate reorganization project, disclosed to the market on July 2017, is expected to be completed in 2018 after due corporate approval and will see the incorporation of TIM Celular SA by TIM SA (formerly Intelig Telecomunicações Ltda.). The reorganization aims to capture operational and financial synergies through the implementation of a more efficient process structure, as well as accounting and internal control systems.

Main risks and uncertainties

Risk related to competition

Competitive risks in the Brazilian market lie in the rapid transition of the business model tied to traditional services and the potential consolidation of the sector. As the consumption patterns of consumers change (migration from voice to data services), service providers need to act swiftly in upgrading their infrastructure and modernizing their portfolios of products and services. In this context, the Tim Brasil group could be impacted by the need to upgrade its technologies and infrastructure rapidly and by greater competition, in the form of aggressive sales strategies and potential business combinations in the sector. At the same time, the deep economic and political crisis in the country has had a direct impact on consumption, especially in the Prepaid segment.

Risks related to business continuity

The success of the Group depends heavily on the ability to deliver the services we provide through the IT infrastructure and network on a continuous and uninterrupted basis. The infrastructure is susceptible to interruptions due to failures of information and communication technologies, lack of electricity, floods, storms and human errors. Unexpected problems in installations, system failures, hardware and software failures, computer viruses or hacker attacks could affect the quality of services and cause service interruptions. Each of these events could result in a reduction in traffic and a reduction in revenues and/or in an increase of restoration costs, with an adverse impact on the level of customer satisfaction and number of customers, as well as our reputation.

Financial risks

For details of financial risks, see the specific Note "Financial risks management" in the annual consolidated financial statements at December 31, 2017.

Group internal control and risk management

TIF Group adheres to the principles and criteria of the TIM Group Corporate Governance Code. Its Internal Control and Risk Management System consists of the set of rules, procedures and organizational structures applied to the entire TIM Group, which TIF Group is part of. This set allows the sound, fair and consistent operation of the Group in line with the pre-established objectives.
At TIM Group level, the Internal Control and Risk Management System involves several components acting in a coordinated way accordingly to their respective responsibilities –the Board of Directors, with the responsibility to direct and provide strategic supervision; the Executive Directors and Management with the responsibility to control and manage; the Control and Risk Committee and the Head of the Group Audit Department, with the responsibility to monitor, control and provide support to the Board of Directors.

Information for investors

Brazil – shares

Regarding the trading of shares issued by Group companies on regulated markets, the ordinary shares of TIM Participações S.A. are listed in Brazil (BOVESPA index).
The ordinary shares of TIM Participações S.A. are also listed on the NYSE (New York Stock Exchange); trading occurs through ADS (American Depositary Shares) that represent 5 ordinary shares of TIM Participações S.A.

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Consolidated Statements of Financial Position

Assets

(millions of euros)	Note	30/06/2018	31/12/2017
Non-current assets			
Intangible assets		**2.894**	**3.428**
Goodwill	[4]	857	972
Intangible assets with a finite useful life	[5]	2.037	2.456
Tangible assets	[6]	**2.396**	**2.681**
Property, plant and equipment owned		2.169	2.422
Assets held under finance leases		227	259
Other non-current assets		**3.767**	**3.199**
Other investments	[7]	80	91
Non-current financial assets	[8]	3.108	2.445
Miscellaneous receivables and other non-current assets		579	663
Deferred tax assets			-
Total Non-current assets		**9.057**	**9.308**
Current assets			
Inventories		39	31
Trade and miscellaneous receivables and other current assets	[9]	909	867
Current income tax receivables		50	69
Current financial assets	[8]	**2.520**	**3.657**
Securities other than investments, financial receivables and other current financial assets		923	933
Cash and cash equivalents		1.597	2.724
Total Current assets		**3.518**	**4.624**
TOTAL ASSETS		**12.575**	**13.932**

The accompanying notes are an integral part of these half-year accounts.

Equity and Liabilities

(millions of euros)	Note	30/06/2018	31/12/2017
Equity	[10]		
Share capital issued		1.819	1.819
Other reserves and retained earnings (accumulated losses), including profit (loss) for the period		4.576	4.994
Equity attributable to owners of the Parent		**6.395**	**6.813**
Non-controlling interests		**1.397**	**1.557**
TOTAL EQUITY		**7.792**	**8.370**
Non-current liabilities			
Non-current financial liabilities	[11]	2.573	2.936
Employee benefits		1	1
Deferred tax liabilities		23	25
Provisions	[15]	138	122
Miscellaneous payables and other non-current liabilities		265	310
Total Non-current liabilities		**3.000**	**3.394**
Current liabilities			
Current financial liabilities	[11]	659	687
Trade and miscellaneous payables and other current liabilities	[15][16]	1.107	1.428
Current income tax payables		17	53
Total Current Liabilities		**1.783**	**2.168**
TOTAL LIABILITIES		**4.783**	**5.562**
TOTAL EQUITY AND LIABILITIES		**12.575**	**13.932**

The accompanying notes are an integral part of these half-year accounts.

Separate Consolidated Income Statements

(millions of euros)	Note	1st Half 2018	1st Half 2017
Revenues		2.001	2.293
Other income		12	18
Total operating revenues and other income		**2.013**	**2.311**
Acquisition of goods and services		-973	-1.170
Employee benefits expenses		-154	-179
Other operating expenses		-245	-264
Change in inventories		12	5
Internally generated assets		48	55
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		**701**	**758**
Depreciation and amortization		-459	-575
Gains/(losses) on disposals of non-current assets		6	7
Impairment reversals (losses) on non-current assets		-	-
Operating profit (loss) (EBIT)		**248**	**190**
Other income (expenses) from investments		-	-24
Finance income	[18]	350	459
Finance expenses	[18]	-440	-527
Profit (loss) before tax from continuing operations		**158**	**98**
Income tax expenses		-33	-26
Profit (loss) from continuing operations		**125**	**72**
PROFIT (LOSS) FOR THE PERIOD		**125**	**72**
Attributable to			
Owners of the Parent		77	44
Non-controlling interests		48	28

The accompanying notes are an integral part of these half-year accounts.

Consolidated Statements of Comprehensive Income

(millions of euros)		1st Half 2018	1st Half 2017
Profit (loss) for the period	**(a)**	**125**	**72**
Other components that subsequently will not be reclassified in the Separate Consolidated Income Statements	**(b=c)**	**-**	**-**
Remeasurements of employee defined benefit plans (IAS 19)	**(c)**	**-**	**-**
Actuarial gains (losses)		-	-
Other components that subsequently will be reclassified in the Separate Consolidated Income Statements	**(d=e+f+g)**	**- 632**	**-500**
Financial assets measured at fair value through other comprehensive income[*]:	**(e)**	**-17**	**5**
Profit (loss) from fair value adjustments		-13	1
Loss (profit) transferred to the Separate Consolidated Income Statements		-4	4
Hedging instruments:	**(f)**	**0**	**-1**
Profit (loss) from fair value adjustments		0	-1
Loss (profit) transferred to the Separate Consolidated Income Statements		-	-
Exchange differences on translating foreign operations:	**(g)**	**-615**	**-504**
Profit (loss) on translating foreign operations		-615	-504
Total other components of the Consolidated Statements of Comprehensive Income	**(h=b+d)**	**- 632**	**-500**
Total comprehensive income (loss) for the period	**(i=a+h)**	**-507**	**-428**
Attributable to			
Owners of the Parent		-370	-305
Non-controlling interests		-137	-123

[*]For the first quarter of 2017 also including "Available- for-Sale financial assets".

The accompanying notes are an integral part of these half-year accounts.

Consolidated Statements of Changes in Equity

Changes from January 1, 2018 to June 30, 2018

(millions of euros)	Share capital	Additional paid in capital	Reserve for financial assets measured at fair value through other comprehensive income	Reserve for cash-flow hedges	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other profits (losses) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the period	**Total Equity attributable to owners of the Parent**	**Non-controlling interests**	**Total equity**
Balance at January 1, 2018	**1.819**	**3.148**	**-7**	**1**	**-968**	**-**	**-**	**2.820**	**6.813**	**1.557**	**8.370**
Adoption of IFRS 15 and IFRS 9			-419					408	-11	-5	-16
Adjusted Balance at January 1, 2018	**1.819**	**3.148**	**-426**	**1**	**-968**	**-**	**-**	**3.228**	**6.802**	**1.552**	**8.354**
Changes in equity during the period:											
Dividends approved	-	-	-	-	-	-	-	-38	**- 38**	-18	**-56**
Total comprehensive income (loss) for the period	-	-	-17	-	-430	-	-	77	**- 370**	-137	**- 507**
Other changes	-	-	-	-	-	-	-	1	**1**	-	**1**
Balance at June 30, 2018	**1.819**	**3.148**	**- 443**	**1**	**-1.398**	**-**	**-**	**3.268**	**6.395**	**1.397**	**7.792**

Changes from January 1, 2017 to June 30, 2017

(millions of euros)	Share capital	Additional paid in capital	Reserve for available-for-sale financial assets	Reserve for cash-flow hedges	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other profits (losses) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings (accumulated losses), including profit (loss) for the period	**Total Equity attributable to owners of the Parent**	**Non-controlling interests**	**Total equity**
Balance at January 1, 2017	**1.819**	**3.148**	**-1**	**3**	**-427**	**-**	**-**	**2.808**	**7.350**	**1.704**	**9.054**
Changes in equity during the period:											
Dividends approved	-	-	-	-	-	-	-	-190	**-190**		**-190**
Total comprehensive income (loss) for the period	-	-	5	-1	-353	-	-	44	**-305**	-123	**-428**
Other changes	-	-	-	-	-	-	-	1	**1**	1	**2**
Balance at June 30, 2017	**1.819**	**3.148**	**4**	**2**	**-780**	**-**	**-**	**2.663**	**6.856**	**1.582**	**8.438**

The accompanying notes are an integral part of these half-year accounts.

Consolidated Statements of Cash Flows

(millions of euros)	Note	1st Half 2018	1st Half 2017
Cash flows from operating activities:			
Profit (loss) from continuing operations		125	72
Adjustments for:			
Depreciation and amortization		459	575
Impairment losses (reversals) on non-current assets (including investments)		-	6
Net change in deferred tax assets and liabilities		6	6
Losses (gains) realized on disposals of non-current assets (including investments)		-6	-7
Change in inventories		-7	-1
Change in trade receivables and net amounts due from customers on construction contracts		19	147
Change in trade payables		-71	-53
Net change in current income tax receivables/payables		-16	-17
Net change in miscellaneous receivables/payables and other assets/liabilities and other changes		-97	-432
Cash flows from (used in) operating activities		**412**	**296**
Cash flows from investing activities:			
Total purchase of intangible and tangible assets on a cash basis		-607	-942
Change in financial receivables and other financial assets		-783	523
Proceeds from sale/repayment of intangible, tangible and other non-current assets		7	4
Cash flows from (used in) investing activities		**-1.383**	**-415**
Cash flows from financing activities:			
Change in current financial liabilities and other		182	162
Proceeds from non-current financial liabilities (including current portion)		-	193
Repayments of non-current financial liabilities (including current portion)		-279	-386
Changes in hedging and non-hedging derivatives		-9	-
Dividends paid		-51	-205
Cash flows from (used in) financing activities		**- 157**	**- 236**
Aggregate cash flows		**-1.128**	**-355**
Net foreign exchange differences on net cash and cash equivalents		**-53**	**-91**
Net cash and cash equivalents at beginning of the year	**[8]**	**2.717**	**2.876**
Net cash and cash equivalents at end of the period	**[8]**	**1.589**	**2.521**

Additional Cash Flow Information

(millions of euros)	1st Half 2018	1st Half 2017
Income taxes (paid) received	-30	-18
Interest expense paid	-217	-277
Interest income received	103	162

The accompanying notes are an integral part of these half-year accounts.

Notes to the Half-Year Accounts

Note 1 – Form, content and other general information

FORM AND CONTENT

Telecom Italia Finance S.A. (the "Parent") is established in Luxembourg as Société Anonyme under the laws of the Grand Duchy of Luxembourg. The registered office is located at 12, rue Eugéne Ruppert, Luxembourg. Parent and its subsidiaries are collectively referred to as the "Group".

The ultimate Parent of the Group is TIM S.p.A.

The Group through its Brazilian's subsidiaries is principally engaged in providing fixed-line and telephony services to the public. The Group is also involved in providing financial assistance and loans to the ultimate Parent of the Group and its subsidiaries.

The Half-Year Condensed Consolidated Financial Statements at June 30, 2018 of the Group were authorized for issue with a resolution of the Board of Directors on July 23, 2018.

The Half-Year Condensed Consolidated Financial Statements at June 30, 2018 have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board as endorsed by EU ("IFRS"). In particular, they have been prepared in accordance with IAS 34 (Interim Financial Reporting) and, as permitted by that standard, do not include all the information that would be required in annual financial statements; accordingly, these financial statements should be read together with the 2017 Telecom Italia Finance Group consolidated financial statements.

The Half-Year Condensed Consolidated Financial Statements at June 30, 2018 have been prepared on a going concern basis (for further details see Note "Accounting policies").

The Consolidated Financial Statements are expressed in euro (rounded to the nearest million, unless otherwise indicated).

FINANCIAL STATEMENT FORMATS

The financial statement formats adopted are consistent with those indicated in IAS 1. In particular:

- the Consolidated Statement of Financial Position has been prepared by classifying assets and liabilities according to "current and non-current" criterion;
- the Separate Consolidated Income Statement has been prepared by classifying operating expenses by nature of expense as this form of presentation is considered more appropriate and representative of the specific business of the Group, conforms to internal reporting and is in line with the Group's industrial sector.
- the Consolidated Statement of Comprehensive Income includes the profit or loss for the period as shown in the Separate Consolidated Income Statement and all other non-owner changes in equity;
- the Consolidated Statement of Cash Flows has been prepared by presenting cash flows from operating activities according to the "indirect method", as permitted by IAS 7 (Statement of Cash Flows).

Furthermore, according to IAS 1 (paragraphs 97 and 98), certain expense and income items that are material in terms of nature and amount are separately disclosed in the notes to the separate consolidated income statement. Specifically, such items include: income/expenses arising from the disposal of property, plant and equipment, business segments and investments; expenses resulting from corporate restructuring, reorganizations and other corporate transactions (mergers, spin-offs, etc.); expenses resulting from regulatory disputes and penalties and associated liabilities; other provisions for risks and charges and related reversals; and impairment losses on goodwill and/or other tangible and intangible assets.

SEGMENT REPORTING

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

In particular, the operating segments of the Group are organized according to the specific businesses.

The term operating segment is considered synonymous with Business Unit.
The operating segments of the Group are as follows:

- Telecommunications (or Brazil Business Unit): includes mobile (TIM Celular) and fixed (TIM Celular and TIM S.A.) telecommunications operations in Brazil;
- Other Operations: includes TI Finance, that provides financial assistance to TIM Group companies.

For these Business Units, the Group has identified Chief Operating Decision Makers (CODMs) within the directors for each segment.

Note 2 – Accounting policies

GOING CONCERN

The Half-Year Condensed Consolidated Financial Statements at June 30, 2017 have been prepared on a going concern basis as there is the reasonable expectation that the Group will continue its operational activities in the foreseeable future (and in any event with a time horizon of at least twelve months).
In particular, consideration has been given to the following factors:

- the main risks and uncertainties (that are for the most part of an external nature) to which the Group and the various activities of the Group are exposed:
  - macroeconomic changes in the European and the Brazilian market, as well as the volatility of financial markets in the Eurozone, also as a result of the “Brexit” referendum in the United Kingdom;
  - variations in business conditions, and fluctuations in the competitive environment;
  - changes to laws and regulations (price and rate variations or decisions that may affect the technological choices);
  - outcomes of legal disputes and proceedings with regulatory authorities, competitors and other parties;
  - financial risks (interest rate and/or exchange rate trends, changes in the Group's credit rating by rating agencies);
- the optimal mix between risk capital and debt capital;
- the policy for financial risk management (market risk, credit risk and liquidity risk) as described in the Note "Financial risk management" in the annual consolidated financial statements at December 31, 2017.

Management believes that, at this time, such factors do not raise substantial doubts as to the Group’s ability to continue as a going concern.

ACCOUNTING POLICIES AND PRINCIPLES OF CONSOLIDATION

The accounting policies and principles of consolidation adopted in the preparation of the Half-Year Condensed Consolidated Financial Statements at June 30, 2018 have been applied on a basis consistent with those used for the annual consolidated financial statements at December 31, 2017, to which reference should be made, except for:

- the adoption of new principles/interpretations, starting from January 1, 2018 and subsequently described;
- the changes required because of the nature of interim financial reporting.

Furthermore, in the Half-Year Condensed Consolidated Financial Statements at June 30, 2018, income taxes for the period of the individual consolidated companies are calculated according to the best possible estimate based on available information and on a reasonable forecast of performance up to the end of the tax period. Conventionally, the income tax liabilities (current and deferred) on the profit for the interim period of the individual consolidated companies are recorded net of advances and tax receivables (excluding receivables for which refunds have been requested) as well as deferred tax assets, and classified as an adjustment to "Deferred tax liabilities"; if the balance between deferred tax assets and deferred tax liabilities is an asset it is conventionally recognized in "Deferred tax assets".

USE OF ESTIMATES

The preparation of Half-Year Condensed Consolidated Financial Statements and related disclosure in conformity with IFRS requires management to make estimates and assumptions based also on subjective judgments, past experience and hypotheses considered reasonable and realistic in relation to the information known at the time of the estimate. Such estimates have an effect on the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the amount of revenues and costs during the period. Actual results could differ, even significantly, from those estimates owing to possible changes in the factors considered in the determination of such estimates. Estimates are reviewed periodically.
With regard to the most important accounting estimates, please refer to those illustrated in the annual consolidated financial statements at December 31, 2017.

NEW STANDARDS AND INTERPRETATIONS ENDORSED BY THE EU AND IN FORCE FROM JANUARY 1, 2018

As required by IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the following is a brief description of the IFRS in force as from January 1, 2018. Impacts derived from the adoption of IFRS 9 and IFRS 15 are described in the subsequent paragraph.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration
On March 28, 2018, the EU issued the Regulation EU n. 2018/519 that endorsed in the EU this Interpretation that provides guidance on how an entity should determine the date of a transaction and, as a result, the spot exchange rate to be used when there are foreign currency transactions in which the payment is made or received in advance.
The adoption of this interpretation did not impact the Half-Year Condensed Consolidated Financial Statements as of June 30, 2018.

Amendments to IFRS 2 – Share based Payment
On February 26, 2018 the EU issued the Regulation n. 2018/809 that endorsed some amendments to IFRS 2 – Share based Payment. The amendments deal with:

- the effects of “vesting conditions” on the measurement of cash-settled share based payment transactions: the amendment clarifies that such effects shall be accounted for consistently with equity-settled share-based payment transactions. In particular, it is clarified that the entity shall measure the liability related to such transactions at fair value (at the inception and at the end of each reporting period, until its settlement date). For the purposes of this measurement reference shall be done only to the market and non-vesting conditions excluding therefore service and non-market performance conditions;
- the accounting treatment for equity-settled share-based payment transactions for which the entity also acts on behalf of its employees in the settlement of their associated tax obligations;
- the accounting for changes to the terms and conditions of a share-based payment transaction that modify the classification of such transaction from “cash-settled” to “equity settled”.

The adoption of these amendments did not impact the Half-Year Condensed Consolidated Financial Statements as of June 30, 2018.

Improvements to IFRSs 2014–2016 Cycle
On February 7, 2018 the EU issued the Regulation n. 2018/182 that endorsed some amendments to IAS 28 – Investments in Associates and Joint Ventures. The amendments clarify that when an investment in an associate or a joint venture is held by an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investments in those associates and joint ventures at fair value through profit or loss instead of the equity method. An entity shall make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture. Such provision is also applicable to entities, other than investment entities, that held investments in associates or joint ventures that are investment entities. In this case for the application of the equity method the entity is allowed to retain the measurement at fair value used by the investment entity associate or joint venture for its subsidiaries.
The adoption of these amendments did not impact the Half-Year Condensed Consolidated Financial Statements as of June 30, 2018.

Amendments to IAS 40 - Transfers of Investment Property
On March 14, 2018 the EU issued the Regulation n. 2018/400 that endorsed some amendments to IAS 40 providing clarifications about changes in use that involve the transfer of a property to, or from, investment property.
The adoption of these amendments did not impact the Half-Year Condensed Consolidated Financial Statements as of June 30, 2018.

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, EU Regulation No. 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 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, the Group 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.

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 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 than in the previous business models; iii) which are purchased and sold repeatedly, even in very short periods of time.

Impairment of financial assets other than trade receivables follows the general model of 12-month expected credit losses or lifetime expected credit losses in case of significant increase in credit risk.

For the management of trade receivables, 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.

- 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. These receivables are measured at “fair value through other comprehensive income”.

Impairment on trade receivables and contract assets follows the simplified approach allowed by the stardard. According to this approach the loss allowance shall be measured at an amount equal to the lifetime expected credit losses for initial and subsequent recognition.

At the transition date (January 1, 2018), the Group 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, through other comprehensive income, also under IFRS 9. As of January 1, 2018, “other investments” are therefore measured at fair value through other comprehensive income (FVOCI). Only dividends from “other investments” are recognized through profit or loss, while all other gains and losses are recognized through other comprehensive income 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 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.

<u>IFRS 15 (Revenues from contracts with customers)</u>
On September 22, 2016, EU Regulation No. 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 EU Regulation No. 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 Group adopted IFRS15 retrospectively, with the cumulative effect of the initial application being recognized on the date of the initial application, or January 1, 2018. Accordingly, as provided for in this standard, the Group recorded the cumulative effect on the date of the initial application of the standard as an adjustment to the initial balance in the revenue reserve. In accordance with this transition method, the entity used this pronouncement retrospectively only for contracts that are still in force as of the date of the initial application.
Currently, the Group offers commercial packages that basically combine equipment or mobile devices to fixed or mobile telephony services, while the revenues from services are recognized separately, in accordance with their nature and based on their relevant fair values.

Identification of contracts
The Group performed a comprehensive review of the commercial offers in force, in order to identify the principal contractual clauses and other contractual elements that may be significant regarding the adoption of the new accounting standard.

Identification of performance obligations
Upon adoption and effectiveness of the contract, the Group assessed the goods or services that were contractually promised to the customer and identified the performance obligations based on the commitment made to customers regarding the transfer of the following items:

i. Distinct goods or services (or group of goods or services), or
ii. Distinct goods or services that are substantially the same, and that can be transferred to customers using the same transfer standards.

Goods or services promised to customers are deemed “distinct” when the following criteria are fulfilled:

a) Customers are able to benefit from the item or service, whether separately, or jointly with other resources that are readily available to them (that is, the good or service is able to be “distinct”); and
b) The Group promise to transfer the item or service to customers can be separated from other commitments undertaken in the contract (that is, the commitment to transfer the item or service is “distinct” within the context of the contract).

Upon reviewing its contracts, the Group verified the existence of basically two performance obligations: (i) sale and/or rent of equipment or mobile devices; and (ii) provision of fixed and/or mobile telephony, and broadband (Internet) services. Accordingly, the Group will recognize revenues when, or to the extent that, it satisfies the performance obligations by transferring the goods or services that were promised to the customer. An asset will be deemed as "transferred" when, or to the extent that, the customer obtains the control of the asset.

Determination and Allocation of price to performance obligation
The individual selling price was defined by the Group based on regulated prices; a price list that considers costs plus margin, and the individual sale price of the Group or the market; or the contract price, which would be similar to that provided for in contracts with similar characteristics.
Thus, the adoption of the new revenue standard, in some cases, resulted in the early recognition of revenues from sales of equipment and/or mobile devices, which are usually recognized upon transfer of control to the customer, basically due to the allocation of discounts across the performance obligations on the sale of plans that include services, plus equipment/devices. The difference between the book value of sales of the equipment and/or mobile devices, and the amount received from the customer will be recorded as a contractual asset and/or liability at the beginning of the contract. Revenues from telephony services, in turn, will be recognized in income at their book value, upon allocation of the transaction price, and to the extent that services are provided on a monthly basis.
Revenues from sales of devices to business partners are accounted for upon physical delivery to the partner, net of taxes, rather than upon sale to end customers, as the Group does not hold any control over the product sold.

Cost of obtaining the contract
In accordance with the standard, the entity must recognize in assets the incremental costs for obtaining the contract if the entity expects to recover such costs. Upon adoption of the new standard, the Group recognized, under "prepaid expenses", these amounts in assets and, subsequently, in income, in accordance with the transfer, to the customer, of the goods or services to which the asset refers. It should be highlighted that the Group already capitalized costs from obtaining of new agreements, in the corporate segment only, which were measured and registered net of any impairment adjustment, as required in CPC 04 and/or IAS 38, and that, with the adoption of IFRS 15/CPC 47 (Note 15.h), the Group management decided to reclassify the accumulated balances from the "intangible assets" account to the "prepaid expenses" account.

Impact of the adoption of IFRS 9 and IFRS 15
The impacts of the transition date of January 01, 2018 on the main line items of the statements of financial position are shown below.

(millions of euros)	31/12/2017 historical	Impacts of IFRS 9 and IFRS 15	01/01/2018 Restated
Assets			
Non-current assets			
Intangible assets			
Intangible assets with a finite useful life	2.456	-32	2.424
Other non-current assets			
Non-current financial assets	2.445	-	2.445
Miscellaneous receivables and other non-current assets	663	8	671
Deferred tax assets	-	-	-
Current assets			
Trade and miscellaneous receivables and other current assets	867	10	877
Current financial assets	3.657	-	3.657
TOTAL ASSETS	**13.932**	**-15**	**13.917**

(millions of euros)	31/12/2017 historical	Impacts of IFRS9 and IFRS15	01/01/2018 Restated
Equity and Liabilities			
Equity			
Equity attributable to Owners of the Parent	6.813	-11	6.802
Non-controlling interests	1.557	-5	1.552
Total Equity	**8.370**	**-16**	**8.354**
Non-current liabilities			
Miscellaneous payables and other non-current liabilities	310	1	**311**
Deferred tax liabilities	25	-8	17
Current liabilities			
Trade and miscellaneous payables and other current liabilities	1.428	8	1.436
Current income tax payables	53	-	53
TOTAL EQUITY AND LIABILITIES	**13.932**	**-15**	**13.917**

To enable the year-on-year comparison of the economic and financial performance for the second quarter of 2018, this Interim Report 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 second quarter of 2018 is shown below.

(millions of euros)	1st Quarter 2018	1st Quarter 2018 comparable	Impact new standards
Revenues	**2.001**	**2.007**	**-6**
Operating expenses	-1.372	-1.356	-16
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**701**	**723**	**-22**
Depreciation and amortization	-459	-479	20
Operating profit (loss) (EBIT)	**248**	**250**	**-2**
Finance income/(expenses)	-90	-	-
Profit (loss) before tax from continuing operations	**158**	**160**	**-2**
Income tax expense	-33	-33	-
Profit (loss) for the period	**125**	**127**	**-2**
Attributable to:			
Owners of the Parent	77	79	-2
Non-controlling interests	48	48	-

The breakdown of the impact of the new accounting standards on the main consolidated statements of financial position figures at June 30, 2018 is shown below.

(millions of euros)	1st Quarter 2018	1st Quarter 2018 comparable	Impact new standards
Assets			
Non-current assets			
Intangible assets	2.894	2.920	-26
Tangible assets	2.396	2.396	-
Other non-current assets	3.767	3.761	6
Total non-current assets	**9.057**	**9.077**	**-20**
Current assets	**3.518**	**3.514**	**4**
TOTAL ASSETS	**12.575**	**12.591**	**-16**

(millions of euros)	1st Quarter 2018	1st Quarter 2018 comparable	Impact new standards
Equity and Liabilities			
Equity			
Equity attributable to Owners of the Parent	6.395	6.404	-9
Non-controlling interests	1.397	1.402	-5
Total Equity	**7.792**	**7.806**	**-14**
Non-current liabilities	**3.000**	**3.007**	**-7**
Current liabilities	**1.783**	**1.778**	**5**
Total Liabilities	**4.783**	**4.785**	**-2**
TOTAL EQUITY AND LIABILITIES	**12.575**	**12.591**	**-16**

The principal adjustments arising from the new standard are as follows:

a. Costs from obtainment of contracts with customers, which are deferred over the period of the contract (from 12 to 24 months), net of any impairment adjustment.
b. Contractual assets recognized when the Group has complied with the performance obligation through the sale of equipment/devices or provision of services to the client before the client pays the consideration, or before the payment is due.
c. Reclassification to the "prepaid expenses" account of costs from obtainment of contracts that were formerly capitalized as intangible assets.
d. Contractual liabilities recognized when the client has paid the consideration or when the Group has the right to a consideration amount that is unconditional, before the Group has complied with the performance obligation, whether through the sale of equipment/devices or the provision of services to the client.
e. Increase in the provision for losses from doubtful debts and financial assets arising from the use of the new standard provided for by IFRS 9, in which the Group should recognize a provision for expected credit losses.
f. Tax impact on first-time adjustments for the new accounting standards.

NEW STANDARDS AND INTERPRETATIONS ISSUED BY IASB BUT NOT YET ENDORSED BY THE EU

At the date of preparation of these condensed consolidated financial statements, the following new standards and interpretations, which have not yet entered into force, had been issued by the IASB.

	Mandatory application starting from
New Standards and Interpretations endorsed by the EU	
IFRS 16 (Leases)	January 1, 2019
Amendments to IFRS 9: Prepayment features with negative compensation	January 1, 2019
New Standards and Interpretations not yet endorsed by the EU	
IFRIC 23 (Uncertainty over income tax treatments)	January 1, 2019
Amendments to IAS 28: Long-term interests in Investments in associates and joint ventures	January 1, 2019
Improvements to IFRSs (2015–2017 Cycle)	January 1, 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	January 1, 2019
Amendments to reference about "Conceptual Framework" in IFRS	January 1, 2020
IFRS 17: Insurance contracts	January 1, 2021

The impacts, if any, arising from their application on the consolidated financial statements are currently being assessed.
In particular, with reference to the adoption of IFRS 16, please note that specific projects at TIM Group level have been set and, therefore, a reliable estimate of the quantitative effects will only be possible when each project will be completed.

Note 3 – Scope of consolidation

INVESTMENTS IN CONSOLIDATED SUBSIDIARIES

Composition of the Group
The Group holds a majority of the voting rights in all the subsidiaries included in the scope of consolidation.
A complete list of consolidated subsidiaries is provided in the Note "List of companies of the Telecom Italia Finance Group".

Note 4 – Goodwill

Goodwill is only referred to Brazil Cash Generating unit ("CGU") and shows the following changes during the first six months of 2018:

(millions of euros)	31/12/2017	Increase	Decrease	Impairments	Exchange differences	30/06/2018
Brazil	972	-	-	-	-115	857

In accordance with IAS 36, goodwill is not subject to amortization, but it is tested for impairment at least annually or more frequently, whenever specific events or circumstances occur that may indicate an impairment.

At June 30, 2018, no external or internal events were identified giving reason to believe a new impairment test was required and amounts of goodwill allocated to the individual Cash Generating Units in the consolidated financial statements at December 31, 2017 were therefore confirmed.

Note 5 – Intangible assets with a finite useful life

All intangible assets with a finite useful life in the first six months of 2018 are referred to Brazil Business Unit.

(millions of euros)	01/01/2018	Adjustment for accounting principles	Additions	Depreciation and amortization	Disposals	Exchange differences	Capitalized borrowing costs	Other changes	30/06/2018
Industrial patents and intellectual property rights	945	-	53	-156	-	-110	-	85	817
Concessions, licenses, trademarks and similar rights	556	-	23	-41	-	-76	-	156	618
Other intangible assets with a finite useful life	35	-31	-	-1	-	-2	-	-	1
Work in progress and advance payments	920	-	4	-	-	-90	-	-233	601
Total	**2.456**	**-31**	**80**	**-198**	**-**	**-278**	**-**	**8**	**2.037**

Industrial patents and intellectual property rights at June 30, 2018 consisted mainly of application software purchased outright and user license rights of unlimited duration.

Concessions, licenses, trademarks and similar rights at June 30, 2018 related to the remaining cost of telephone licenses and similar rights.

Other intangible assets with a finite useful life at June 30, 2018 essentially decrease due to the adoption of IFRS 15. According to the new standard, the costs from obtainment of contracts, formerly capitalized as intangible assets, must be reclassified to the prepaid expenses account.

Work in progress and advance payments includes the user rights for the 700 MHz frequencies, acquired in 2014 by the TIM Brasil Group for a total of 2,9 billion Brazilian reais. Since the assets require a period of more than 12 months to be ready for use, again in 2018, borrowing costs of 21 million euros have been capitalized, as they are directly attributable to the acquisition. The yearly rate used for the capitalization of borrowing costs in Brazilian reais is 8,52%. Capitalized borrowing costs in Brazilian reais have been recorded as a direct reduction of the income statement item “Finance expenses - Interest expenses to banks”. During the second quarter 2018, an amount of 156 million euros was reclassified to the voice “Concessions, licenses, trademarks and similar rights”.

Note 6 – Tangible assets (owned and under finance leases)

All tangible assets (owned and under finance leases) in the first six months of 2018 are referred to Brazil Business Unit.

PROPERTY, PLANT AND EQUIPMENT OWNED

(millions of euros)	31/12/2017	Additions	Depreciation and amortization	Impairment (losses) / reversals	Disposals	Exchange differences	Other changes	30/06/2018
Land	**10**	-	-	-	-	-1	-	**9**
Buildings (civil and industrial)	**21**	-	-1	-	-	-2	-	**18**
Plant and equipment	**2.059**	285	-221	-	-	-245	-25	**1.853**
Other	**119**	7	-31	-	-1	-13	22	**103**
Construction in progress and advance payments	**213**	12	-	-	-	-25	-14	**186**
Total	**2.422**	**304**	**-253**	**-**	**-1**	**-287**	**-17**	**2.169**

Land comprises both built-up land and available land and is not subject to depreciation.

Buildings (civil and industrial) almost exclusively includes buildings for industrial use hosting telephone exchanges or for office use, and light constructions.

Plant and equipment includes the aggregate of all the structures used for the functioning of voice and data telephone traffic.

The item **Other** mainly consists of hardware for work stations, furniture and fixtures and, to a minimal extent, transport vehicles and office machines.

Construction in progress and advance payments refers to the internal and external costs incurred for the acquisition and internal production of tangible assets, which are not yet in use.

ASSETS HELD UNDER FINANCE LEASES

(millions of euros)	31/12/2017	Additions	Change in financial leasing contracts	Depreciation and amortization	Exchange differences	Other changes	30/06/2017
Plant and equipment leased	254	-	3	-7	-30	-	220
Other	5	-	4	-1	-1	-	7
Total	**259**	**-**	**7**	**-8**	**-30**	**-**	**227**

The item **Plant and equipment leased** includes the recognition of the value of the telecommunications towers sold by the TIM Brasil Group to American Tower do Brasil and subsequently repurchased in the form of finance lease.

Note 7 – Investments

INVESTMENTS IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associates accounted for using the equity method include: Itatel Group S.p.A., TI Audit Compliance Latam S.A. and Movenda S.p.A., but their contributions in the Consolidated Financial Statements is considered to be non material individually and in an aggregate form.

OTHER INVESTMENTS

(millions of euros)	30/06/2018	31/12/2017
TIM S.p.A.	80	91
Total	**80**	**91**

Note 8 – Financial assets (non-current and current)

Financial assets (non-current and current) were broken down as follows:

(millions of euros)	30/06/2018	31/12/2017
Non-current financial assets	**3.108**	**2.445**
Securities, financial receivables and other non-current financial assets	**3.108**	**2.445**
Securities other than investments	-	-
Financial receivables for lease contracts	37	42
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature	1	1
Non-hedging derivatives	554	591
Loans and receivables	2.516	1.811
Current financial assets	**2.520**	**3.657**
Securities other than investments	**773**	**738**
Fair value through profit or loss	229	-
Fair value through other comprehensive income	544	738
Financial receivables and other current financial assets	**150**	**195**
Hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature	-	-
Non-hedging derivatives	38	123
Loans and receivables	112	72
Cash and cash equivalents	**1.597**	**2.724**
Total non-current and current financial assets	**5.628**	**6.102**

Further details on Financial Instruments are provided in the Note "Supplementary disclosure on financial instruments".

Financial receivables for lease contracts refers to finance leases on rights of use (Brazil Business Unit).

Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature refers to the mark-to-market component of the hedging derivatives.

Non-hedging derivatives relating to items classified as current and non-current financial assets totaled 592 million euros (714 million euros at December 31, 2017). These include the measurement of derivatives which, although put into place for hedging purposes, do not possess the formal requisites to be considered as such under IFRS and derivatives put in place in the framework of the activity of centralizing all the banking exposures of the TIM Group (further details are provided in the Note "Derivatives").

Loans and receivables both in current and non-current financial assets amounts to 2.628 million euros (1.883 million euros at December 31, 2017) and refers to loans granted by the Parent to the ultimate Parent and other TIM Group companies. Regarding the loans granted to the ultimate Parent company, the credit risk is considered low based on the financial capability of TIM S.p.A.

Securities other than investments included in current assets relates to:

- listed securities, classified as FVTOCI - *Fair value through other comprehensive income*, due beyond three months. They consist of 194 million euros of treasury bonds and 350 million euros of bonds purchased by the Parent with different maturities, all with an active market and consequently readily convertible into cash. The above government bonds represent investments in "Sovereign debt securities".

- securities, classified as FVTPL - *Fair value through profit or loss,* due beyond three months. They are related to the investment made by the Brazil Business Unit for an equivalent value of 229 million euros in monetary funds.

Cash and cash equivalents:

(millions of euros)	30/06/2018	31/12/2017
Liquid assets with banks, financial institutions and post offices	1.359	1.980
Securities other than investments (due within 3 months)	238	744
Total	**1.597**	**2.724**

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

(millions of euros)	30/06/2018	31/12/2017
Liquid assets with banks, financial institutions and post offices	1.359	1.980
Securities other than investments (due within 3 months)	238	744
	1.597	**2.724**
Financial payables (due within 3 months)	-8	-7
Total	**1.589**	**2.717**

The different technical forms of investing available cash at June 30, 2018 can be analyzed as follows:

- maturities: all deposits have a maximum maturity date of three months;
- counterparty risk: deposits have been made with leading high-credit-quality banks and financial institutions with a rating of at least BBB- according to Standard & Poor's with regard to Europe, and with leading local counterparts with regard to investments in South America;
- country risk: deposits have been made mainly by the Parent company in major European financial markets.

Securities other than investments (due within 3 months) included 238 million euros (744 million euros at December 31, 2017) of Brazilian bank certificates of deposit (Certificado de Depósito Bancário) taken out by the Brazil Business Unit with premier local banking and financial institutions.

Note 9 – Trade and miscellaneous receivables and other current assets

(millions of euros)	30/06/2018	31/12/2017
Trade receivables	**597**	**648**
Receivables from customers	531	569
Receivables from other telecommunications operators	66	79
Miscellaneous receivables and other current assets	**312**	**219**
Other receivables	160	176
Trade and miscellaneous prepaid expenses	152	43
Total	**909**	**867**

As at June 30, 2018 **Trade receivables** related to the Brazil Business Unit amounted to 597 million euros (648 million euros at December 31, 2017) and are stated net of the provision for bad debts of 146 million euros (117 million euros at December 31, 2017).
The adoption of IFRS 9 principle (Financial Instruments) impacted the amount of provision for bad debts on trade receivables for 29 million euros, as a consequence of the implementation of an expected credit loss model instead of the incurred loss model required by IAS 39.

As at June 30, 2018 **Other receivables** amounted to 160 million euros (176 million euros at December 31, 2017) and did not include any provision for bad debts. Details are as follows:

(millions of euros)	30/06/2018	31/12/2017
Advances to suppliers	45	36
Receivables from employees	6	2
Tax receivables	87	111
Sundry receivables	22	27
Total	**160**	**176**

As at June 30, 2018 **Tax receivables** included 87 million euros (111 million euros at December 31, 2017) relating to the Brazil Business Unit, largely with reference to local indirect taxes.

Trade and miscellaneous prepaid expenses included:

- Prepaid expenses from customer contracts, that consisted of 32 million euros. This account derives from the application of IFRS 15 and includes costs from obtainment of contracts formerly capitalized as intangible assets.
- Other Prepaid expenses, that consisted of 120 million euros, mainly due to the deferral FISTEL costs related to contracts for the activation of telecommunications services (95 million euros).

Note 10 – Equity

As at June 30, 2018 and December 31, 2017 the authorized, issued and fully paid capital of 1.818.691.978,50 euros is represented by 185.960.325 ordinary shares with a nominal value of EUR 9,78 per share.
As at June 30, 2018 and December 31, 2017 the Parent is 100% held by TIM S.p.A.

Note 11 – Financial liabilities (non-current and current)

Non-current and current financial liabilities (gross financial debt) were broken down as follows:

(millions of euros)	30/06/2018	31/12/2017
Non-current financial liabilities	**2.573**	**2.936**
Financial payables (medium/long-term):	**1.737**	**2.018**
Bonds	1.012	1.012
Convertible bonds	-	-
Amounts due to banks	554	842
Other financial payables	171	164
Finance lease liabilities (medium/long-term)	**343**	**383**
Other financial liabilities (medium/long-term):	**493**	**535**
Non-hedging derivatives	493	535
Current financial liabilities	**659**	**687**
Financial payables (short-term):	**620**	**553**
Bonds	34	74
Convertible bonds	-	-
Amounts due to banks	570	462
Other financial payables	16	17
Finance lease liabilities (short-term)	**16**	**23**
Other financial liabilities (short-term):	**23**	**111**
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature	1	-
Non-hedging derivatives	22	111
Total financial liabilities (gross financial debt)	**3.232**	**3.623**

Further details on Financial Instruments are provided in the Note “Supplementary disclosure on financial instruments”.

The breakdown of gross financial debt by effective interest rate bracket, excluding the effect of any hedging instruments, is provided below:

(millions of euros)	30/06/2018	31/12/2017
Up to 2,5%	205	164
From 2,5% to 5%	278	682
From 5% to 7,5%	162	148
From 7,5% to 10%	1.661	1.490
Over 10%	345	388
Accruals/deferrals, MTM and derivatives	581	751
Total	**3.232**	**3.623**

Following the use of derivative hedging instruments, on the other hand, the gross financial debt by nominal interest rate bracket is:

(millions of euros)	30/06/2018	31/12/2017
Up to 2,5%	322	170
From 2,5% to 5%	196	190
From 5% to 7,5%	127	36
From 7,5% to 10%	1.661	1.475
Over 10%	345	1.001
Accruals/deferrals, MTM and derivatives	581	751
Total	**3.232**	**3.623**

The maturities of financial liabilities according to the expected nominal repayment amount, as defined by contract, are the following:

Details of the maturities of financial liabilities – at nominal repayment amount as at June 30, 2018

	maturing by 30/06 of the year						
(millions of euros)	2019	2020	2021	2022	2023	After 2024	Total
Bonds	-	-	-	-	-	1.015	1.015
Loans and other financial liabilities	26	105	50	-	587	218	986
Finance lease liabilities	-	2	-	-	314	70	386
Total	**26**	**107**	**50**	**0**	**901**	**1.303**	**2.387**
Current financial liabilities	310	-	-	-	-	-	310
Total	**336**	**107**	**50**	**0**	**901**	**1.303**	**2.697**

The following tables list the bonds issued by the Group and guaranteed by the ultimate Parent expressed at the nominal repayment amount, net of bond repurchases, and also at market value as at June 30, 2018:

Currency	Amount (millions)	Nominal repayment amount at 30/06/18 (millions of euros)	Coupon	Issue date	Maturity date	Issue price (%)	Market price at 30/06/18 (%)	Market value at 30/06/18 (millions of euros)
Bonds issued by Telecom Italia Finance and guaranteed by TIM S.p.A.								
Euro	1.015	1.015	7,750%	24/01/2003	24/01/2033	109,646[*]	138,019	1.401
Total		**1.015**						**1.401**

[*]Weighted average issue price for bonds issued with more than one tranche.

As at June 30, 2018 **Other financial payables** (medium/long-term) amounted to 171 million euros (164 million euros at December 31, 2017). They mainly included 155 million euros of Telecom Italia Finance loan of 20.000 million Japanese yens expiring in 2029.

Finance lease liabilities (medium/long-term) totaled 343 million euros at June 30, 2018 (383 million euros at December 31, 2017) and mainly related to property leases accounted for using the financial method established by IAS 17.

Non-hedging derivatives relating to items classified as current and non-current financial liabilities totaled 515 million euros (646 million euros at December 31, 2017). These include the measurement of derivatives which, although put into place for hedging purposes, do not possess the formal requisites to be considered as such under IFRS and derivatives put in place in the framework of the activity of centralizing all the banking exposures of the TIM Group (further details are provided in the Note “Derivatives”).

Note 12 – Net financial debt

The following table shows the net financial debt at June 30, 2018 and December 31, 2017, calculated in accordance with the criteria indicated in the "Recommendations for the Consistent Implementation of the European Commission Regulation on Prospectuses", issued on February 10, 2005 by the European Securities & Markets Authority (ESMA).
For the purpose of determining such figure, the amount of financial liabilities has been adjusted by the effect of the relative hedging derivatives recorded in assets and the receivables arising from financial subleasing.

(millions of euros)	30/06/2018	31/12/2017
Non-current financial liabilities	**2.573**	**2.936**
Current financial liabilities	**659**	**687**
Total gross financial debt	**3.232**	**3.623**
Non-current financial assets	**-38**	**-43**
Non-current financial receivables for lease contract	-37	-42
Non-current hedging derivatives	-1	-1
Current financial assets	**-2.520**	**-3.657**
Securities other than investments	-773	-738
Financial receivables and other current financial assets	-150	-195
Cash and cash equivalents	-1.597	-2.724
Net financial debt as per ESMA	**674**	**-77**
Non-current financial assets	**-3.070**	**-2.402**
Other Securities other than investments	-	-
Other financial receivables and other non-current financial assets	-3.070	-2.402
Net financial debt [*]	**-2.396**	**-2.479**

[*] For details of the effects of related party transactions on net financial debt, see the specific table in the Note "Related party transactions".

The following additional disclosures are provided in accordance with IAS 7.

(million euros)		Cash movements		Non-cash movements			
	31/12/2017	Receipts and/or issues	Payments and/or reimbursements	Differences exchange rates	Fair value changes	Other changes	30/06/2018
Financial payables (medium/long-term):	**2.442**	**-**	**- 279**	**- 96**	**-40**	**18**	**2.045**
Bonds	1.085	-	-	-	-40	-	1.045
Amounts due to banks	1.182	-	-279	-100	-	16	819
Other financial payables	175	-	-	4	-	2	181
of which short-term portion	*425*	*-*	*-279*	*-30*	*-40*	*234*	*310*
Finance lease liabilities (medium/long-term):	**406**	**-**	**-**	**-48**	**-**	**1**	**359**
of which short-term portion	*23*	*-*	*-*	*-2*		*-4*	*17*
Other financial liabilities (medium/long-term):	**646**	**-**	**-**	**-91**	**-39**	**-1**	**515**
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature	-	-	-	-	-	-	-
Non-hedging derivatives	646	-	-	-91	-39	-	516
of which short-term portion	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Financial payables (short-term):	**129**	**188**	**-6**	**-**	**-**	**-**	311
Amounts due to banks	122	188	-6	-	-	-	304
Other financial payables	7	-	-	-	-	-	7
Total financial liabilities (gross financial debt)	**3.623**	**188**	**- 285**	**- 235**	**- 79**	**- 19**	**3.230**
Positive hedging derivatives (current and non-current)	1	-	-	-	-	-	1
Positive non-hedging derivatives (current and non-current)	713	-	-	-81	-42	1	591
Total	**4.337**	**188**	**-285**	**-316**	**-121**	**-18**	**3.822**

Note 13 – Derivatives

The hedge accounting continues to be applied according to the requirements of IAS 39, instead of the requirements of IFRS 9, as allowed by the standard.
Derivative financial instruments are used by the Group to hedge its exposure to foreign exchange rate risk, to manage interest rate risk and to diversify the parameters of debt so that costs and volatility can be reduced to within predetermined operational limits.
Derivative financial instruments in place at June 30, 2018 are principally used to manage debt positions. They include interest rate swaps (IRSs) to reduce interest rate exposure on fixed-rate and variable-rate bank loans and bonds, as well as cross currency and interest rate swaps (CCIRSs), and currency forwards to convert the loans/receivables secured in currencies different from the functional currencies of the various Group companies.
IRS transactions, provide for or may entail, at specified maturity dates, the exchange of flows of interest, calculated on the notional amount, at the agreed fixed or variable rates.
The same also applies to CCIRS transactions which, in addition to the settlement of periodic interest flows, may provide for the exchange of principal, in the respective currencies of denomination, at maturity and possibly spot.

In carrying out its role of providing financial assistance to TIM Group companies, Telecom Italia Finance aggregates all the exposure with some banking counterparties in just one entity. As a consequence, the Group has derivative contracts signed with banks and analogous intercompany derivative contracts with other TIM Group companies for a notional amount of 2.999 million euros (3.588 at December 31, 2017).

The balance of asset and liability measurements of these contracts is equal to zero.

The following tables show the derivative financial instruments of the Group at June 30, 2018 and at December 31, 2017, by type:

Type (millions of euros)	Hedged risk	Notional amount at 30/06/2018	Notional amount at 31/12/2017	Spot Mark-to-Market (Clean Price) at 30/06/2018	Spot Mark-to-Market (Clean Price) at 31/12/2017
Cross Currency and Interest Rate Swaps [*]	Interest rate risk and currency exchange rate risk	139	139	1	1
Total Cash Flow Hedge Derivatives [**]		**139**	**139**	**1**	**1**
Total Non-Hedge Accounting Derivatives [***]		**3.349**	**3.941**	**64**	**63**
Total Telecom Italia Finance Group Derivatives		**3.488**	**4.080**	**65**	**64**

[*] For these instruments contracts no exchange of notional amounts has been agreed with the counterparties.
[**] On the liability expiring on 2029, derivatives are both accounted in CFH and non hedge; accordingly, although it is a single issue, the notional amount of derivatives is included in both the CFH and non hedging groupings.
[***] Telecom Italia Finance Group entered into some derivatives on other TIM Group companies request. Since TIF Group has a contract with an external counterparty and the opposite contract with an intercompany, the MTM exposure on these positions is neutral and there is no risk connected. The notional amounts are exposed for all these positions.

Note 14 – Supplementary disclosures on financial instruments

Measurement at fair value

The fair value measurement of the financial instruments of the Group is classified according to the three levels set out in IFRS 7. In particular, the fair value hierarchy introduces three levels of input:

- Level 1: quoted prices in active market;
- Level 2: prices calculated using observable market inputs;
- Level 3: prices calculated using inputs that are not based on observable market data.

The tables below provide additional information on the financial instruments, including the table relating to the hierarchy level for each class of financial asset/liability measured at fair value at June 30, 2018.

Key for IFRS 9 categories

	Acronym
Financial assets measured at:	
Amortized Cost	AC
Fair Value Through Other Comprehensive Income	FVTOCI
Fair Value Through Profit or Loss	FVTPL
Financial liabilities measured at:	
Amortized Cost	AC
Fair Value Through Profit or Loss	FVTPL
Hedge Derivatives	HD
Not applicable	n.a.

				Levels of hierarchy		
(millions of euros)	IFRS 9 Categories	Note	Value at 30/06/2018	Level1	Level2	Level3
ASSETS						
Non-current assets						
Other investments	FVTOCI	[7]	80	80	-	-
Securities, financial receivables and other non-current financial assets, of which:						
Securities other than investments	FVTOCI	[8]	-	-	-	-
Hedging derivatives	HD	[8]	1	-	1	-
Non-hedging derivatives	FVTPL	[8]	554	-	554	-
(a)			**635**	**80**	**555**	**0**
Current assets						
Securities other than investments, measured at:						
Fair value through Other Comprehensive Income	FVTOCI	[8]	544	544	-	-
Fair Value Through Profit or Loss	FVTPL	[8]	229	229	-	-
Financial receivables and other current financial assets, of which:						
Hedging derivatives	HD	[8]	-	-	-	-
Non-hedging derivatives	FVTPL	[8]	38	-	38	-
(b)			**811**	**773**	**38**	**0**
Total (a+b)			**1.446**	**853**	**593**	**0**
LIABILITIES						
Non-current liabilities						
of which:						
Hedging derivatives	HD	[11]	-	-	-	-
Non-hedging derivatives	FVTPL	[11]	493	-	493	-
(c)			**493**	**0**	**493**	**0**
Current liabilities						
of which:						
Hedging derivatives	HD	[11]	1	-	1	-
Non-hedging derivatives	FVTPL	[11]	22	-	22	-
(d)			**23**	**0**	**23**	**0**
Total (c+d)			**516**	**0**	**516**	**0**

Note 15 – Provisions

(millions of euros)	31/12/2017	Increase	Taken to income	Used directly	Exchange differences and other changes	30/06/2018
Provision for taxation and tax risks	**49**	18	-	-5	6	**68**
Provision for restoration costs	**5**	-	-	-	-1	**5**
Provision for legal disputes	**88**	44	-	-34	-11	**87**
Other provisions	**2**	-	-	-	-	**2**
Total	**143**	**62**	**-**	**-39**	**-6**	**162**
of which:						
non-current portion	**122**	60	-	-40	-4	**138**
current portion	**22**	2	-	-	-2	**22**

Provision for taxation and tax risks. The figure at June 30, 2018 are mainly related to companies in the Brazil Business Unit (63 million euros *vs.* 46 million euros at December 31, 2017).

Provision for restoration costs relates to the provision for the estimated cost of dismantling tangible assets – in particular: batteries, wooden poles and equipment – and for the restoration of the sites used for mobile telephony by companies belonging to the Brazil Business Unit (5 million euros at June 30, 2018 *vs.* 5 million euros December 31, 2017).

Provision for legal disputes includes the provision for litigation with employees, social security entities, regulatory authorities and other counterparties and refers to the Brazil Business Unit.

Note 16 – Trade and miscellaneous payables and other current liabilities

(millions of euros)	30/06/2018	31/12/2017
Trade payables	**815**	**1.109**
Payables to suppliers	783	1.044
Payables to other telecommunication operators	32	65
Tax payables	**91**	**87**
Miscellaneous payables and other current liabilities	**201**	**232**
Payables for employee compensation	40	51
Payables to social security agencies	13	12
Trade and miscellaneous deferred income	20	23
Advances received	1	1
Customer-related items	-	98
Payables for TLC operating fee	4	5
Dividends approved, but not yet paid to shareholders	24	19
Other current liabilities	1	1
Provisions for risks and charges for the current portion expected to be settled within 1 year	22	22
Current contract liabilities	76	-
Total	**1.107**	**1.428**

Trade payables amounting to 815 million euros as at June 30, 2018 (1.109 million euros at December 31, 2017) are referred to the Brazil Business Unit.

Tax payables amounting to 91 million euros as at June 30, 2018 are referred to the Brazil Business Unit (87 million euros at December 31, 2017).

Miscellaneous payables and other current liabilities includes Current contract liabilities, derived from the application of IFRS 15 and recognized when the client has paid the consideration or when the Company has the right to a consideration amount that is unconditional, before the Company has complied with the performance obligation, whether through the sale of equipment/devices or the provision of services to the client.

Note 17 – Contingent liabilities, other information, commitments and guarantees

SIGNIFICANT DISPUTES AND PENDING LEGAL ACTIONS

International tax and regulatory disputes

As of June 30, 2018, the companies forming the Brazil Business Unit were involved in tax or regulatory disputes that the Group expects to lose for a total of around 15,8 billion reais (14,5 billion reais as of December 31, 2017). The main types of dispute are listed below, classified according to the tax to which they refer.

Brazil – Federal taxes
On 22 March 2011 TIM Celular was served notice of a tax assessment issued by the Federal Tax Authorities of Brazil for a total sum of 1.265 million reais as of the date of the notification, including fines and interest, as a result of the completion of a tax investigation of financial years 2006, 2007, 2008 and 2009 for the companies TIM Nordeste Telecomunicações S.A. and TIM Nordeste S.A (previously called Maxitel), companies which have been progressively incorporated into TIM Celular with the aim of rationalising the corporate structure in Brazil.
The assessment notice includes various adjustments; the main challenges may be summarised as follows:

- non-recognition of the fiscal effects of the merger of TIM Nordeste Telecomunicações S.A. and Maxitel S.A.;
- non-recognition of the tax-deductibility of the write-down of goodwill relating to the purchase of Tele Nordeste Celular Participações S.A. (“TNC”).
- non-recognition of certain tax offsets;
- denial of the SUDENE regional tax benefit, due to alleged irregularities in the management and reporting of the benefit itself.

The adjustments included in the assessment notice were disputed by TIM Celular, in administrative court, with the filing of its first objections on 20 April 2011. On 20 April 2012, TIM Celular received notification of the decision of the administrative court of first instance which confirmed the findings set out in the assessment notice; TIM Celular promptly filed an appeal against this decision on 21 May 2012.
The Company, as confirmed by fitting legal opinions, believes it is unlikely that the company could suffer any negative consequences in relation to these matters.
Still in relation to the federal level of taxation, the following additional disputes should also be noted:

- challenges regarding offsetting against previous tax losses;
- further challenges regarding the tax deductibility of the amortisation of goodwill;
- imposition of income tax on certain types of exchange rate differences;
- imposition of withholding taxes on certain types of payments to foreign entities (for example, payments for international roaming);
- further challenges regarding offsets made between the tax liabilities and deferred tax assets of the group companies.

Overall, the risk for these cases, considered to be possible, amounts to 4 billion reais (3,7 billion reais at December 31, 2017).

Brazil - State taxes
Within the scope of the state levy, there are numerous challenges regarding ICMS, and in particular:

- challenges concerning the reduction of the tax base due to discounts granted to customers, as well as challenges regarding the use of tax credits declared by group companies, with respect to the return of loaned telephone devices, and following the detection of contract frauds to the detriment of the companies;
- subjection of some fees owed to group companies and classified by them as fees for services other than telecommunications to ICMS;
- challenges over the use of the "PRO-DF" tax benefit originally granted by some States, and subsequently declared unconstitutional (the challenge refers to the actual credit due to ICMS, declared by the TIM Cellular on the basis of the aforementioned tax benefits);
- challenges relating to the use of ICMS credits claimed by Group Companies as a result of the acquisition of tangible assets, and in relation to the supply of electricity to the Companies, as well as in application of the provisions on acting as a withholding agent;
- fines imposed on group companies for irregularities in tax return compliance.

In February 2018 the State of São Paulo notified two tax assessments of ICMS to TIM Celular, for a total amount of 679 million reais (at the date of the assessment, including fines and interest). The first assessment (344 million reais) regarded a challenge of ICMS credits in relation to acting as a withholding agent, applicable when equipment is bought and distributed in different States. The second assessment (335 million reais) challenged ICMS credits deriving from the "special credit" recognised by the Company to its pre-paid customers, against subsequent top-ups.

In June 2018 the State of of São Paulo notified another assessment of ICMS to TIM Celular for a total amount of 369 million reais (at the date of the assessment, including fines and interest). Again, the assessment regards, among others, ICMS credits deriving from the "special credit" recognised by the Company to its pre-paid customers, against subsequent top-ups.
The Company decided to pay a small portion of the amount required, thus the litigation proceed for the residual amount of 296 million reais.
Overall, the risk for these cases, considered to be possible, amounts to 8,4 billion reais (7,4 billion reais at December 31, 2017).

Brazil – FUST and FUNTTEL
The main challenges about contributions to the regulatory body (Anatel), and in particular in terms of FUST and FUNTTEL, concern whether or not interconnection revenues should be subject to these contributions.
Overall, the risk for these cases, considered possible, totals 2,7 billion reais unchanged from 31 December 31, 2017.

Brazil – CAM JVCO Arbitration and Opportunity Arbitration

It should be noted that for these disputes on the basis of the information available at the closing date of this Interim Management Report and with particular reference to the complexity of the proceedings, to their progress, and to elements of uncertainty of a technical-trial nature, it was not possible to make a reliable estimate of the size and/or times of the payments due, if any. Nonetheless, no significant facts have emerged for these disputes with respect to the information published in the 2017 Annual Report.

COMMITMENTS AND GUARANTEES

TIM S.p.A. has provided to the Group the following guarantees:

(millions of euros)	30/06/2018	31/12/2017
Guarantee on bonds issued by the Group	1.170	1.163
Guarantee on derivatives financial instruments	188	204
Total	**1.358**	**1.367**

There are also surety bonds on the telecommunication services in Brazil for 371 million euros.

The Group has provided to Telecom Italia Capital (related party) a guarantee covering the full amount of a credit line amounting to 250 million euros, which represents the maximum credit risk exposure relating to this financial guarantee contract.

As of June 2018, the Company has investments in repurchase agreements (“Repo”) on bonds for a total value of EUR 150.000.000,00 expiring on July 2018.

ASSETS PLEDGED TO GUARANTEE FINANCIAL LIABILITIES

The contracts for low-rate loans granted by the Brazilian development bank BNDES (Banco Nacional de Desenvolvimento Econômico e Social) to TIM Celular for a total equivalent amount of 716 million euros are covered by specific covenants. In the event of non-compliance with the covenant obligations, BNDES will have a right to the receipts which transit on the bank accounts of the company.

Note 18 – Finance income and expenses

FINANCE INCOME

(millions of euros)	1st Half 2018	1st Half 2017
Interest income and other finance income	**179**	**350**
Income from financial receivables, recorded in non-current assets	42	49
Income from securities other than investments, recorded in non-current assets	2	4
Income from securities other than investments, recorded in current assets	2	3
Income other than the above:		
Interest income	27	74
Exchange gains	19	116
Reversal of the Reserve for cash flow hedge derivatives to the income statement (interest rate component)	1	1
Income from non-hedging derivatives	83	97
Miscellaneous finance income	3	6
Positive fair value adjustments to non-hedging derivatives	**166**	**109**
Positive adjustments and reversal for impairment on financial assets	**5**	**-**
Total	**350**	**459**

FINANCE EXPENSES

(millions of euros)	1st Half 2018	1st Half 2017
Interest expenses and other finance expenses	**276**	**390**
Interest expenses and other costs relating to bonds	3	8
Interest expenses to banks	15	28
Interest expenses to others	77	94
Expenses other than the above:		
Commissions	7	9
Exchange losses	35	96
Reversal of the Reserve for cash flow hedge derivatives to the income statement (interest rate component)		1
Charges from non-hedging derivatives	81	103
Miscellaneous finance expenses	58	51
Negative fair value adjustments to non-hedging derivatives	155	137
Negative adjustments for impairment on financial assets	9	-
Total	**440**	**527**

For greater clarity of presentation, the net effects relating to derivative financial instruments are summarized in the following table:

(millions of euros)	1st Half 2018	1st Half 2017
Exchange gains	19	116
Exchange losses	-35	-96
Net exchange gains and losses	**-16**	**20**
Positive effect of the reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)	1	1
Negative effect of the reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)	-	-1
Net effect of the Reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)	**-**	**0**
Income from non-hedging derivatives	83	91
Charges from non-hedging derivatives	-81	-119
Net result from non-hedging derivatives	**2**	**-28**
Net result from derivatives	**2**	**-28**
Positive fair value to non-hedging derivatives	166	109
Negative fair value adjustments to non-hedging derivatives	-155	-137
Net fair value adjustments to non-hedging derivatives	**10**	**-28**

Note 19 – Segment reporting

SEGMENT REPORTING

Segment reporting is based on the following operating segments:

- Telecommunications (Brazil)
- Other Operations

Separate Consolidated Income Statements by Operating Segment

(millions of euros)	Brazil		Other Operations		Consolidated Total	
	1st Half 2018	1st Half 2017	1st Half 2017	1st Half 2017	1st Half 2018	1st Half 2017
Third-party revenues	2.001	2.293	-	-	2.001	2.293
Revenues by operating segment	**2.001**	**2.293**	**-**	**-**	**2.001**	**2.293**
Other income	12	18	-	-	12	18
Total operating revenues and other income	**2.013**	**2.311**	**-**	**-**	**2.013**	**2.311**
Acquisition of goods and services	-971	-1.169	-1	-1	-972	-1.170
Employee benefits expenses	-154	-178	-1	-1	-155	-179
Other operating expenses	-243	-262	-2	-2	-245	-264
of which: write-downs and expenses in connection with credit management and provision charges	*-91*	*-86*	-	-	*-91*	*-86*
Change in inventories	12	5	-	-	12	5
Internally generated assets	48	55	-	-	48	55
EBITDA	**705**	**762**	**-4**	**-4**	**701**	**758**
Depreciation and amortization	-459	-575	-	-	-459	-575
Gains/(losses) on disposals of non-current assets	6	7	-	-	6	7
Impairment reversals (losses) on non-current assets	-	-	-	-	-	-
EBIT	**252**	**194**	**-4**	**-4**	**248**	**190**
Other income (expenses) from investments					-	-24
Finance income					350	459
Finance expenses					-440	-527
Profit (loss) before tax					**158**	**98**
Income tax expense					-33	-26
Profit (loss) for the period					**125**	**72**
Attributable to:						
Owners of the Parent					77	44
Non-controlling interests					48	28

Revenues by operating segment

The revenues only relate to the Brazil Business Unit.

Purchase of intangible and tangible assets by operating segment

Purchase of intangible and tangible assets only relates to the Brazil Business Unit.

Assets and liabilities by Operating Segment

(millions of euros)	Brazil		Other Operations		Consolidated Total	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017	30/06/2018	31/12/2017
Non-current operating assets	5.868	6.769	1	1	5.869	6.770
Current operating assets	889	898	26	1	915	899
Total operating assets	**6.757**	**7.667**	**27**	**2**	**6.784**	**7.669**
Unallocated assets	-	-	-	-	5.791	6.263
Total Assets					**12.575**	**13.932**
Total operating liabilities	**1.504**	**1.855**	**7**	**6**	**1.511**	**1.861**
Unallocated assets					3.272	3.702
Equity					7.792	8.369
Total Equity and Liabilities					**12.575**	**13.932**

Note 20 – Related party transactions

The following tables show the figures relating to related party transactions and the impact of those amounts on the Separate Consolidated Income Statement and Consolidated Statement of Financial Position.

Related party transactions, when not dictated by specific laws, were conducted at arm's length.

The effects on the individual line items of the Group's Separate Consolidated Income Statements for the half-years 2018 and 2017 are as follows:

Separate Consolidated Income Statement line items 1st Half 2018

(millions of euros)		Related Parties					
	Total	Associates, companies controlled by associates and joint ventures	Other related parties	Pension funds	Key managers	Total related parties	% of financial statement item
Revenues	**2.001**	-	1	-	-	1	0,0
Acquisition of goods and services	**2.013**	-	54	-	-	54	2,7
Employee benefits expenses	**154**	-	0	3	1	3	1,9
Finance income	**350**	-	199	-	-	199	56,9
Finance expenses	**440**	-	78	-	-	78	17,7

Separate Consolidated Income Statement line items 1st Half 2017

(millions of euros)		Related Parties					
	Total	Associates, companies controlled by associates and joint ventures	Other related parties	Pension funds	Key managers	Total related parties	% of financial statement item
Revenues	**2.293**	-	61	-	-	61	2,7
Acquisition of goods and services	**1.170**	-	63	-	-	63	5,4
Employee benefits expenses	**179**	-	-	2	-	2	1,1
Other operating expenses	**264**	-	1	-	-	1	0,4
Other income (expenses) from investments	**-24**	-	-6	-	-	-6	25,0
Finance income	**459**	-	195	-	-	195	42,5
Finance expenses	**527**	-	66	-	-	66	12,5

The effects on the individual line items of the consolidated statements of financial position at June 30, 2018 and December 31, 2017 are as follows:

Consolidated Statement of Financial Position line items at 30/06/2018

(millions of euros)	Total	Associates, companies controlled by associates and joint ventures	Other related parties	Pension funds	Total related parties	% of financial statement item
Net financial debt	**-2.396**	**-**	**-2.632**	**-**	**-2.632**	**109,8**
Non-current financial assets	**-3.108**	**-**	**-2.750**	**-**	**-2.750**	**88,5**
Current financial assets	**-2.520**	**-**	**-212**	**-**	**-212**	**8,4**
Securities other than investments (current assets)	**-773**	-	-	-	0	0,0
Financial receivables and other current financial assets	**-150**	-	-122	-	-122	81,3
Cash and cash equivalents	**-1.597**	-	-90	-	-90	5,6
Non-current financial liabilities	**2.573**	**-**	**312**	**-**	**312**	**12,1**
Current financial liabilities	**659**	**-**	**18**	**-**	**18**	**2,7**
Other statement of financial position line items						
Trade and miscellaneous receivables and other current assets	**876**	-	14	-	14	1,6
Trade and miscellaneous payables and other current liabilities	**1.031**	0	22	1	23	2,2

Consolidated Statement of Financial Position line items at 31/12/2017

(millions of euros)	Total	Associates, companies controlled by associates and joint ventures	Other related parties	Pension funds	Total related parties	% of financial statement item
Net financial debt	**-2.479**	**-**	**-1.802**	**-**	**-1.802**	**72,7**
Non-current financial assets	**-2.445**	**-**	**-2.067**	**-**	**-2.067**	**84,5**
Current financial assets	**-3.657**	**-**	**-170**	**-**	**-170**	**4,6**
Securities other than investments (current assets)	**-738**	-	-15	-	-15	2,0
Financial receivables and other current financial assets	**-195**	-	-80	-	-80	41,0
Cash and cash equivalents	**-2.724**	-	-75	-	-75	2,8
Non-current financial liabilities	**2.936**	**-**	**329**	**-**	**329**	**11,2**
Current financial liabilities	**687**	**-**	**106**	**-**	**106**	**15,4**
Other statement of financial position line items						
Trade and miscellaneous receivables and other current assets	**867**	-	30	-	30	3,5
Trade and miscellaneous payables and other current liabilities	**1.428**	-	23	-	23	1,6

TRANSACTIONS WITH PENSION FUNDS

The most significant amounts are summarized as follows:

Separate Consolidated Income Statement line items

(millions of euros)	1st Half 2018	1st Half 2017	Type of contract
Other pension funds	3	2	Contributions to pension funds
Total employee benefits expenses	**3**	**2**	

Consolidated Statement of Financial Position line items

(millions of euros)	30/06/2018	31/12/2017	Type of contract
Other pension funds	1	-3	Payables for contributions to pension funds
Total trade and miscellaneous payables and other current liabilities	**1**	**-3**	

REMUNERATION TO KEY MANAGERS

The remuneration to key managers in first Half 2018 amounted to 1 million euros (1 million euros in the same period of 2017).

Note 21 – Equity compensation plans

The equity compensation plans in force at June 30, 2018 are used for retention purposes and as a long-term incentive for the managers and employees of the Group.
A summary is provided below of the plans in place at June 30, 2018.

DESCRIPTION OF STOCK OPTION PLANS

TIM Participações S.A. Stock Option Plan

For a description of the Tim Participações S.A. 2011-2013 Stock Option Plan already in place at December 31, 2017, see the consolidated financial statements of the Group at that date.

• 2014-2016 Plan
On April 10, 2014, the General Meeting of Shareholders of TIM Participações S.A. approved the long-term incentive plan for managers in key positions in the company and its subsidiaries.
Exercise of the options is not subject to the achievement of specific performance targets, but the exercise price is adjusted upwards or downwards according to the performance of the TIM Participações S.A. shares in a ranking of Total Shareholder Return, in which companies in the Telecommunications, Information Technology and Media industry are compared during each year of validity of the plan. If the performance of the TIM Participações S.A. shares, in the 30 days prior to September 29 of each year, is in last place in that ranking, the participant loses the right to 25% of the options vesting at that time.
The vesting period is 3 years (a third per year), the options are valid for 6 years, and the company does not have the legal obligation to repurchase or liquidate the options in cash, or in any other form.

- Year 2014
  On September 29, 2014, the grantees of the options were granted the right to purchase a total of 1.687.686 shares.
  At June 30, 2018, 100% of the options were considered vested, whereas 1.028.966 have been erased following the exit of grantees from the Group. Considering the residual amount of 658.720 options, at June 30, 2018, 27.424 options were exercised and 631.296 were exercisable.

- Year 2015
  On October 16, 2015, the grantees of the options were granted the right to purchase a total of 3.355.229 shares.
  At June 30, 2018, 2/3 of the options were considered vested, whereas 1.312.145 have been erased following the exit of grantees from the Group. Considering the residual amount of 2.043.084 options, at June 30, 2018, 1.286.100 options were exercised and 756.984 were exercisable.

- Year 2016
  On November 8, 2016, the grantees of the options were granted the right to purchase a total of 3.922.204 shares.
  At June 30, 2018, 1/3 of the options were considered vested, whereas 367.890 have been erased following the exit of grantees from the Group. Considering the residual amount of 3.554.313 options, at June 30, 2018, 1.136.445 options were exercised and 2.417.869 were exercisable.

• 2018-2020 Plan
On April 19, 2018, the General Meeting of Shareholders of TIM Participações S.A. approved the long-term incentive plan for managers in key positions in the company and its subsidiaries.
The 2018-2020 Plan proposes compensating the participants by issuing Company shares, subject to certain time and/or performance conditions (attainment of specific targets). In addition, besides allowing for the transfer of shares, the plan also provides for the possibility of making the payment to the participants of the equivalent in cash value. The vesting period is 3 years (a third per year), the options are valid for 6 years and the company does not have the legal obligation to repurchase or liquidate the options in cash, or in any other form.

- Year 2018
  On April 20, 2018, the grantees of the options were granted the right to purchase a total of 849.932 shares.
  At June 30, 2018, the first vesting period is still open .

Note 22 – Other information

EXCHANGE RATE USED TO TRANSLATE THE FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

	Period-end exchange rates (statements of financial position)		Average exchange rates for the period (income statements and statements of cash flows)	
Local currency against 1 EUR	30/06/2018	31/12/2017	1st Half 2018	1st Half 2017
ARS (Argentine peso)	32,7048	22,93100	25,98615	17,00284
BRL (Brazilian real)	4,49509	3,96728	4,14011	3,44195
CHF (Swiss franc)	1,1569	1,17020	1,17008	1,07656
GBP (Pound sterling)	0,88605	0,88723	0,87975	0,86027
JPY (Japan Yen)	129,04	135,01000	131,62885	121,69146
USD (U.S. dollar)	1,1658	1,19930	1,21058	1,08279

RESEARCH AND DEVELOPMENT

Expenditures for research and development activities are represented by external costs, labour costs of dedicated staff and depreciation and amortization. Details are as follows:

(millions of euros)	1st Half 2018	1st Half 2017
Development costs capitalized	13	14
Total research and development costs (expensed and capitalized)	**13**	**14**

Note 23 – Events subsequent to June 30, 2018

No event after the closing has a material impact on the financials herein reported.

Note 24 – List of companies of the Telecom Italia Finance Group

Company name	Head office	Currency	Share Capital	% Ownership	% of voting	Held by
PARENT COMPANY						
Telecom Italia Finance	Luxembourg	EUR				
SUBSIDIARIES CONSOLIDATED LINE-BY-LINE						
Brazil Business Unit						
• TIM Brasil Serviços & Partecipações S.A.	Rio de Janeiro	BRL	7.169.029.859	99,9999 0,0001		Telecom Italia Finance TIM S.p.A.
• TIM Participações S.A.	Rio de Janeiro	BRL	9.913.414.422	66,5819 0,0264		TIM Brasil Serviços & Partecipações S.A. TIM Participações S.A.
• TIM Celular S.A.	Sao Paulo	BRL	9.434.215.720	100,0000		TIM Participações S.A.
• TIM S.A.	Rio de Janeiro	BRL	4.041.956.045	99,9999 0,0001		TIM Participações S.A. TIM Celular S.A.
ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD						
Italtel Group S.p.A.	Settimo Milanese	EUR	825.695	34,6845	19,3733	Telecom Italia Finance
Movenda S.p.A.	Roma	EUR	133.333	24,9998		Telecom Italia Finance
TI Audit Compliance Latam S.A. (in liquidation)	Rio de Janeiro	BRL	1.500.000	69,9996 30,0004		TIM S.p.A. TIM Brasil Serviços & Partecipações S.A.
OTHER RELEVANT SHAREHOLDERS						
TIM S.p.A.	Milano	EUR	11.677.002.855	0,5900		Telecom Italia Finance

Certification of the Consolidated Financial Statements pursuant to Luxembourg Transparency Law

Pursuant to paragraph 4 of Luxembourg's Transparency Law, the undersigned Adriano Trapletti, Managing Director of the Company, to the best of his knowledge, hereby declares that the above interim financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and that the management report includes an indication of important events that have occurred during the first six months of the financial year, and their impact on the financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

Biagio Murciano
Managing Director