TIM S.p.A.
Form 6-K
November 24, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15D-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

FOR THE MONTH OF NOVEMBER 2017

TIM S.p.A.

A company directed and coordinated by Vivendi S.A.

(Translation of registrant s name into English)

Via Gaetano Negri 1

20123 Milan, Italy

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

FORM 20-F FORM 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

YES NO

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

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INTERIM MANAGEMENT REPORT AT SEPTEMBER 30, 2017

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On July 27, 2017, the Board of Directors of TIM S.p.A. acknowledged the start of the direction and coordination by Vivendi S.A..

On September 13, 2017, Consob communicated that it considered that Vivendi exercises *de facto* control over TIM pursuant to Article 2359 of the Italian Civil Code and pursuant to Article 93 of the Consolidated Law on Finance, as well as the related party rules .

The Interim Management Report has therefore been prepared in accordance with the relevant provisions, indicating Vivendi S.A. as the Controlling Entity and TIM S.p.A. as the company subject to direction and coordination.

This document has been translated into English for the convenience of the readers.

In the event of discrepancy, the Italian language version prevails.

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THE TIM GROUP

THE BUSINESS UNITS

DOMESTIC

The **Domestic Business Unit** operates as the consolidated market leader in the sphere of voice and data services on fixed and mobile networks for final retail customers and other wholesale operators.

In the international field, the Business Unit develops fiber optic networks for wholesale customers (in Europe, in the Mediterranean and in South America).

Olivetti, which is now part of the Business segment of Core Domestic, operates in the area of office products and services for Information Technology.

INWIT S.p.A. operates in the electronic communications infrastructure sector, specifically relating to infrastructure for housing radio transmission equipment for mobile telephone networks, both for TIM and other operators.

CORE DOMESTIC

- Consumer
- Business
- Wholesale
- Other (INWIT S.p.A. and support structures)

INTERNATIONAL WHOLESALE

Telecom Italia Sparkle Group

- Telecom Italia Sparkle S.p.A.
- South American subsidiaries
- North American subsidiaries

European subsidiaries

BRAZIL

The **Brazil Business Unit (Tim Brasil group)** provides mobile telephone services using UMTS, GSM and LTE technologies. Moreover, with the acquisitions and subsequent integrations into the group of Intelig Telecomunicações (now TIM S.A.), 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. (formerly Intelig Telecom. Ltda)

Tim Celular S.A.

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BOARD OF DIRECTORS

Chairman	Arnaud Roy de Puyfontaine
Deputy Chairman	Giuseppe Recchi
Chief Executive Officer and General Manager	Amos Genish
Directors	Camilla Antonini (independent)
	Franco Bernabè (independent)
	Ferruccio Borsani (independent)
	Lucia Calvosa (independent)
	Francesca Cornelli (independent)
	Frédéric Crépin
	Dario Frigerio (independent)
	Félicité Herzog (independent)
	Anna Jones (independent)
	Marella Moretti (independent)
	Hervé Philippe
	Danilo Vivarelli (independent)
Secretary to the Board	Agostino Nuzzolo

BOARD OF STATUTORY AUDITORS

Chairman	Roberto Capone
Acting Auditors	Vincenzo Cariello Gabriella Chersicla Gianluca Ponzellini Ugo Rock
Alternate Auditors	Francesco Di Carlo

Piera Vitali
Riccardo Schioppo

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HIGHLIGHTS - FIRST NINE MONTHS OF 2017

In terms of economic and financial performance for the first nine months of 2017:

Consolidated revenues amounted to 14.7 billion euros, up 5.3% on the first nine months of 2016 (+2.7% in organic terms). The figure for the third quarter of 2017 was up 1.3% (+1.8% in organic terms).

EBITDA amounted to 6.2 billion euros, up 5.7% on the first nine months of 2016 (+3.8% in organic terms). The organic EBITDA margin stood at 42.3%, up 0.4 percentage points on the first nine months of 2016. EBITDA for the first nine months of 2017 was pulled lower by a total of 222 million euros in non-recurring expenses (155 million euros in the first nine months of 2016, at constant exchange rates), without which the organic change in EBITDA would have been +4.8%, with an EBITDA margin of 43.8%, up 0.8 percentage points compared to the first nine months of 2016.
EBITDA for the third quarter of 2017 amounted to 2 billion euros, down 2.5% on the third quarter of 2016. In organic terms, and without the impact of the above-mentioned non-recurring expenses, the change would have been an increase of 0.7%.

Operating profit (EBIT) came to 2.8 billion euros, up 2.4% on the first nine months of 2016 (+1.5% in organic terms), pulled down by non-recurring net expenses of 252 million euros (144 million euros in the first nine months of 2016, at constant exchange rates), without which the organic change in EBIT would have been +5.1%.
EBIT for the third quarter of 2017 amounted to around 1 billion euros, down 10.9% on the third quarter of 2016. In organic terms and without non-recurring net expenses, the decrease from the third quarter of 2016 would have been -2.1%.

The **Profit for the period attributable to Owners of the Parent** amounted to 1 billion euros (1.5 billion euros in the first nine months of 2016). On a like-for-like basis i.e. without including the impact of non-recurring net expenses and, in the first nine months of 2016, the positive impact of the fair value measurement of the embedded option in the mandatory convertible bond converted into TIM shares at the end of 2016 the profit for the first nine months of 2017 would have been almost 100 million euros higher than the figure for the same period of 2016.

Capital expenditures for the first nine months of 2017 amounted to 3,881 million euros (3,107 million euros in the first nine months of 2016) and included the outlay of 630 million euros for the renewal of the user rights for the 900 and 1800 MHz frequencies by the Domestic Business Unit. The Company has continued to implement selective capital expenditure by identifying projects with higher returns, targeted at innovation and transformation, while driving Ultra Broadband coverage, which has led to a 46% increase in the related capital expenditure.

Adjusted net financial debt amounted to 26,228 million euros at September 30, 2017, up 1,109 million euros on December 31, 2016 (25,119 million euros). The increase was essentially due to the payments of 630 million euros made by TIM S.p.A. for the renewal of the user rights for the mobile telephone frequencies and of 257 million euros made by the Brazil Business Unit to the consortium that is carrying out the cleanup of the 700 MHz spectrum, which the Business Unit purchased the user rights to in 2014, as well as the payment of dividends of 219 million euros. The positive performance of business operations ensured full coverage of the requirements resulting from the payment of the income tax expense.

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Financial highlights

(millions of euros)		3rd Quarter 2017	3rd Quarter 2016	9 months to 9/30/2017 (a)	9 months to 9/30/2016 (b)	% Change Reported (a/b)	% Change Organic
Revenues		**4,907**	**4,843**	**14,679**	**13,939**	5.3	2.7
EBITDA	(1)	**2,099**	**2,152**	**6,213**	**5,878**	5.7	3.8
EBITDA Margin		*42.8%*	*44.4%*	*42.3%*	*42.2%*	*0.1pp*	
Organic EBITDA Margin		*42.8%*	*44.6%*	*42.3%*	*41.9%*	*0.4pp*	
EBIT	(1)	**963**	**1,081**	**2,834**	**2,768**	2.4	1.5
EBIT Margin		*19.6%*	*22.3%*	*19.3%*	*19.9%*	*(0.6)pp*	
Organic EBIT Margin		*19.6%*	*22.4%*	*19.3%*	*19.5%*	*(0.2)pp*	
Profit (loss) from Discontinued operations/Non-current assets held for sale					**47**		
Profit (loss) for the period attributable to owners of the Parent		**437**	**477**	**1,033**	**1,495**	(30.9)	
Capital expenditures (CAPEX)		**1,825**	**1,124**	**3,881**	**3,107**	24.9	

		9/30/2017	12/31/2016	Change Amount
Adjusted net financial debt	(1)	**26,228**	**25,119**	1,109

(1) Details are provided under Alternative Performance Measures .

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CONSOLIDATED OPERATING PERFORMANCE

REVENUES

Revenues for the first nine months of 2017 amounted to 14,679 million euros, up 5.3% on the first nine months of 2016 (13,939 million euros). The increase of 740 million euros was mainly attributable to the Domestic Business Unit (276 million euros) and the Brazil Business Unit (467 million euros, included a positive exchange rate effect of 353 million euros).

In terms of organic change, consolidated revenues rose by 2.7% (+386 million euros), and were calculated as follows:

(millions of euros)	9 months to 9/30/2017	9 months to 9/30/2016	Change amount	Change %
REPORTED REVENUES	**14,679**	**13,939**	**740**	**5.3**
Foreign currency financial statements translation effect		354	(354)	
Changes in the scope of consolidation				
ORGANIC REVENUES	**14,679**	**14,293**	**386**	**2.7**

Exchange rate fluctuations[(1)] were essentially attributable to the Brazil Business Unit. There were no material changes in the scope of consolidation[(2)].

The breakdown of revenues by operating segment is the following:

(millions of euros)	9 months to 9/30/2017	% of total	9 months to 9/30/2016	% of total	Change amount	Change %	Change % organic
Domestic	11,312	77.1	11,036	79.2	276	2.5	2.5
Core Domestic	*10,500*	*71.5*	*10,239*	*73.5*	*261*	*2.5*	*2.5*
International Wholesale	*995*	*6.8*	*1,003*	*7.2*	*(8)*	*(0.8)*	*(0.9)*
Brazil	3,389	23.1	2,922	21.0	467	16.0	3.5
Other Operations			10	0.1	(10)		
Adjustments and eliminations	*(22)*	*(0.2)*	*(29)*	*(0.3)*	*7*		

Consolidated Total	**14,679**	**100.0**	**13,939**	**100.0**	**740**	**5.3**	**2.7**

EBITDA

EBITDA totaled 6,213 million euros (5,878 million euros in the first nine months of 2016), up 335 million euros (+5.7%) compared to the first nine months of 2016; the EBITDA margin was 42.3% (42.2% in the first nine months of 2016; +0.1 percentage points).

Organic EBITDA was up 226 million euros (+3.8%) compared to the first nine months of 2016; the organic EBITDA margin was up 0.4 percentage points, from 41.9% for the first nine months of 2016 to 42.3% for the first nine months of 2017.

The TIM Group recorded non-recurring operating expenses of 222 million euros for the first nine months of 2017 (155 million euros for the first nine months of 2016, at constant exchange rates). These expenses are connected to events and transactions that by their nature do not occur continuously in the normal course of operations, and have been shown because their amount is significant. They essentially consist of expenses from corporate restructuring and reorganization processes, disputes, and business transactions.

(1) The average exchange rates used for the translation into euro (expressed in terms of units of local currency per 1 euro) were, for the US dollar, 1.11340 in the first nine months of 2017 and 1.11603 in the first nine months of 2016. For the Brazilian real the average exchange rates used were 3.53378 in the first nine months of 2017 and 3.96106 in the first nine months of 2016. The effect of the change in exchange rates is calculated by applying the foreign currency translation rates used for the current period to the period under comparison.

(2) The change in the scope of consolidation has been calculated by excluding the contribution of the companies that have exited from the comparison figure and adding in the estimated contribution of any companies entering the scope of consolidation.

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Without these expenses, the organic change in EBITDA would have been +4.8%, with an EBITDA margin of 43.8%, up 0.8 percentage points on the first nine months of 2016. Further details are provided in the section Significant non-recurring events and transactions in this Interim Management Report at September 30, 2017 of the TIM Group.

Organic EBITDA is calculated as follows:

(millions of euros)	9 months to 9/30/2017	9 months to 9/30/2016	Change amount	%
REPORTED EBITDA	**6,213**	**5,878**	**335**	**5.7**
Foreign currency financial statements translation effect		109	(109)	
Changes in the scope of consolidation				
ORGANIC EBITDA	**6,213**	**5,987**	**226**	**3.8**
of which non-recurring income/(expenses)	(222)	(153)	(69)	
Foreign currency non-recurring income/(expenses) translation effect		(2)	2	
ORGANIC EBITDA excluding non-recurring component	**6,435**	**6,142**	**293**	**4.8**

Exchange rate fluctuations related to the Brazil Business Unit.

Details of EBITDA and EBITDA Margins by operating segment are as follows:

(millions of euros)	9 months to 9/30/2017	% of total	9 months to 9/30/2016	% of total	Change amount	%	% organic
Domestic	5,055	81.4	4,995	85.0	60	1.2	1.2
EBITDA Margin	*44.7*		*45.3*			*(0.6)pp*	*(0.6)pp*
Brazil	1,170	18.8	900	15.3	270	30.0	16.0
EBITDA Margin	*34.5*		*30.8*			*3.7pp*	*3.7pp*
Other Operations	(12)	(0.2)	(15)	(0.3)	3		
Adjustments and eliminations			*(2)*		2		
Consolidated Total	**6,213**	**100.0**	**5,878**	**100.0**	**335**	**5.7**	**3.8**
EBITDA Margin	*42.3*		*42.2*			*0.1pp*	*0.4pp*

EBITDA was particularly impacted by the change in the line items analyzed below:

Acquisition of goods and services (6,181 million euros; 5,710 million euros in the first nine months of 2016).

(millions of euros)	9 months to 9/30/2017	9 months to 9/30/2016	Change
Acquisition of goods	1,312	1,109	203
Revenues due to other TLC operators and interconnection costs	1,524	1,505	19
Commercial and advertising costs	1,043	894	149
Power, maintenance and outsourced services	937	912	25
Rent and leases	560	520	40
Other service expenses	805	770	35
Total acquisition of goods and services	**6,181**	**5,710**	**471**
% of Revenues	*42.1*	*41.0*	*1.1pp*

The overall increase in Acquisition of goods and services included an exchange rate effect of 183 million euros relating to the Brazil Business Unit, without which this item would have shown an increase of 288 million euros.

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Employee benefits expenses (2,203 million euros; 2,303 million euros in the first nine months of 2016).

(millions of euros)	9 months to 9/30/2017	9 months to 9/30/2016	Change
Employee benefits expenses - Italy	**1,924**	**2,035**	**(111)**
Ordinary employee expenses and costs	1,905	1,921	(16)
Restructuring and other expenses	19	114	(95)
Employee benefits expenses - Outside Italy	**279**	**268**	**11**
Ordinary employee expenses and costs	279	254	25
Restructuring and other expenses		14	(14)
Total employee benefits expenses	**2,203**	**2,303**	**(100)**
% of Revenues	*15.0*	*16.5*	*(1.5)pp*

The main factors that drove the decrease of 100 million euros were:

a decrease of 16 million euros in the Italian component of ordinary employee expenses as a result of the reduction in the average salaried workforce (-1,537 people); in the first nine months of 2016, following the failure to achieve the conditions for the payment of the Results Bonus to employees, there was also a reversal of 66 million euros of the related accrual made in the 2015 financial statements;

the recognition of non-recurring expenses (provisions to Employee benefits and sundry expenses) totaling 19 million euros, broken down as follows: 8 million euros essentially related to the amounts for the aggregation of INPS positions, following the requests made by employees of the Parent and Telecom Italia Sparkle for the application of Article 4 of the Fornero Law ; 3 million euros for the companies Telecontact and INWIT, which signed agreements in May and June 2017 for the application of those rules; 8 million euros for the settlement agreements with executives signed by the Parent.

In the first nine months of 2016, provisions were made for non-recurring expenses following the application of Article 4 of the Fornero Law to executive and non-executive personnel and of the managerial restructuring plan, for a total of 114 million euros, (of which 76 million euros for the Parent and 38 million euros for Olivetti and TI Information Technology, later merged into TIM S.p.A.);

the increase for the component outside Italy of employee benefits expenses resulting from the balance of the exchange rate effect (essentially related to the Brazil Business Unit and which resulted in higher costs of around 30 million euros) and the lower cost, on one hand, related to the reduction in the average workforce by 1,744 average employees and, on the other hand, by the absence of the restructuring expenses that were present in the first nine months of 2016.

Other income (316 million euros; 165 million euros in the first nine months of 2016).

(millions of euros)	9 months to 9/30/2017	9 months to 9/30/2016	Change
Late payment fees charged for telephone services	45	41	4
Recovery of employee benefit expenses, purchases and services rendered	16	26	(10)
Capital and operating grants	35	23	12
Damage compensation, penalties and sundry recoveries	29	17	12
Partnership agreements	76	9	67
Other	115	49	66
Total	**316**	**165**	**151**

Other income consisted of the impacts of contribution fees resulting from partnership agreements signed with leading technology suppliers. These agreements are aimed at developing the collaboration between the parties, in order to strengthen and stabilize the business and industrial relationship over time, to actively contribute to TIM s marketing plan for the development and use of several strategic services in Italy and in Brazil. This item also includes some insurance indemnities and adjustments of amounts payable to customers for unused prepaid traffic.

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Other operating expenses (933 million euros; 757 million euros in the first nine months of 2016).

(millions of euros)	9 months to 9/30/2017	9 months to 9/30/2016	Change
Write-downs and expenses in connection with credit management	265	242	23
Provision charges	239	100	139
TLC operating fees and charges	269	268	1
Indirect duties and taxes	88	76	12
Penalties, settlement compensation and administrative fines	20	27	(7)
Association dues and fees, donations, scholarships and traineeships	11	12	(1)
Other	41	32	9
Total	**933**	**757**	**176**

The overall increase in Other operating expenses included an exchange rate effect of 43 million euros relating to the Brazil Business Unit, without which this item would have shown an increase of 133 million euros.

At September 30, 2017, this item included non-recurring expenses of 199 million euros (25 million euros at September 30, 2016) attributable to the Domestic Business Unit.

Depreciation and amortization

Details are as follows:

(millions of euros)	9 months to 9/30/2017	9 months to 9/30/2016	Change
Amortization of intangible assets with a finite useful life	1,349	1,283	66
Depreciation of property, plant and equipment owned and leased	2,009	1,833	176
Total	**3,358**	**3,116**	**242**

Impairment reversals (losses) on non-current assets

Impairment reversals (losses) on non-current assets amounted to 30 million euros in the first nine months of 2017 (8 million euros in the first nine months of 2016) and mainly related to the impairment loss on non-current intangible assets.

With regard to goodwill, in accordance with IAS 36 it is not subject to amortization, but is tested for impairment annually or more frequently, whenever specific events or circumstances occur that may suggest impairment.

At September 30, 2017, no external or internal events were identified for the Brazil Business Unit giving reason to believe a new impairment test was required.

For the Domestic Business Unit, there was a negative difference between Market Capitalization and Equity in a general situation showing highly dynamic regulatory and competitive conditions; in any case the performance for the first nine months of the year is positive and in line with the plan forecasts.

As a consequence the management has decided to confirm the goodwill allocated to the individual cash generating unit and to update the impairment tests at the time of the 2017 annual financial statements.

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EBIT

EBIT totaled 2,834 million euros (2,768 million euros in the first nine months of 2016), up 66 million euros (+2.4%) compared to the first nine months of 2016; the EBIT margin was 19.3% (19.9% in the first nine months of 2016; -0.6 percentage points).

Organic EBIT was up 41 million euros (+1.5%), with an organic EBIT margin of 19.3% (19.5% in the first nine months of 2016).

EBIT for the first nine months of 2017 reflected the negative impact of non-recurring net expenses, included impairment loss of assets, totaling 252 million euros (144 million euros in the first nine months of 2016). Without these expenses, the organic change in EBIT would have been a positive 149 million euros (+5.1%), with an EBIT margin of 21.0%, up 0.5 percentage points on the first nine months of 2016.

Organic EBIT is calculated as follows:

(millions of euros)	9 months to 9/30/2017	9 months to 9/30/2016	Change amount	%
REPORTED EBIT	**2,834**	**2,768**	**66**	**2.4**
Foreign currency financial statements translation effect		25	(25)	
Changes in the scope of consolidation				
ORGANIC EBIT	**2,834**	**2,793**	**41**	**1.5**
of which non-recurring income/(expenses)	(252)	(144)	(108)	
foreign currency non-recurring income/(expenses) translation effect				
ORGANIC EBIT excluding non-recurring component	**3,086**	**2,937**	**149**	**5.1**

Exchange rate fluctuations related to the Brazil Business Unit.

Income/(expenses) from investments

In the first nine months of 2017, this item amounted to an expense of 18 million euros (income of 6 million euros for the first nine months of 2016) and essentially included the allocation to the income statement of the Reserve for exchange differences on translating foreign operations for the investee company Tierra Argentea S.A., whose liquidation has now been completed.

Finance income (expenses), net

Finance income (expenses) showed an increase in net expenses of 616 million euros, from 510 million euros for the first nine months of 2016 to 1,126 million euros for the first nine months of 2017.

The figure for the first nine months of 2017 reflected:

- the absence of the positive impact, of 611 million euros, relating to the fair value measurement through profit and loss performed separately to its liability component of the embedded option included in the mandatory convertible bond issued by Telecom Italia Finance S.A. at the end of 2013, for 1.3 billion euros and converted in November 2016 (Guaranteed Subordinated Mandatory Convertible Bonds due 2016 convertible into ordinary shares of TIM S.p.A.);

- the effects of the changes in several non-monetary items of a valuation and accounting nature, linked in particular to derivative instruments;

- lower finance expenses due to the reduction in the Group s debt exposure and in interest rates.

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Income tax expense

Income tax expense amounted to 559 million euros, down 140 million euros on the first nine months of 2016 (699 million euros), essentially due to the lower taxable base of the Parent TIM S.p.A., which was offset by a provision of 37 million euros for the Telecom Italia Sparkle dispute.

PROFIT (LOSS) FOR THE PERIOD

This item was broken down as follows:

(millions of euros)	9 months to 9/30/2017	9 months to 9/30/2016
Profit (loss) for the period	**1,130**	**1,610**
Attributable to:		
Owners of the Parent:		
Profit (loss) from continuing operations	1,033	1,498
Profit (loss) from Discontinued operations/Non-current assets held for sale		(3)
Profit (loss) for the period attributable to owners of the Parent	**1,033**	**1,495**
Non-controlling interests:		
Profit (loss) from continuing operations	97	65
Profit (loss) from Discontinued operations/Non-current assets held for sale		50
Profit (loss) for the period attributable to non-controlling interests	**97**	**115**

Profit for the first nine months of 2017 attributable to the Owners of Parent amounted to 1,033 million euros (1,495 million euros in the first nine months of 2016) and was impacted by non-recurring net expenses of 233 million euros. On a comparable basis i.e. without including the non-recurring items and, in the first nine months of 2016, the positive impact of the fair value measurement of the embedded option in the mandatory convertible bond the Profit attributable to the Owners of the Parent for the first nine months of 2017 would have been almost 100 million euros higher than the figure for the same period of the previous year.

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CONSOLIDATED OPERATING PERFORMANCE FOR THE THIRD QUARTER OF 2017

(millions of euros)	3rd Quarter 2017	3rd Quarter 2016	Change amount	Change %	Change % organic
Revenues	**4,907**	**4,843**	**64**	**1.3**	**1.8**
EBITDA	**2,099**	**2,152**	**(53)**	**(2.5)**	**(2.3)**
EBITDA Margin	*42.8%*	*44.4%*	*(1.6)pp*		
Organic EBITDA Margin	*42.8%*	*44.6%*	*(1.8)pp*		
EBIT	**963**	**1,081**	**(118)**	**(10.9)**	**(10.9)**
EBIT Margin	*19.6%*	*22.3%*	*(2.7)pp*		
Organic EBIT Margin	*19.6%*	*22.4%*	*(2.8)pp*		
Profit (loss) before tax from continuing operations	**578**	**715**	**(137)**	**(19.2)**	
Profit (loss) from continuing operations	**476**	**505**	**(29)**	**(5.7)**	
Profit (loss) from Discontinued operations/Non-current assets held for sale					
Profit (loss) for the period	**476**	**505**	**(29)**	**(5.7)**	
Profit (loss) for the period attributable to owners of the Parent	**437**	**477**	**(40)**	**(8.4)**	

Herewith some detailed information on the management trend of each one of the 2017 quarters, compared with those of 2016. Please note that in this Report, certain Organic like for like reconstructions are supplied, which are purely operative in nature and aim to allow for a better explanation of the business performance in the current period, sterilizing effects of non-linear or non-recurrent expression in the current or comparative period. This information should not be considered as given in lieu of the economic-financial information of which a reclassification is supplied, is not subject to auditing and is produced for explanatory purposes only. Such above-mentioned items exclusively pertain to the Domestic market.

(millions of euros)	I Quarter		II Quarter		III Quarter	
Total Revenues	2017	2016	2017	2016	2017	2016
REPORTED	***+8.5%***	*-12.1%*	***+6.4%***	*-7.7%*	***+1.3%***	*+1.4%*
ORGANIC excluding non recurring component	***+2.6%***	*-5.6%*	***+3.7%***	*-4.3%*	***+1.8%***	*-1.2%*

ORGANIC LIKE for LIKE	**+1.3%**	**-5.6%**	**+3.0%**	**-4.8%**	**+3.9%**	**-3.8%**
Service Revenues						
REPORTED	***+6.4%***	*-10.4%*	***+4.4%***	*-6.1%*	***+1.6%***	*+0.9%*
ORGANIC excluding non recurring component	***+0.6%***	*-4.2%*	***+1.8%***	*-2.7%*	***+2.0%***	*-1.3%*
ORGANIC LIKE for LIKE	**+0.6%**	-4.2%	**+2.4%**	-3.3%	**+3.1%**	-1.9%
Ebitda						
REPORTED	***+16.2%***	*-15.8%*	***+5.5%***	*+25.4%*	***-2.5%***	*+8.5%*
ORGANIC excluding non recurring component	***+8.1%***	*-7.5%*	***+6.1%***	*+4.0%*	***+0.7%***	*+6.6%*
ORGANIC LIKE for LIKE	**+5.0%**	-7.4%	**+7.3%**	-1.3%	**+6.5%**	0.9%

The calculation of Like for Like is presented in the chapter Consolidated Financial Statement TIM Group .

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Revenues

Consolidated revenues for the third quarter of 2017 increased by 64 million euros compared to the third quarter of 2016 (+1.3%); in organic terms, the percentage change, without the exchange rate effect for the Brazil Business Unit, was +1.8%.

EBITDA

EBITDA for the third quarter of 2017 amounted to 2,099 million euros, down 53 million euros (-2.5%) on the same period of the previous year (2,152 million euros). The EBITDA margin came to 42.8% (44.4% in the third quarter of 2016).

In organic terms, and without non-recurring expenses (127 million euros in the third quarter of 2017 and 62 million euros in the same period of 2016), the change would have been an increase of +0.7%, with an EBITDA margin of 45.4% (45.9% in the third quarter of 2016). The Domestic Business Unit, again in organic terms and without the non-recurring expenses, posted an EBITDA margin of 47.7%.

EBIT

Consolidated EBIT for the third quarter of 2017 totaled 963 million euros (1,081 million euros in the third quarter of 2016), down 10.9% on the third quarter of 2016; the EBIT margin was 19.6% (22.3% in the third quarter of 2016).

In organic terms, and without non-recurring net expenses (156 million euros in the third quarter of 2017 and 62 million euros in the same period of 2016), the decrease compared to the third quarter of 2016 would have been -2.1%, with an EBIT margin of 22.8% (23.7 in the third quarter of 2016).

Profit (loss) for the period attributable to owners of the Parent

The profit for the third quarter of 2017 attributable to owners of the Parent amounted to 437 million euros (477 million euros at September 30, 2016).

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FINANCIAL AND OPERATING HIGHLIGHTS OF THE BUSINESS UNITS OF THE TIM GROUP

DOMESTIC

	3rd Quarter 2017	3rd Quarter 2016	9 months to 9/30/2017	9 months to 9/30/2016	% Change		
							organic
(millions of euros)	(a)	(b)	(c)	(d)	(a/b)	(c/d)	(c/d)
Revenues	3,818	3,789	11,312	11,036	0.8	2.5	2.5
EBITDA	1,694	1,811	5,055	4,995	(6.5)	1.2	1.2
EBITDA Margin	*44.4*	*47.8*	*44.7*	*45.3*	*(3.4)pp*	*(0.6)pp*	*(0.6)pp*
EBIT	822	994	2,507	2,575	(17.3)	(2.6)	(2.6)
EBIT Margin	*21.5*	*26.2*	*22.2*	*23.3*	*(4.7)pp*	*(1.1)pp*	*(1.1)pp*
Headcount at period end (number)			50,488	(1)51,280		(1.5)	

(1) Headcount at December 31, 2016.

Fixed

	9/30/2017	12/31/2016	9/30/2016
Physical accesses at period end (thousands) (1)	19,029	18,963	18,968
of which retail physical accesses at period end (thousands)	*11,137*	*11,285*	*11,368*
Broadband accesses at period end (thousands) (2)	9,872	9,206	9,042
of which Retail broadband accesses at period end (thousands)	*7,559*	*7,191*	*7,123*
Network infrastructure in Italy:			
copper access network (millions of km pair, distribution and connection)	114.4	114.4	115.6

access and carrier network in optical fiber (millions of km - fiber)	13.7	12.6	12.3
Total traffic:			
Minutes of traffic on fixed-line network (billions):	47.9	69.1	52.1
Domestic traffic	37.9	55.6	41.7
International traffic	10.0	13.5	10.4
Broadband volumes (PBytes) [3]	5,625	5,774	4,112

(1) Does not include full-infrastructured OLOs and Fixed Wireless Access (FWA).
(2) Does not include LLU and NAKED, satellite and full-infrastructured OLOs and FWA.
(3) DownStream and UpStream traffic volumes.

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Mobile

	9/30/2017	12/31/2016	9/30/2016
Lines at period end (thousands) [(1)]	30,285	29,617	29,549
Change in lines (%)	2.3	(1.3)	(1.5)
Churn rate (%) [(2)]	19.8	22.8	16.8
Total traffic:			
Outgoing retail traffic (billions of minutes)	37.2	44.9	33.3
Incoming and outgoing retail traffic (billions of minutes)	56.9	69.6	51.5
Browsing Traffic (PBytes) [(3)]	294.6	258.5	187.4
Average monthly revenues per line (in euros) [(4)]	12.4	12.4	12.2

(1) the figure includes the SIM cards used on platforms for delivering Machine-to-Machine services.
(2) The data refer to total lines. The churn rate represents the number of mobile customers who discontinued service during the period expressed as a percentage of the average number of customers.
(3) National traffic excluding roaming.
(4) The values are calculated on the basis of revenues from services (including revenues from prepaid cards) as a percentage of the average number of lines.

Herewith some detailed information on the management trend of each one of the 2017 quarters, compared with those of 2016. Please note that in this Report, certain Organic like for like reconstructions are supplied, which are purely operative in nature and aim to allow for a better explanation of the business performance in the current period, sterilizing effects of non-linear or non-recurrent expression in the current or comparative period. This information should not be considered as given in lieu of the economic-financial information of which a reclassification is supplied, is not subject to auditing and is produced for explanatory purposes only. Such above-mentioned items exclusively pertain to the Domestic market.

(millions of euros)	I Quarter		II Quarter		III Quarter	
Total Revenues	2017	2016	2017	2016	2017	2016
REPORTED	*+2.8%*	*-2.3%*	*+4.0%*	*-1.2%*	*+0.8%*	*+1.0%*
ORGANIC excluding non recurring component	*+2.7%*	*-2.3%*	*+3.9%*	*-1.1%*	*+0.9%*	*+1.0%*
ORGANIC LIKE for LIKE	**+1.0%**	-2.3%	**+3.0%**	-1.8%	**+3.6%**	-2.5%

Service Revenues						
REPORTED	*-0.3%*	*-2.4%*	*+0.9%*	*-1.1%*	*+0.7%*	*-0.4%*
ORGANIC excluding non recurring component	*-0.4%*	*-2.5%*	*+0.8%*	*-1.0%*	*+0.8%*	*-0.4%*
ORGANIC LIKE for LIKE	**-0.4%**	-2.5%	**+1.6%**	-1.7%	**+2.2%**	-1.3%
Ebitda						
REPORTED	*+11.0%*	*-9.3%*	*+1.0%*	*+39.4%*	*-6.5%*	*+7.9%*
ORGANIC excluding non recurring component	*+7.6%*	*-5.2%*	*+4.1%*	*+6.9%*	*-2.4%*	*+7.8%*
ORGANIC LIKE for LIKE	**+3.8%**	-5.1%	**+5.4%**	0.6%	**+4.3%**	0.8%

The calculation of Like for Like is presented in the chapter Consolidated Financial Statement TIM Group .

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Revenues

Revenues for the first nine months of 2017 came to 11,312 million euros and were up by 276 million euros (+2.5%) on the same period of 2016, continuing the trend of recovery that began in the previous year. Despite showing growth with respect to the same period of 2016 (+0.8%), there was a slowdown in the third quarter, due to the introduction of the new EU roaming rules in mid-June, which pulled down revenues, as well as non-recurring events in the Wholesale segment that positively affected the figures for the third quarter of 2016.

Revenues from services amounted to 10,393 million euros, showing a growth of 47 million euros on the first nine months of 2016 (+0.5%), which also continued in the third quarter (+0.7%), despite the already mentioned impact of the introduction of the new EU roaming rules. This improvement was driven by the growth in the Mobile and Fixed Broadband customer base, as well as the increase in ARPU levels (thanks to the higher adoption of Fiber and LTE ultrabroadband connectivity services, and digital and ICT services), also accompanied by higher sales volumes for connected devices (Smartphones, SmartTVs, SmartHomes, Modems, etc.).

In detail:

Fixed market service revenues totaled 7,428 million euros, still slightly down on the first nine months of 2016 (-43 million euros, -0.6%), but continuing the recovery and stabilization seen in the last two quarters of 2017 (third quarter -0.1%, second quarter +0.8%, and first quarter -2.4%). The continued growth in revenues from innovative services for data connectivity (+199 million euros, +14.5%), driven by the growth in ultrabroadband customers - which increased by 889 thousand in the period, bringing the number of retail accesses to over 1.7 million and the total number of accesses to over 2.5 million - was offset by the fall in revenues from traditional voice services (-212 million euros as a result of the reduction in traditional accesses), and the consequent reduction in the regulated prices for some wholesale services (-47 million euros). It is also noted the increase of the revenues from ICT services (+40 million euros, +9.1%);

Mobile market service revenues totaled 3,430 million euros, up 70 million euros on the same period of the previous year (+2.1%). This increase was driven by the strong competitive performance, which resulted in recovery of market share and growth in the customer base without affecting ARPU levels. Despite the already mentioned impact of the new EU roaming rules, the third quarter of 2017 continued the trend of growth with a historical series of stable positive performance (+1.6% in the third quarter, +2.5% in the second quarter, and +2.2% in the first quarter).

Revenues from product sales, including the change in work in progress, amounted to 919 million euros in the first nine months of 2017 (+229 million euros compared to the same period of 2016) and reflected the steady increase in sales of smartphones and other connected devices (smart TVs, Smart Home products, modems, set-top boxes, etc.).

EBITDA

EBITDA for the Domestic Business Unit totaled 5,055 million euros for the first nine months of 2017, up 60 million euros on the same period of 2016 (+1.2%), with an EBITDA margin of 44.7% (-0.6 percentage points compared to the same period of previous year). The first nine months of 2017 reflected the negative impact of non-recurring expenses totaling 221 million euros (139 million euros for the same period of the previous year), relating to costs resulting from corporate restructuring and reorganization processes, disputes and business transactions.

Without these expenses, the organic change in EBITDA would have been +2.8%, with an EBITDA margin of 46.6%, up 0.1 percentage points on the same period of 2016.

The EBITDA performance, in addition to the improvement in sales earnings and the revenue performance, also reflected the positive impacts of the cost cutting program, which started to have an effect from the second quarter of 2016, with resources focused on marketing to support sales initiatives and customer management, with a consequent reduction in industrial and general operating costs.

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Organic EBITDA is calculated as follows:

(millions of euros)	9 months to 9/30/2017	9 months to 9/30/2016	Change amount	Change %
REPORTED EBITDA	**5,055**	**4,995**	**60**	**1.2**
Foreign currency financial statements translation effect				
Changes in the scope of consolidation				
ORGANIC EBITDA	**5,055**	**4,995**	**60**	**1.2**
of which non-recurring income/(expenses)	(221)	(139)	(82)	
ORGANIC EBITDA excluding non-recurring component	**5,276**	**5,134**	**142**	**2.8**

Other income amounted to 284 million euros, up 136 million euros on the first nine months of 2016. This item includes contribution fees resulting from partnership agreements, insurance indemnities and adjustments of amounts payable to customers already discussed in relation to the consolidated operating performance.

The changes in the main cost items are shown below:

(millions of euros)	9 months to 9/30/2017	9 months to 9/30 2016	Change
Acquisition of goods and services	4,518	4,210	308
Employee benefits expenses	1,937	2,046	(109)
Other operating expenses	543	401	142

Acquisition of goods and services rose by 308 million euros compared to the same period of the previous year and was broken down as follows:

(millions of euros)	9 months to 9/30/2017	9 months to 9/30/2016	Change
Acquisition of goods	1,136	906	230
Revenues due to other TLC operators and interconnection costs	1,173	1,144	29
Commercial and advertising costs	551	471	80

Power, maintenance and outsourced services	725	741	(16)
Rent and leases	316	336	(20)
Other service expenses	617	612	5
Total acquisition of goods and services	**4,518**	**4,210**	**308**
% of Revenues	*39.9*	*38.1*	*1.8 pp*

Employee benefits expenses amounted to 1,937 million euros, down 109 million euros, substantially due to the same factors that affected the Employee benefits expenses at Group level, details of which can be found in the relevant section;

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Other operating expenses, amounting to 543 million euros, were up 142 million euros.
The breakdown of the item is reported in the table below:

(millions of euros)	9 months to 9/30/2017	9 months to 9/30/2016	Change
Write-downs and expenses in connection with credit management	197	189	8
Provision charges	181	45	136
TLC operating fees and charges	41	41	
Indirect duties and taxes	70	71	(1)
Penalties, settlement compensation and administrative fines	20	27	(7)
Association dues and fees, donations, scholarships and traineeships	10	11	(1)
Other	24	17	7
Total	**543**	**401**	**142**

EBIT

EBIT of the Domestic Business Unit for the first nine months of 2017 came to 2,507 million euros (2,575 million euros in the same period of 2016), down 68 million euros (-2.6%), with an EBIT margin of 22.2% (23.3% in the first half of 2016).

The first nine months of 2017 reflected the negative impact of non-recurring expenses totaling 251 million euros (139 million euros for the same period of the previous year), relating to costs resulting from corporate restructuring and reorganization processes, disputes and business transactions, as well as the impairment loss on non-current intangible assets.

Without these expenses, the organic change in EBIT would have been +1.6%, with an EBIT margin of 24.4%.

The EBIT performance reflected the increase in depreciation and amortization (+109 million euros), partially offset by the improvement in EBITDA described above.

Organic EBIT is calculated as follows:

(millions of euros)	9 months to 9/30/2017	9 months to 9/30/2016	Change amount	%
REPORTED EBIT	**2,507**	**2,575**	**(68)**	**(2.6)**
Foreign currency financial statements translation effect				
Changes in the scope of consolidation				
ORGANIC EBIT	**2,507**	**2,575**	**(68)**	**(2.6)**
of which non-recurring income/(expenses)	(251)	(139)	(112)	
ORGANIC EBIT excluding non-recurring component	**2,758**	**2,714**	**44**	**1.6**

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Financial highlights of the Domestic Cash Generating Units

The main financial and operating highlights of the Domestic Business Unit are reported according to two Cash Generating units (CGU):

Core Domestic: includes all telecommunications activities pertaining to the Italian market. Revenues are broken down in the following tables according to the net contribution of each market segment to the CGU s results, excluding intrasegment transactions. The sales market segments established on the basis of the customer centric organizational model are as follows:

Consumer: the segment consists of all Fixed and Mobile voice and Internet services and products managed and developed for individuals and families and of public telephony; customer care, operating credit support, loyalty and retention activities, sales within its remit, and administrative management of customers; the segment includes the companies 4G, Persidera and Noverca.

Business: the segment consists of voice, data, and Internet services and products, and ICT solutions managed and developed for small and medium-size enterprises (SMEs), Small Offices/Home Offices (SOHOs), Top customers, the Public Sector, Large Accounts, and Enterprises in the Fixed and Mobile telecommunications markets; it also includes the company Olivetti.

Wholesale: the segment consists of the management and development of the portfolio of regulated and unregulated wholesale services for Fixed and Mobile telecommunications operators in the domestic market and Open Access operations connected with delivery and assurance processes for customer services.

Other (INWIT S.p.A. and support structures): includes:

INWIT S.p.A.: from April 2015, the company has been operating within the Operations area in the electronic communications infrastructure sector, specifically relating to infrastructure for housing radio transmission equipment for mobile telephone networks, both for TIM and other operators;

Other Operations units: covering technological innovation and the processes of development, engineering, building and operating network infrastructures, IT, real estate properties and plant engineering;

Staff & Other: services carried out by Staff functions and other support activities performed by minor companies of the Group, also offered to the market and other Business Units.

International Wholesale Telecom Italia Sparkle group: includes the activities of the Telecom Italia Sparkle group, which operates in the market for international voice, data and Internet services for fixed and mobile telecommunications operators, ISPs/ASPs (Wholesale market) and multinational companies through its own networks in the European, Mediterranean and South American markets.

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Key results for the first nine months of 2017 for the Domestic Business Unit are presented in the following tables, broken down by market/business segment and compared to the same period of 2016.

Core Domestic

(millions of euros)	3rd Quarter 2017 (a)	3rd Quarter 2016 (b)	9 months to 9/30/2017 (c)	9 months to 9/30/2016 (d)	% Change (a/b)	% Change (c/d)
Revenues	3,535	3,503	10,500	10,239	0.9	2.5
Consumer	*1,946*	*1,832*	*5,713*	*5,404*	*6.2*	*5.7*
Business	*1,118*	*1,096*	*3,398*	*3,296*	*2.0*	*3.1*
Wholesale	*424*	*507*	*1,258*	*1,370*	*(16.4)*	*(8.2)*
Other	*47*	*68*	*131*	*169*	*(30.9)*	*(22.5)*
EBITDA	1,662	1,766	4,940	4,859	(5.9)	1.7
EBITDA Margin	*47.0*	*50.4*	*47.0*	*47.5*	*(3.4)pp*	*(0.5)pp*
EBIT	813	975	2,470	2,515	(16.6)	(1.8)
EBIT Margin	*23.0*	*27.8*	*23.5*	*24.6*	*(4.8)pp*	*(1.1)pp*
Headcount at period end (number) (*)			49,725	(1) 50,527		(1.6)

(1) Headcount at December 31, 2016

(*) Includes employees with temp work contracts: 0 employees at 9/30/2017 (1 employee at 12/31/2016).

In detail:

Consumer: revenues for the Consumer segment for the first nine months of 2017 amounted to a total of 5,713 million euros, an increase of 309 million euros compared to the same period of 2016 (+5.7%). This performance continued the trend of recovery that had already begun in the previous year.

In particular:

revenues from the Mobile business amounted to 2,836 million euros and showed growth compared to the first nine months of 2016 (+126 million euros, +4.7%), with revenues from services in particular up 80 million euros (+3.3% on the same period of 2016). This continued the improvement seen in the previous quarters (+6.0% in the third quarter, +4.1% in the second quarter and +3.9% in the first quarter) due to the progressive stabilization and improvement of market share and the steady growth in Internet mobile and digital services, which sustained the ARPU levels;

revenues for the Fixed-line segment amounted to 2,851 million euros, an increase of 191 million euros on the first nine months of 2016 (+7.2%), continuing the recovery already seen at the end of the previous year (+6.8% in the third quarter, +11.2% in the second quarter and +3.5% in the first quarter) thanks to the containment of line losses, the growth in the Broadband and Ultra broadband customer base (which offset the loss of voice only accesses), the increase in ARPU levels, and the strong performance of the sales of connected devices.

Business: revenues for the Business segment amounted to 3,398 million euros, up 102 million euros on the same period of 2016 (+3.1%).

In detail:

revenues from the Mobile business posted performance essentially in line with the first nine months of 2016 (-0.4%); specifically, the continuing decline in traditional mobile services (-9.4% compared to the same period of 2016, mainly related to the voice component) driven by the shift of customers (both private individuals and government agencies) towards formulas with lower ARPU, was fully offset by the positive performance of new digital services (+11.4% on the same period of the previous year);

revenues for the Fixed-line segment increased by 103 million euros (+4.2% on the first nine months of 2016) thanks to the steady increase in revenues from ICT services (+9.1%), which more than offset the reduction in prices and revenues from traditional services and the effects of the technological shift towards VoIP solutions.

Wholesale: revenues for the Wholesale segment in the first nine months of 2017 came to 1,258 million euros, down on the same period of 2016 (-112 million euros, -8.2%). This performance was

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due to the absence of the boosts received from the sale of infrastructure (cable ducts and dark fiber/Backbone) with other operators, which had a positive impact on the figures for the third quarter 2016, and to the end of the roaming agreement with H3G. The reduction in regulated prices, totaling -47 million euros, was more than offset by growth, particularly in the NGN segment (+55 million euros).

International Wholesale Telecom Italia Sparkle group

(millions of euros)	3rd Quarter 2017 (a)	3rd Quarter 2016 (b)	9 months to 9/30/2017 (c)	9 months to 9/30/2016 (d)	% Change (a/b)	% Change (c/d)	% Change organic (c/d)
Revenues	349	354	995	1,003	(1.4)	(0.8)	(0.9)
of which third party	*296*	*300*	*845*	*839*	*(1.3)*	*0.7*	*0.6*
EBITDA	35	48	124	145	(27.1)	(14.5)	(14.5)
EBITDA Margin	*10.0*	*13.6*	*12.5*	*14.5*	*(3.6)pp*	*(2.0)pp*	*(1.9)pp*
EBIT	8	19	37	60	(57.9)	(38.3)	(38.3)
EBIT Margin	*2.3*	*5.4*	*3.7*	*6.0*	*(3.1)pp*	*(2.3)pp*	*(2.3)pp*
Headcount at period end (number)(*)			763	(1) 753		1.3	

(1) Headcount at December 31, 2016

(*) Includes employees with temp work contracts: 0 employees at 9/30/2017 (3 employees at 12/31/2016).

Revenues for the **Telecom Italia Sparkle group International Wholesale** in the first nine months of 2017 totaled 995 million euros, substantially in line with the figure for the same period of 2016 (-8 million euros, -0.8%). This result was due to the decline in revenues from IP/Data services (-28 million euros, -12.2%), mainly attributable to the fall in revenues from the Mediterranean area as a result of the expiry of old long-term contracts, partially offset by the growth in revenues from Voice services (+18 million euros, +2.5%).

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BRAZIL

	(millions of euros)				(millions of reais)					
	3rd Quarter 2017	3rd Quarter 2016	9 months to 9/30/2017	9 months to 9/30/2016	3rd Quarter 2017 (a)	3rd Quarter 2016 (b)	9 months to 9/30/2017 (c)	9 months to 9/30/2016 (d)	% Change (a/b)	% Change (c/d)
Revenues	1,096	1,064	3,389	2,922	4,083	3,900	11,977	11,574	4.7	3.5
EBITDA	408	344	1,170	900	1,512	1,270	4,136	3,566	19.1	16.0
EBITDA Margin	*37.0*	*32.6*	*34.5*	*30.8*	*37.0*	*32.6*	*34.5*	*30.8*	*4.4pp*	*3.7pp*
EBIT	146	89	340	210	533	334	1,202	832	59.6	44.5
EBIT Margin	*13.1*	*8.6*	*10.0*	*7.2*	*13.1*	*8.6*	*10.0*	*7.2*	*4.5pp*	*2.8pp*
Headcount at period end (number)							9,393	(1) 9,849		(4.6)

(1) Headcount at December 31, 2016

	9/30/2017	9/30/2016
Lines at period end (thousands) (*)	59,390	(1) 63,418
MOU (minutes/month) (**)	108.1	117.7
ARPU (reais)	19.6	17.6

(1) Number at December 2016.
(*) Includes corporate lines.
(**) Net of visitors.

Revenues

Revenues for the first nine months of 2017 amounted to 11,977 million reais and were up 403 million reais (+3.5%) compared to the same period of the previous year. Revenues from services totaled 11,399 million reais, an increase of 521 million reais compared to 10,878 million reais for the first nine months of 2016 (+4.8%). These results confirm the continued improvement in the trend, with positive growth in the third quarter of 2017 both in total revenues (+4.7% compared to +3.2% for the second quarter 2017, +2.5% for the first quarter 2017, and -1.7% for the fourth quarter 2016) and in revenues from services (+5.9% compared to +5.0% for the second quarter of 2017, +3.5% for the first quarter of 2017, and -0.7% for the fourth quarter of 2016).

Mobile Average Revenue Per User (ARPU) for the first nine months of 2017 was 19.6 reais, up on the figure of 17.6 reais for the first nine months of 2016 (+11.4%), 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 September 30, 2017 was 59,390 thousand, representing a decrease of 4,028 thousand on December 31, 2016 (63,418 thousand), with a market share of 24.6% in September 2017 (26.0% at December 31, 2016). This reduction was entirely attributable to the prepaid segment (-5,918 thousand) and was only partially offset by the growth in the postpaid segment (+1,890 thousand), also as a result of the consolidation underway in the market for second SIM cards. Postpaid customers represented 28.2% of the customer base at September 30, 2017, up 4.7 percentage points on December 2016 (23.5%).

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Revenues from product sales came to 578 million reais (696 million reais in the first nine months of 2016; -17.0%). The reduction reflects the change in the commercial policy, which is now more focused on value rather than sales volume growth. The main goals of this strategy 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 amounted to 4,136 million reais, up 570 million reais on the first nine months of 2016 (+16.0%). The growth in EBITDA was attributable to both the positive performance of revenues and the benefits from the projects to enhance the efficiency of the operating expenses structure, launched in the second half of 2016, with an improvement in the third quarter 2017 (+19.1% compared to +15.8% for the second quarter 2017, +12.6% for the first quarter 2017, and +5.8% for the fourth quarter 2016).

The EBITDA margin stood at 34.5%, 3.7 percentage points higher than in the first nine months of 2016.

You are also reminded that the employee benefits expenses for the first nine months of 2016 included non-recurring expenses for termination benefits of 56 million reais.

Even without the impact of these non-recurring expenses, EBITDA for the first nine months of 2017 showed an increase (+14.2%) compared to the first nine months of 2016, continuing the steady improvement seen in the third quarter 2017 (+17.0% compared to +15.7% for the second quarter 2017, +9.4% for the first quarter 2017, and +2.1% for the fourth quarter 2016).

The changes in the main cost items are shown below:

	(millions of euros)		(millions of reais)		
	9 months to 9/30/2017 (a)	9 months to 9/30/2016 (b)	9 months to 9/30/2017 (c)	9 months to 9/30/2016 (d)	Change (c-d)
Acquisition of goods and services	1,675	1,511	5,918	5,984	(66)
Employee benefits expenses	261	248	922	982	(60)
Other operating expenses	387	355	1,367	1,407	(40)
Change in inventories	7	(8)	26	(32)	58

EBIT

EBIT amounted to 1,202 million reais, up +370 million reais (+44.5%) on the first nine months of 2016 (832 million reais). This result benefited from the greater contribution from the EBITDA (+570 million reais), which was offset by higher depreciation (+169 million reais) related to the development of industrial infrastructure, and a lower impact of net gains on disposals of assets (-31 million reais), mainly attributable to the telecommunication towers transaction. In this regard, we note that the last partial sale of telecommunication towers to American Tower do Brasil took place in the second quarter of 2017. This transaction resulted in proceeds and an income effect of an immaterial amount.

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CONSOLIDATED FINANCIAL POSITION AND CASH FLOWS PERFORMANCE

NON-CURRENT ASSETS

Goodwill: this decreased by 92 million euros, from 29,612 million euros at the end of 2016 to 29,520 million euros at September 30, 2017 due to the negative variation in exchange rates for the Brazilian companies [(1)]. Further details are provided in the Note Goodwill in the Condensed Consolidated Financial Statements at September 30, 2017 of the TIM Group.

Other intangible assets: increased by 172 million euros, from 6,951 million euros at the end of 2016 to 7,123 million euros at September 30, 2017, representing the balance of the following items:

capex (+1,635 million euros);

amortization charge for the period (-1,349 million euros);

disposals, exchange differences, reclassifications and other changes (for a net negative balance of 114 million euros).

Tangible assets: these decreased by 94 million euros, from 16,360 million euros at the end of 2016 to 16,266 million euros at September 30, 2017, representing the balance of the following items:

capex (+2,246 million euros);

changes in financial leasing contracts (+45 million euros);

depreciation charge for the period (-2,009 million euros);

disposals, exchange differences, reclassifications and other changes (for a net negative balance of 376 million euros).

CONSOLIDATED EQUITY

Consolidated equity amounted to 24,059 million euros (23,553 million euros at December 31, 2016), of which 21,781 million euros attributable to owners of the Parent (21,207 million euros at December 31, 2016) and 2,278 million euros attributable to non-controlling interests (2,346 million euros at December 31, 2016). In greater detail, the changes in equity were the following:

(millions of euros)	9/30/2017	12/31/2016
At the beginning of the period	**23,553**	**21,333**
Correction due to errors		(84)
At the beginning of the period revised	**23,553**	**21,249**
Total comprehensive income (loss) for the period	710	2,801
Dividends approved by:	(205)	(204)
TIM S.p.A.	*(166)*	*(166)*
Other Group companies	*(39)*	*(38)*
Issue of equity instruments	(6)	1
Conversion of the Guaranteed Subordinated Mandatory Convertible Bonds due 2016		1,300
Disposal of the Sofora Telecom Argentina group		(1,582)
Other changes	7	(12)
At the end of the period	**24,059**	**23,553**

(1) The spot exchange rate used for the translation into euro of the Brazilian real (expressed in terms of units of local currency per 1 euro) was 3.74014 at September 30, 2017 and 3.43542 at December 31, 2016.

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CASH FLOWS

Adjusted net financial debt stood at 26,228 million euros, up 1,109 million euros compared to December 31, 2016 (25,119 million euros).

The table below summarizes the main transactions that had an impact on the change in adjusted net financial debt of the first nine months of 2017:

Change in adjusted net financial debt

(millions of euros)	9 months to 9/30/2017	9 months to 9/30/2016	Change
EBITDA	6,213	5,878	335
Capital expenditures on an accrual basis	(3,881)	(3,107)	(774)
Change in net operating working capital:	(1,427)	(830)	(597)
Change in inventories	*(64)*	*(71)*	*7*
Change in trade receivables and net amounts due from customers on construction contracts	*9*	*(31)*	*40*
Change in trade payables (*)	*(998)*	*(425)*	*(573)*
Other changes in operating receivables/payables	*(374)*	*(303)*	*(71)*
Change in employee benefits	(34)	12	(46)
Change in operating provisions and Other changes	127	(45)	172
Net operating free cash flow	**998**	**1,908**	**(910)**
% of Revenues	*6.8*	*13.7*	*(6.9)pp*
Sale of investments and other disposals flow	26	737	(711)
Share capital increases/reimbursements, including incidental costs	16		16
Financial investments flow	(1)	(11)	10

Dividends payment	(219)	(227)	8
Change in financial leasing contracts	(45)	(178)	133
Finance expenses, income taxes and other net non-operating requirements flow	(1,884)	(1,648)	(236)
Reduction/(Increase) in adjusted net financial debt from continuing operations	**(1,109)**	**581**	**(1,690)**
Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale		(38)	38
Reduction/(Increase) in adjusted net financial debt	**(1,109)**	**543**	**(1,652)**

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

In addition to what has already been described with reference to EBITDA, the change in adjusted net financial debt for the first nine months of 2017 has been particularly impacted by the following:

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Capital expenditures on an accrual basis

The breakdown of capital expenditures by operating segment is as follows:

(millions of euros)	9 months to 9/30/2017	% of total	9 months to 9/30/2016	% of total	Change
Domestic	3,177	81.9	2,398	77.2	779
Brazil	704	18.1	709	22.8	(5)
Other Operations					
Adjustments and eliminations					
Consolidated Total	**3,881**	**100.0**	**3,107**	**100.0**	**774**
% of Revenues	*26.4*		*22.3*		*4.1 pp*

Capital expenditures in the first nine months of 2017 totaled 3,881 million euros, up 774 million euros on the first nine months of 2016. In particular:

The **Domestic Business Unit** posted capital expenditures of 3,177 million euros, an increase of 779 million euros compared to the first nine months of 2016. This increase was attributable to the innovation expenditure for infrastructure development (+386 million euros on the first nine months of 2016) and, in particular, it reflected the increase in capital expenditure for the development of next-generation networks and services, and the renewal of the user rights for the GSM frequencies (630 million euros). The decrease in other types of expenditure continued thanks to the selectivity and attention given to capital allocation choices based on strategic priorities and profit optimization.

The **Brazil Business Unit** recorded capital expenditures of 704 million euros in the first nine months of 2017, down 5 million euros on the first nine months of 2016. Without the positive impact of the exchange rate effect, which amounted to 85 million euros, the change was -90 million euros and mainly reflected the lower expenditure for renewals of TLC licenses (-42 million euros) and developments in Information Technology projects (-39 million euros), following the strong growth recorded in 2016 due to the launch of new commercial offers and the introduction of the new billing system. Capital expenditure in network infrastructure in the first nine months of 2017 amounted to 471 million euros (-11 million euros at constant exchange rates compared to the first nine months of 2016), and was mainly aimed at developing the 4G mobile broadband network, reaching 2,401 towns (+551 compared to the first half of 2017), with an urban population coverage rate of 85.8% (+6.0 percentage points compared to the first half of 2017).

Change in net operating working capital

The change in net operating working capital for the first nine months of 2017 was a decrease of 1,427 million euros (decrease of 830 million euros in the first nine months of 2016). In particular:

- the change in inventories generated a negative impact of 64 million euros; the management of trade receivables had a positive impact of 9 million euros, also thanks to the performance of the Brazilian Real, which resulted in a positive exchange differential of 76 million euros, without which trade receivables would have shown a decrease of 68 million euros, connected to the increase in revenues;

- the change in trade payables (-998 million euros) included a negative impact of around 87 million euros due to the performance of the Brazilian Real; it also included the payment of around 257 million euros made by the Brazil Business Unit to the consortium that is carrying out the cleanup of the 700 MHz spectrum, which the Business Unit purchased the user rights to in 2014. The level of trade payables was also influenced by the seasonal peak in payments for bills payable;

Sale of investments and other disposals flow

This item had a positive balance of 26 million euros for the first nine months of 2017 and reflected the sale of non-current assets during the normal operating cycle (13 million euros) and the collection of a deferred portion of the price of a non-controlling interest sold in previous years (13 million euros).

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In the first nine months of 2016, it was a positive figure of 737 million euros and essentially related to the sale of the Sofora Telecom Argentina group that took place on March 8, 2016.

Financial investments flow

In the first nine months of 2017, this item amounted to 1 million euros.

In the first nine months of 2016 this item amounted to 11 million euros and mainly included around 6 million euros for the payment made by INWIT S.p.A., net of the cash acquired, for the acquisition of the investments in Revi Immobili S.r.l., Gestione Immobili S.r.l. and Gestione Due S.r.l., and around 3 million euros for the subscription of the capital increase in the company Northgate held as a non-controlling interest.

Change in leasing contracts

In the first nine months of 2017, this item amounted to 45 million euros.

In the first nine months of 2016, the change was equal to 178 million and related to TIM S.p.A..

Further details are provided in the Note Tangible assets (owned and under finance leases) of the Condensed Consolidated Financial Statements at September 30, 2017 of the TIM Group.

Finance expenses, income taxes and other net non-operating requirements flow

The item amounted to 1,884 million euros and mainly included the payment, during the first nine months of 2017, of net borrowing costs and income taxes, as well as the change in non-operating receivables and payables.

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Net financial debt

Net financial debt is composed as follows:

(millions of euros)	9/30/2017 (a)	12/31/2016 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	19,417	20,369	(952)
Amounts due to banks, other financial payables and liabilities	6,831	7,656	(825)
Finance lease liabilities	2,344	2,444	(100)
	28,592	**30,469**	**(1,877)**
Current financial liabilities (*)			
Bonds	2,525	2,595	(70)
Amounts due to banks, other financial payables and liabilities	1,587	1,269	318
Finance lease liabilities	195	192	3
	4,307	**4,056**	**251**
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale			
Total Gross financial debt	**32,899**	**34,525**	**(1,626)**
Non-current financial assets			
Securities other than investments		(1)	1
Financial receivables and other non-current financial assets	(1,916)	(2,697)	781
	(1,916)	**(2,698)**	**782**
Current financial assets			
Securities other than investments	(1,043)	(1,519)	476
Financial receivables and other current financial assets	(463)	(389)	(74)

Cash and cash equivalents	(2,519)	(3,964)	1,445
	(4,025)	**(5,872)**	**1,847**
Financial assets relating to Discontinued operations/Non-current assets held for sale			
Total financial assets	**(5,941)**	**(8,570)**	**2,629**
Net financial debt carrying amount	**26,958**	**25,955**	**1,003**
Reversal of fair value measurement of derivatives and related financial assets/liabilities	*(730)*	*(836)*	*106*
Adjusted net financial debt	**26,228**	**25,119**	**1,109**
Breakdown as follows:			
Total adjusted gross financial debt	**31,173**	**32,574**	**(1,401)**
Total adjusted financial assets	**(4,945)**	**(7,455)**	**2,510**
(*) of which current portion of medium/long-term debt:			
Bonds	*2,525*	*2,595*	*(70)*
Amounts due to banks, other financial payables and liabilities	*913*	*670*	*243*
Finance lease liabilities	*195*	*192*	*3*

The financial risk management policies of the TIM Group are aimed at minimizing market risks, fully hedging exchange rate risk, and optimizing interest rate exposure through appropriate diversification of the portfolio, which is also achieved by using carefully selected derivative financial instruments. Such instruments, it should be stressed, are not used for speculative purposes and all have an underlying, which is hedged.

In addition, to determine its exposure to interest rates, the Group sets an optimum composition for the fixed-rate and variable-rate debt structure and uses derivative financial instruments to achieve that composition. Taking into account the Group s operating activities, the optimum mix of medium/long-term non-current financial liabilities has been established, on the basis of the nominal amount, at a range of 65% - 75% for the fixed-rate component and 25% - 35% for the variable-rate component.

In managing market risks, the Group has adopted Guidelines for the Management and control of financial risk and mainly uses IRS and CCIRS derivative financial instruments.

To provide a better representation of the true performance of Net Financial Debt, from 2009, in addition to the usual indicator (renamed Net financial debt carrying amount), a measure called Adjusted net financial debt has also been shown, which neutralizes the effects caused by the volatility of financial markets. Given that some components of the fair value measurement of derivatives (contracts for setting the exchange and interest rate for contractual flows) and derivatives embedded in other financial instruments do not result in actual monetary settlement, the Adjusted net financial debt excludes these purely accounting and non-monetary effects (including the effects resulting from the introduction of IFRS 13 Fair Value Measurement from January 1, 2013) from the measurement of derivatives and related financial assets/liabilities.

Sales of receivables to factoring companies

The sales of trade receivables to factoring companies finalized in the first nine months of 2017 resulted in a positive effect on net financial debt at September 30, 2017 of 1,139 million euros (1,091 million euros at December 31, 2016).

Gross financial debt

Bonds

Bonds at September 30, 2017 were recognized for 21,942 million euros (22,964 million euros at December 31, 2016). Their nominal repayment amount was 21,475 million euros, down 942 million euros compared to December 31, 2016 (22,417 million euros).

Changes in bonds over the first nine months of 2017 are shown below:

(millions of original currency)	Currency	Amount	Issue date
New issues			
Telecom Italia S.p.A. 1,000 million euros 2.500% maturing 7/19/2023	Euro	1,000	1/19/2017

(millions of original currency)	Currency	Amount	Repayment date
Repayments			
Telecom Italia S.p.A. 545 million euros 7.000% (1)	Euro	545	1/20/2017
Telecom Italia S.p.A. 628 million euros 4.500% (2)	Euro	628	9/20/2017

(1) Net of buybacks by the Company of 455 million euros during 2015.
(2) Net of buybacks by the Company of 372 million euros during 2015.

With reference to the Telecom Italia S.p.A. 2002-2022 bonds, reserved for subscription by employees of the Group, the nominal amount at September 30, 2017 was 203 million euros, up 2 million euros compared to December 31, 2016 (201 million euros).

Revolving Credit Facility and Term Loan

The following table shows the composition and the drawdown of the committed credit lines available at September 30, 2017:

(billions of euros)		9/30/2017 Agreed	9/30/2017 Drawn down	12/31/2016 Agreed	12/31/2016 Drawn down
Revolving Credit Facility	expiring May 2019	4.0		4.0	
Revolving Credit Facility	expiring March 2020	3.0		3.0	
Total		**7.0**		**7.0**	

TIM has two syndicated Revolving Credit Facilities for amounts of 4 billion euros and 3 billion euros expiring May 24, 2019 and March 25, 2020 respectively, both not yet drawn down.

TIM also has:

a bilateral Term Loan from UBI Banca (former Banca Regionale Europea) expiring July 2019 for 200 million euros, drawn down for the full amount;

- two bilateral Term Loans from Mediobanca respectively for 200 million euros expiring in November 2019 and 75 million euros expiring in July 2020, drawn down for the full amount;

- a bilateral Term Loan from ICBC expiring July 2020 for 120 million euros, drawn down for the full amount;

- a bilateral Term Loan from Intesa Sanpaolo expiring August 2021 for 200 million euros, drawn down for the full amount;

- an overdraft facility with Banca Popolare dell Emilia Romagna expiring February 2018 for 250 million euros, drawn down for the full amount.

Maturities of financial liabilities and average cost of debt

The average maturity of non-current financial liabilities (including the current portion of medium/long-term financial liabilities due within 12 months) is 7.65 years.

The average cost of the Group s debt, considered as the cost for the year calculated on an annual basis and resulting from the ratio of debt-related expenses to average exposure, is about 4.9%.

For details of the maturities of financial liabilities in terms of expected nominal repayment amounts, as contractually agreed, see the Notes Financial liabilities (non-current and current) in the Condensed Consolidated Financial Statements at September 30, 2017 of the TIM Group.

Current financial assets and liquidity margin

The TIM Group s available liquidity margin amounted to 10,562 million euros at September 30, 2017, corresponding to the sum of Cash and cash equivalents and Current securities other than investments , totaling 3,562 million euros (5,483 million euros at December 31, 2016), and the committed credit lines, mentioned above, of which a total of 7,000 million euros has not been drawn down. This margin is sufficient to cover Group financial liabilities due at least for the next 24 months.

In particular:

Cash and cash equivalents amounted to 2,519 million euros (3,964 million euros at December 31, 2016). The different technical forms used for the investment of liquidity as of September 30, 2017 can be analyzed as follows:

- Maturities: investments have a maximum maturity of three months;

- Counterparty risk: investments by the European companies are made with leading banking, financial and industrial institutions with high credit quality. Investments by the companies in South America are made with leading local counterparties;

Country risk: deposits have been made mainly in major European financial markets.

Current securities other than investments amounted to 1,043 million euros (1,519 million euros at December 31, 2016): These forms of investment represent alternatives to the investment of liquidity with the aim of improving returns. They include 479 million euros of Italian treasury bonds purchased respectively by TIM S.p.A. (257 million euros) and Telecom Italia Finance S.A. (222 million euros) and 453 million euros of bonds purchased by Telecom Italia Finance S.A. with different maturities, all with an active market and consequently readily convertible into cash. The purchases of the above government bonds, which, pursuant to Consob Communication no. DEM/11070007 of August 5, 2011, represent investments in Sovereign debt securities , have been made in accordance with the Guidelines for the Management and control of financial risk adopted by the TIM Group since August 2012.

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In the third quarter of 2017, the adjusted net financial debt increased by 1,124 million euros compared to June 30, 2017 (25,104 million euros): resources generated by the positive operating and financial performance only partially covered the requirements arising from income tax payments and the renewal of user rights for the mobile telephone frequencies.

(millions of euros)	9/30/2017 (a)	6/30/2017 (b)	Change (a-b)
Net financial debt carrying amount	**26,958**	**25,728**	**1,230**
Reversal of fair value measurement of derivatives and related financial assets/liabilities	*(730)*	*(624)*	*(106)*
Adjusted net financial debt	**26,228**	**25,104**	**1,124**
Breakdown as follows:			
Total adjusted gross financial debt	**31,173**	**32,002**	**(829)**
Total adjusted financial assets	**(4,945)**	**(6,898)**	**1,953**

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CONSOLIDATED FINANCIAL STATEMENTS TIM GROUP

TIM prepares and publishes Interim Management Reports for the first and third quarter of each year on a voluntary basis.

The Interim Management Report at September 30, 2017 of the TIM Group includes the Condensed Consolidated Financial Statements at September 30, 2017, prepared in compliance with the IFRS issued by the IASB and endorsed by the EU and, specifically, IAS 34 Interim Reports. The Condensed Consolidated Financial Statements at September 30, 2017 have not been audited.

The accounting policies and consolidation principles adopted in the preparation of the Condensed Consolidated Financial Statements at September 30, 2017 are the same as those adopted in the TIM Group Consolidated Financial Statements at December 31, 2016, to which reference can be made.

The TIM Group, in addition to the conventional financial performance measures established by IFRS, uses certain alternative performance measures in order to present a better understanding of the trend of operations and financial condition. Specifically, these alternative performance measures refer to: EBITDA; EBIT; the organic change in revenues, EBITDA and EBIT; EBITDA margin and EBIT margin; and net financial debt carrying amount and adjusted net financial debt.

Moreover, the part entitled Business Outlook for 2017 contains forward-looking statements in relation to the Group s intentions, beliefs or current expectations regarding financial performance and other aspects of the Group s operations and strategies. Readers of the present Interim Management Report are reminded not to place undue reliance on forward-looking statements; actual results may differ significantly from forecasts owing to numerous factors, the majority of which are beyond the scope of the Group s control.

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION

There were no significant changes in the scope of consolidation during the first nine months of 2017.

The following changes in the scope of consolidation occurred during 2016:

- *TIMVISION S.r.l. (Domestic Business Unit):* established on December 28, 2016;
- *Noverca S.r.l. (Domestic Business Unit):* On October 28, 2016 TIM S.p.A. acquired 100% of the company;
- *Flash Fiber S.r.l. (Domestic Business Unit):* established on July 28, 2016;

Sofora - Telecom Argentina group: classified as Discontinued Operations (Discontinued operations/Non-current assets held for sale) was sold on March 8, 2016;

Revi Immobili S.r.l., Gestione Due S.r.l. and Gestione Immobili S.r.l. (Domestic Business Unit): on January 11, 2016, INWIT S.p.A. purchased 100% of these companies, which were subsequently merged by absorption.

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Separate Consolidated Income Statements

(millions of euros)	3rd Quarter 2017	3rd Quarter 2016	9 months to 2017 (a)	9 months to 2016 (b)	Change (a-b) amount	Change (a-b) %
Revenues	**4,907**	**4,843**	**14,679**	**13,939**	**740**	**5.3**
Other income	99	58	316	165	151	91.5
Total operating revenues and other income	**5,006**	**4,901**	**14,995**	**14,104**	**891**	**6.3**
Acquisition of goods and services	(2,045)	(1,927)	(6,181)	(5,710)	(471)	(8.2)
Employee benefits expenses	(673)	(752)	(2,203)	(2,303)	100	4.3
Other operating expenses	(357)	(256)	(933)	(757)	(176)	(23.2)
Change in inventories	24	32	74	65	9	13.8
Internally generated assets	144	154	461	479	(18)	(3.8)
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**2,099**	**2,152**	**6,213**	**5,878**	**335**	**5.7**
Depreciation and amortization	(1,109)	(1,069)	(3,358)	(3,116)	(242)	(7.8)
Gains/(losses) on disposals of non-current assets	3	1	9	14	(5)	(35.7)
Impairment reversals (losses) on non-current assets	(30)	(3)	(30)	(8)	(22)	
Operating profit (loss) (EBIT)	**963**	**1,081**	**2,834**	**2,768**	**66**	**2.4**
Share of profits (losses) of associates and joint ventures accounted for using the equity method			(1)	(2)	1	50.0
Other income (expenses) from investments	1	(1)	(18)	6	(24)	
Finance income	386	309	1,496	2,321	(825)	(35.5)
Finance expenses	(772)	(674)	(2,622)	(2,831)	209	7.4

Profit (loss) before tax from continuing operations	**578**	**715**	**1,689**	**2,262**	**(573)**	**(25.3)**
Income tax expense	(102)	(210)	(559)	(699)	140	20.0
Profit (loss) from continuing operations	**476**	**505**	**1,130**	**1,563**	**(433)**	**(27.7)**
Profit (loss) from Discontinued operations/Non-current assets held for sale				47	(47)	
Profit (loss) for the period	**476**	**505**	**1,130**	**1,610**	**(480)**	**(29.8)**
Attributable to:						
Owners of the Parent	**437**	**477**	**1,033**	**1,495**	**(462)**	**(30.9)**
Non-controlling interests	39	28	97	115	(18)	(15.7)

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Consolidated Statements of Comprehensive Income

In accordance with IAS 1 (*Presentation of Financial Statements*), the following consolidated statements of comprehensive income include the Profit (loss) for the period as shown in the Separate Consolidated Income Statements and all non-owner changes in equity.

(millions of euros)		3rd Quarter 2017	3rd Quarter 2016	9 months to 9/30/2017	9 months to 9/30/2016
Profit (loss) for the period	**(a)**	**476**	**505**	**1,130**	**1,610**
Other components of the Consolidated Statements of Comprehensive Income					
Other components that subsequently will not be reclassified in the Separate Consolidated Income Statements					
Remeasurements of employee defined benefit plans (IAS 19):					
Actuarial gains (losses)				33	(118)
Income tax effect				(8)	32
	(b)			**25**	**(86)**
Share of other profits (losses) of associates and joint ventures accounted for using the equity method:					
Profit (loss)					
Income tax effect					
	(c)				
Total other components that subsequently will not be reclassified in the Separate Consolidated Income Statements	**(d=b+c)**			**25**	**(86)**
Other components that subsequently will be reclassified in the Separate Consolidated Income Statements					
Available-for-sale financial assets:					
Profit (loss) from fair value adjustments		21	11	55	87

Loss (profit) transferred to the Separate Consolidated Income Statements		(18)	(2)	(55)	(71)
Income tax effect				2	(4)
	(e)	**3**	**9**	**2**	**12**
Hedging instruments:					
Profit (loss) from fair value adjustments		(298)	(231)	(629)	(558)
Loss (profit) transferred to the Separate Consolidated Income Statements		194	67	691	312
Income tax effect		26	43	(17)	41
	(f)	**(78)**	**(121)**	**45**	**(205)**
Exchange differences on translating foreign operations:					
Profit (loss) on translating foreign operations		40	(87)	(511)	531
Loss (profit) on translating foreign operations transferred to the Separate Consolidated Income Statements				19	304
Income tax effect					
	(g)	**40**	**(87)**	**(492)**	**835**
Share of other profits (losses) of associates and joint ventures accounted for using the equity method:					
Profit (loss)					
Loss (profit) transferred to the Separate Consolidated Income Statements					
Income tax effect					
	(h)				
Total other components that subsequently will be reclassified to the Separate Consolidated Income Statements	**(i=e+f+g+h)**	**(35)**	**(199)**	**(445)**	**642**
Total other components of the Consolidated Statements of Comprehensive Income	**(k=d+i)**	**(35)**	**(199)**	**(420)**	**556**
Total comprehensive income (loss) for the period	**(a+k)**	**441**	**306**	**710**	**2,166**

Attributable to:				
Owners of the Parent	**388**	**304**	**755**	**2,030**
Non-controlling interests	53	2	(45)	136

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Consolidated Statements of Financial Position

(millions of euros)		9/30/2017 (a)	12/31/2016 (b)	Change (a-b)
Assets				
Non-current assets				
Intangible assets				
Goodwill		29,520	29,612	(92)
Intangible assets with a finite useful life		7,123	6,951	172
		36,643	**36,563**	**80**
Tangible assets				
Property, plant and equipment owned		13,897	13,947	(50)
Assets held under finance leases		2,369	2,413	(44)
		16,266	**16,360**	**(94)**
Other non-current assets				
Investments in associates and joint ventures accounted for using the equity method		17	18	(1)
Other investments		49	46	3
Non-current financial assets		1,916	2,698	(782)
Miscellaneous receivables and other non-current assets		2,418	2,222	196
Deferred tax assets		705	877	(172)
		5,105	**5,861**	**(756)**
Total Non-current assets	**(a)**	**58,014**	**58,784**	**(770)**
Current assets				
Inventories		333	270	63
Trade and miscellaneous receivables and other current assets		5,472	5,426	46
Current income tax receivables		52	94	(42)

Current financial assets				
Securities other than investments, financial receivables and other current financial assets		*1,506*	*1,908*	*(402)*
Cash and cash equivalents		*2,519*	*3,964*	*(1,445)*
		4,025	5,872	(1,847)
Current assets sub-total		**9,882**	**11,662**	**(1,780)**
Discontinued operations/Non-current assets held for sale				
Total Current assets	**(b)**	**9,882**	**11,662**	**(1,780)**
Total Assets	**(a+b)**	**67,896**	**70,446**	**(2,550)**

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(millions of euros)		9/30/2017 (a)	12/31/2016 (b)	Change (a-b)
Equity and Liabilities				
Equity				
Equity attributable to Owners of the Parent		21,781	21,207	574
Non-controlling interests		2,278	2,346	(68)
Total Equity	**(c)**	**24,059**	**23,553**	**506**
Non-current liabilities				
Non-current financial liabilities		28,592	30,469	(1,877)
Employee benefits		1,317	1,355	(38)
Deferred tax liabilities		313	293	20
Provisions		833	830	3
Miscellaneous payables and other non-current liabilities		1,600	1,607	(7)
Total Non-current liabilities	**(d)**	**32,655**	**34,554**	**(1,899)**
Current liabilities				
Current financial liabilities		4,307	4,056	251
Trade and miscellaneous payables and other current liabilities		6,727	7,646	(919)
Current income tax payables		148	637	(489)
Current liabilities sub-total		**11,182**	**12,339**	**(1,157)**
Liabilities directly associated with Discontinued operations/Non-current assets held for sale				
Total Current Liabilities	**(e)**	**11,182**	**12,339**	**(1,157)**
Total Liabilities	**(f=d+e)**	**43,837**	**46,893**	**(3,056)**
Total Equity and Liabilities	**(c+f)**	**67,896**	**70,446**	**(2,550)**

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Consolidated Statements of Cash Flows

(millions of euros)		9 months to 9/30/2017	9 months to 9/30/2016
Cash flows from operating activities:			
Profit (loss) from continuing operations		1,130	1,563
Adjustments for:			
Depreciation and amortization		3,358	3,116
Impairment losses (reversals) on non-current assets (including investments)		40	9
Net change in deferred tax assets and liabilities		178	459
Losses (gains) realized on disposals of non-current assets (including investments)		(10)	(15)
Share of profits (losses) of associates and joint ventures accounted for using the equity method		1	2
Change in employee benefits		(34)	12
Change in inventories		(64)	(71)
Change in trade receivables and net amounts due from customers on construction contracts		9	(31)
Change in trade payables		(829)	(65)
Net change in current income tax receivables/payables		(445)	85
Net change in miscellaneous receivables/payables and other assets/liabilities		(85)	(774)
Cash flows from (used in) operating activities	**(a)**	**3,249**	**4,290**
Cash flows from investing activities:			
Purchase of intangible assets		*(1,635)*	*(1,125)*
Purchase of tangible assets		*(2,291)*	*(2,160)*
Total purchase of intangible and tangible assets on an accrual basis		(3,926)	(3,285)

Change in amounts due for purchases of intangible and tangible assets		*(125)*	*(180)*
Total purchase of intangible and tangible assets on a cash basis		(4,051)	(3,465)
Acquisition of control in subsidiaries or other businesses, net of cash acquired			(6)
Acquisitions/disposals of other investments		(1)	(5)
Change in financial receivables and other financial assets		1,159	(96)
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of			492
Proceeds from sale/repayment of intangible, tangible and other non-current assets		26	33
Cash flows from (used in) investing activities	**(b)**	**(2,867)**	**(3,047)**
Cash flows from financing activities:			
Change in current financial liabilities and other		(895)	(140)
Proceeds from non-current financial liabilities (including current portion)		1,365	3,313
Repayments of non-current financial liabilities (including current portion)		(2,072)	(3,267)
Share capital proceeds/reimbursements (including subsidiaries)		16	
Dividends paid		(219)	(227)
Cash flows from (used in) financing activities	**(c)**	**(1,805)**	**(321)**
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	**(d)**		**(45)**
Aggregate cash flows	**(e=a+b+c+d)**	**(1,423)**	**877**
Net cash and cash equivalents at beginning of the period	**(f)**	**3,952**	**3,216**
Net foreign exchange differences on net cash and cash equivalents	**(g)**	(99)	182
Net cash and cash equivalents at end of the period	**(h=e+f+g)**	**2,430**	**4,275**

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Additional Cash Flow Information

(millions of euros)	9 months to 9/30/2017	9 months to 9/30/2016
Income taxes (paid) received	(804)	(117)
Interest expense paid	(1,514)	(1,701)
Interest income received	534	624
Dividends received		7

Analysis of Net Cash and Cash Equivalents

(millions of euros)	9 months to 9/30/2017	9 months to 9/30/2016
Net cash and cash equivalents at beginning of the period		
Cash and cash equivalents - from continuing operations	3,964	3,559
Bank overdrafts repayable on demand from continuing operations	(12)	(441)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale		98
Bank overdrafts repayable on demand from Discontinued operations/Non-current assets held for sale		
	3,952	**3,216**
Net cash and cash equivalents at end of the period		
Cash and cash equivalents - from continuing operations	2,519	4,275
Bank overdrafts repayable on demand from continuing operations	(89)	
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale		

Bank overdrafts repayable on demand from Discontinued operations/Non-current assets held for sale		
	2,430	**4,275**

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OTHER INFORMATION

Average salaried workforce

(equivalent number)		9 months to 9/30/2017	9 months to 9/30/2016	Change
Average salaried workforce	Italy	45,807	47,344	(1,537)
Average salaried workforce	Outside Italy	9,310	11,054	(1,744)
Total average salaried workforce (1)		**55,117**	**58,398**	**(3,281)**
Discontinued operations/Non-current assets held for sale - Sofora - Telecom Argentina group			3,441	(3,441)
Total average salaried workforce - including Discontinued operations/Non-current assets held for sale		**55,117**	**61,839**	**(6,722)**

1) Includes employees with temp work contracts: 2 average employees in the first nine months of 2017 (1 in Italy and 1 outside Italy). In the first nine months of 2016, it included 4 average employees (2 in Italy and 2 outside Italy).

Headcount at period end

(number)		9/30/2017	12/31/2016	Change
Headcount	Italy	50,337	51,125	(788)
Headcount	Outside Italy	9,624	10,104	(480)
Total headcount at period end (1)		**59,961**	**61,229**	**(1,268)**

1) Includes employees with temp work contracts: 0 at 9/30/2017 and 4 at 12/31/2016.

Headcount at period end Breakdown by Business Unit

(number)	9/30/2017	12/31/2016	Change
Domestic	50,488	51,280	(792)
Brazil	9,393	9,849	(456)
Other Operations	80	100	(20)
Total	**59,961**	**61,229**	**(1,268)**

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Like for Like Reconstruction

	CONSOLIDATED REVENUES								
	2016			2017			Change % YoY		
(millions of euros)	1Q 16	2Q 16	3Q 16	1Q 17	2Q 17	3Q 17	1Q	2Q	3Q
1. REPORTED	**4,440**	**4,656**	**4,843**	**4,819**	**4,953**	**4,907**	**+8.5%**	**+6.4%**	**+1.3%**
Foreign currency financial statement translation effect	**258**	**119**	**-23**						
2. ORGANIC excluding non recurring component	**4,698**	**4,775**	**4,820**	**4,819**	**4,953**	**4,907**	**+2.6%**	**+3.7%**	**+1.8%**
- Non Linear Items	**0**	**26**	**128**	**61**	**63**	**31**			
3. ORGANIC ***LIKE for LIKE***	4,698	4,749	4,692	4,758	4,890	4,876	+1.3%	+3.0%	+3.9%

	CONSOLIDATED EBITDA								
	2016			2017			Change % YoY		
(millions of euros)	1Q 16	2Q 16	3Q 16	1Q 17	2Q 17	3Q 17	1Q	2Q	3Q
1. REPORTED	**1,712**	**2,014**	**2,152**	**1,990**	**2,124**	**2,099**	**+16.2%**	**+5.5%**	**-2.5%**
Foreign currency financial statement translation effect and non recurring items	**151**	**55**	**58**	**24**	**71**	**127**			
2. ORGANIC excluding non recurring component	**1,863**	**2,069**	**2,210**	**2,014**	**2,195**	**2,226**	**+8.1%**	**+6.1%**	**+0.7%**
- Non Linear Items	**0**	**108**	**124**	**58**	**91**	**5**			
3. ORGANIC ***LIKE for LIKE***	1,863	1,961	2,086	1,956	2,104	2,221	+5.0%	+7.3%	+6.5%

	DOMESTIC REVENUES								
	2016			2017			Change % YoY		
(millions of euros)	1Q 16	2Q 16	3Q 16	1Q 17	2Q 17	3Q 17	1Q	2Q	3Q
1. REPORTED	**3,548**	**3,699**	**3,789**	**3,647**	**3,847**	**3,818**	**+2.8%**	**+4.0%**	**+0.8%**
Foreign currency financial statement translation effect	**3**	**2**	**-4**						
2. ORGANIC excluding non recurring component	**3,551**	**3,701**	**3,785**	**3,647**	**3,847**	**3,818**	**+2.7%**	**+3.9%**	**+0.9%**
- Non Linear Items	**0**	**26**	**128**	**61**	**63**	**31**			
3. ORGANIC ***LIKE for LIKE***	3,551	3,675	3,657	3,586	3,784	3,787	+1.0%	+3.0%	+3.6%

	DOMESTIC SERVICES REVENUES								
	2016			2017			Change % YoY		
(millions of euros)	1Q 16	2Q 16	3Q 16	1Q 17	2Q 17	3Q 17	1Q	2Q	3Q
1. REPORTED	**3,352**	**3,468**	**3,526**	**3,342**	**3,500**	**3,551**	**-0.3%**	**+0.9%**	**+0.7%**
Foreign currency financial statement translation effect	**3**	**2**	**-4**						
2. ORGANIC excluding non recurring component	**3,355**	**3,470**	**3,522**	**3,342**	**3,500**	**3,551**	**-0.4%**	**+0.8%**	**+0.8%**

- Non Linear Items	**0**	**26**	**27**	**0**	**0**	**-18**			
3. ORGANIC ***LIKE for LIKE***	3,355	3,444	3,494	3,342	3,500	3,569	-0.4%	+1.6%	+2.2%

EBITDA DOMESTIC

	2016			2017			Change % YoY		
(millions of euros)	1Q 16	2Q 16	3Q 16	1Q 17	2Q 17	3Q 17	1Q	2Q	3Q
1. REPORTED	**1,461**	**1,723**	**1,811**	**1,621**	**1,740**	**1,694**	**+11.0%**	**+1.0%**	**-6.5%**
Foreign currency financial statement translation effect and non recurring items	**68**	**17**	**54**	**24**	**71**	**126**			
2. ORGANIC excluding non recurring component	**1,529**	**1,740**	**1,865**	**1,645**	**1,811**	**1,820**	**+7.6%**	**+4.1%**	**-2.4%**
- Non Linear Items	**0**	**108**	**124**	**58**	**91**	**5**			
3. ORGANIC ***LIKE for LIKE***	1,529	1,632	1,741	1,587	1,720	1,815	+3.8%	+5.4%	+4.3%

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EVENTS SUBSEQUENT TO SEPTEMBER 30, 2017

For details of subsequent events, see the Note Events Subsequent to September 30, 2017 in the TIM Group Condensed Consolidated Financial Statements.

BUSINESS OUTLOOK FOR THE YEAR 2017

As envisaged in the 2017 2019 Plan, TIM will continue the process of profound transformation of the Company. This process consists of firm financial discipline in support of development, aimed at creating more room for investments for new networks and platforms (Fiber and mobile UltraBroadband and Cloud-based services) and eliminating less strategic cash costs, in addition to maximizing return on investment. The objective is to ensure structural growth in revenue and EBITDA and consolidate TIM s position as the market leader in terms of technology, network quality and service excellence in the Fixed-line and Mobile segments.

The key elements of this approach are innovation, convergence, exclusive content and closeness to the Customer. In the Domestic Fixed segment, TIM expects to cut the reduction in the number of clients with zero line losses by 2018 through the faster spread and subsequent adoption of fiber optic networks. The commercial strategy will also play a crucial role, with a focus on retaining and increasing the customer base through measures including the offering of Smart Home devices and appliances connected to the home network and charged directly in phone bills. Within the Domestic Mobile segment, where the competitive landscape is becoming increasingly polarized and segmented, TIM will leverage the reach of its 4G network (expected population coverage of over 99% in 2019) and the diffusion of convergent services and quality content, particularly in the high-end market where data usage continues to increase. Kena, the second no-frills brand (launched in April), will also allow the Company to compete in the more price-sensitive segments.

Several major shifts have also occurred, including the changes in the market environment, with the initiation of the Anti-Trust Authority s proceedings regarding the ultrabroadband and fiber optic network development projects, and the revision of the business strategies for the content component. These risk factors could have an impact on aspects such as the ultrabroadband development plans and the evolution model adopted in the multimedia market.

Lastly, operations will be characterized by greater selectivity and priority in investment choices and efficiency recovery measures through structural cost optimization programs.

As a result of the transformation and streamlining of the organization and processes, combined with commercial expansion and expected growth in revenue also in light of the performance outlook for the domestic market, the impacts from the new tariff model for roaming services, and several non-recurring business dynamics in the second half of 2016 (resulting in a not fully like-for-like comparison with the second half of 2017) management is able to confirm the guidance in organic terms announced for the full year 2017 and for the period of the Plan (organic growth in EBITDA (low single digit) and cash flow generation necessary to reduce the adjusted net financial debt to reported EBITDA ratio, which is expected to be below 2.7x in 2018).

In Brazil, the Plan provides for the continued turnaround of Tim Brasil through its re-positioning based on network and product quality, enabling the company to maintain its leadership in the prepaid segment and successfully compete in the postpaid segment. The Cost Containment Plan initiated in 2016 has also been continued and strengthened and will enable the achievement of solid profit and cash flow generation. More specifically, further impetus will be given to the construction of the UBB Mobile infrastructure upon completion of the Plan, the 4G network will reach 95% of the population with coverage of about 3,600 cities and the development of convergent offers, also through agreements with major premium content providers.

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MAIN RISKS AND UNCERTAINTIES

Risk governance is a strategic tool for value creation. The TIM Group has adopted an Enterprise Risk Management Model based on the methodology of the Committee of Sponsoring Organizations of the Treadway Commission (ERM CoSO Report), which enables the identification and management of risk in a uniform manner across the Group companies, highlighting potential synergies among the actors involved in the assessment of the Internal Control and Risk Management System. The ERM process is designed to identify potential events that may affect the business, to manage risk within acceptable limits and to provide reasonable assurance regarding the achievement of corporate objectives.

The business outlook for 2017 could be affected in the second half of the year by risks and uncertainties caused by a multitude of factors, the majority of which are beyond the Group s control.

In addition, there have been several major shifts, including the change in the market environment, with the start of proceedings by the Anti-Trust Authority on the ultrabroadband and fiber optic network development projects, and the possible revision of the business strategies for the content component. These risk factors may have repercussions which are currently unforeseeable in terms of the strategic choices adopted by the company and could have an impact, for example, on the ultrabroadband development plans and on the evolution model adopted in the multimedia market.

The main risks affecting the business activities of the TIM Group, which may impact, even significantly, the ability to achieve the objectives of the Group are presented below.

STRATEGIC RISKS

Risks related to macroeconomic factors

The TIM Group s economic and financial situation is subject to the influence of numerous macroeconomic factors such as economic growth, political stability, consumer confidence, and changes in interest rates and exchange rates in the markets in which it operates. After years of crisis, the global economic recovery seems to have gained momentum. In Italy, the economic recovery also appears to be strengthening. The year 2016 ended with growth of around 1% (a low figure when compared to the average of the EMU countries) and the forecast for 2017 is for higher growth (+1.5% according to the latest estimates issued by the Italian government). Consumption is starting to pick up again, after a slowdown in the second half of 2016, despite the erosion of purchasing power due to the return to inflation. Confidence has significantly improved among consumers and businesses. The Italian macroeconomic scenario is essentially favorable, but the country s position is still frail. In the labor market, unemployment is still high, despite the fall in the second quarter of 2017, with consequent possible repercussions on income available for consumption.

On the Brazilian market, the expected results may be significantly affected by the macroeconomic and political situation. After eight quarters of GDP decline, marking the deepest and most profound crisis in its history, Brazil returned to growth in the first quarter of 2017 (+1%) and the figures for the second quarter have continued this positive trend. 2017 should close with a growth rate of 0.7%. The inflation rate continues to fall (3.2% forecast for 2017 from 9.4% in 2016) and is in line with the central bank s targets (+4.5% +/- 1.5 percentage points). Household consumption has started to pick up again, benefiting from increased purchasing power due to lower inflation and the initial improvements in the labor market. However, these positive figures are also accompanied by continued political instability and a difficult employment situation (with just under 14 million unemployed and an unemployment rate of around 13% in the second quarter of 2017).

Risks related to competition

The telecommunications market is characterized by strong competition that may reduce market share in the geographical areas where the TIM Group is engaged as well as erode prices and margins. Competition is focused, on one hand, on innovative products and services and, on the other hand, on the price of traditional services. In the area of infrastructure competition, the growth of alternative operators could represent a threat for TIM, particularly in the years of the Plan after 2017 and also beyond the Plan period.

In the mobile market, Iliad S.A. is about to launch a new mobile operator in Italy with the aim of acquiring 10-15% of the market, as per its own announcements, by adopting the strategies it has already used for the French market. For its part, TIM has launched a new operator with its own independent systems and features.

In addition, Enel Open Fiber and Infratel have announced their plans for the development of an ultrabroadband telecommunications network as an alternative to the TIM network, respectively in the major Italian cities and the market failure areas.

In the Brazilian market, the competitive risk consists of both a deterioration of the business model tied to traditional services, which have not been replaced by innovative services, and the rationalization of consumption by customers as a result of a contraction of their purchasing power, also through the shift towards new flat deals. In this scenario, the Tim Brasil group may be further impacted in the short term to a greater extent than its main competitors, due to the higher proportion of customers with prepaid services, which are more affected by the current macroeconomic situation, and by a slowdown in their replacement with postpaid customers.

OPERATIONAL RISKS

Operational risks inherent in our business relate to possible inadequacies in internal processes, external factors, frauds, employee errors, errors in properly documenting transactions, loss of critical or commercially sensitive data and failures in systems and/or network platforms.

Risks related to business continuity

The TIM Group s success depends heavily on the ability to ensure continuous and uninterrupted delivery of the products and services we provide through the availability of processes and the relating supporting assets. In particular, the Network Infrastructure and the Information Systems are sensitive to various internal and external threats: power outage, floods, storms, human errors, system failures, hardware and software failures, software bugs, cyber attacks, earthquakes, facility failures, strikes, fraud, vandalism, terrorism, etc.. Each of these events could lead to an interruption in the supply of services/products and potentially affect our business both directly and indirectly: reduction in revenues and/or increased costs for recovery and for penalties and fines, decrease in customer satisfaction, and negative impact on reputation.

Risks related to the development of fixed and mobile networks

To maintain and expand our customer portfolio in each of the markets in which we operate, it is necessary to maintain, update and improve existing networks in a timely manner. A reliable and high quality network is necessary to maintain the customer base and minimize the terminations to protect the Company s revenues from erosion. The maintenance and improvement of existing installations depend on our ability to:

- upgrade the capabilities of the networks to provide customers with services that are closer to their needs; in this regard, the TIM Group may participate in tenders for broadcasting frequencies;
- increase the geographical coverage of innovative services;
- upgrade the structure of the systems and the networks to adapt it to new technologies;
- sustaining the necessary level of capital expenditure in the long term.

Risks of internal/external fraud

The TIM Group has adopted an organizational model to prevent fraud. However, the implementation of this model cannot ensure the total mitigation of the risk. Dishonest activities and illegal acts committed by people inside and outside the organization could adversely affect the Company s operating results, financial position and image.

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Risks related to disputes and litigation

The TIM Group has to deal with disputes and litigation with tax authorities, regulators, competition authorities, other telecommunications operators and other entities. The possible impacts of such proceedings are generally uncertain. In the event of settlement unfavorable to the Group, these issues may, individually or as whole, have an adverse effect, which may even be significant, on its operating results, financial position and cash flows.

FINANCIAL RISKS

The TIM Group may be exposed to financial risks, such as risks arising from fluctuations in interest rates and exchange rates, credit risk, liquidity risk and risks related to the performance of the equity markets in general, and more specifically risks related to the performance of the share price of the TIM Group companies. These risks may adversely impact the earnings and the financial structure of the Group. Accordingly, to manage those risks, the TIM Group has established guidelines, at central level, which must be followed for operational management, identification of the most suitable financial instruments to meet set goals, and monitoring the results achieved. In particular, in order to mitigate the liquidity risk, the TIM Group aims to maintain an adequate level of financial flexibility , in terms of cash and syndicated committed credit lines, enabling it to cover refinancing requirements at least for the next 12 -18 months.

On June 23, 2016, a referendum was held in the United Kingdom, commonly referred to as Brexit , in which voters approved the UK s exit from the European Union. The potential impact of Brexit will depend in part on the outcome of the negotiations on tariffs, trade, regulations and other matters, which started in the second half of June 2017. The result of the referendum had an adverse effect on the global markets and also produced a sharp decline in the pound against the dollar and the euro. Brexit and the possible changes during the exit negotiations could create further instability in the global financial markets and uncertainty about the laws and regulations of the European Union that the United Kingdom may decide to replace with national laws and regulations. The potential effects of Brexit could adversely affect our financial conditions, our business and the related earnings and cash flows.

REGULATORY AND COMPLIANCE RISKS

Regulatory risks

The telecommunications industry is highly regulated. In this context, new decisions by the Communications Authority (AGCom) may lead to changes in the regulatory framework that may affect the expected results of the Group. More specifically, the main elements that introduce uncertainty are:

- lack of predictability in start-up timing and consequent new process decisions;
- decisions with retroactive effect (for example, price revisions for previous years as a result of judgments issued by the Administrative Courts);
- decisions that can influence the technological choices made and to be made, with potential impact on the timing of return on infrastructure investment.

Implementation has been completed of the New Equivalence Model (NEM), launched by TIM in 2015, aimed at further improving the effectiveness of guarantees for equal treatment between own business divisions and competitors that buy wholesale services. The NEM and the related implementation roadmap were approved by the Board of Directors of TIM on November 5, 2015. The Italian Antitrust Authority (AGCM) and the AGCom positively evaluated the effectiveness of the NEM and decided, respectively, to close the non-compliance proceedings A428C, acknowledging that TIM has complied with the earlier A428 decision, and to discontinue the ongoing penalty proceedings.

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Compliance risks

The TIM Group may be exposed to risks of non-compliance due to non-observance/breach of internal (self-regulation, such as, for example, bylaws, code of ethics) and external rules (laws and regulations), with consequent judicial or administrative penalties, financial losses or reputational damage.

The TIM Group aims to ensure that processes, and, therefore, the procedures and systems governing them, and corporate conduct comply with legal requirements. The risk is associated with potential time lags in making the processes compliant with regulatory changes or whenever non-conformities are identified.

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MAIN CHANGES IN THE REGULATORY FRAMEWORK

DOMESTIC

Wholesale fixed-line markets

Wholesale access services

At the end of the proceeding initiated through resolution 623/15/CONS, in December 2016, AGCM and AGCom approved TIM s New Equivalence Model (NEM) aimed at structurally improving the effectiveness of the equal treatment in the supply of wholesale access services provided to its competitors and its commercial divisions. AGCom also established that the NEM must be implemented by December 2017 and set up a technical working group to monitor the process.

In the same resolution 623/15/CONS, AGCom asked TIM to submit two alternative proposals (unbundling and outsourcing models) regarding greater autonomy for the other licensed operators in the provision of delivery and assurance for the local loop unbundling (LLU) and sub-loop unbundling (SLU). On August 23, 2017, in its Resolution 321/17/CONS, AGCom approved an unbundling model that provides greater transparency and flexibility in the operational processes for the above-mentioned provisioning and assurance, giving the other licensed operators the possibility of choosing between TIM and external companies, selected by TIM, while still fully meeting the requirements of integrity, functional operation and security of the network.

Infratel Tenders for the subsidizing of the Ultra Broadband networks

In March 2017, Infratel Italia awarded the company Open Fiber (OF) the five lots of the tender for the construction and operation of networks enabling the offering of Ultra Broadband services (from 30 to 100 Mbit/s) in the so-called White Areas (in which the private operators had not envisaged the independent construction of Ultra Broadband infrastructure in the next three years) of the municipalities of six Italian regions (Abruzzo, Molise, Emilia Romagna, Lombardy, Tuscany and Veneto).

On March 20, 2017, the Lazio Regional Administrative Court rejected the appeal filed by TIM concerning the tender and, consequently, TIM lodged an appeal on June 20, 2017 with the *Consiglio di Stato*.

In July 2017, OF was awarded the six lots of the second Infratel tender, for the white areas of 10 regions (Piedmont, Valle d Aosta, Liguria, Friuli Venezia Giulia, Marche, Umbria, Lazio, Campania, Basilicata and Sicily) and the autonomous province of Trento. TIM has also appealed against the result of this second tender call.

On October 2, 2017, Infratel started a public consultation on the capital expenditure programs of the private operators in the white areas of the regions of Calabria, Apulia and Sardinia, with a view to publishing the third and final direct tender call for the ultrabroadband coverage in the white areas of these regions.

Retail fixed-line markets

28-day invoicing

On September 26, 2017, AGCom initiated penalty proceedings against TIM, Wind Tre, Vodafone and Fastweb. According to AGCom, the operators did not comply with the provisions of Resolution 121/17/CONS of March 2017, which set the minimum period for the subscription and billing cycle for fixed or convergent retail telephony offers at 30 days (fixed-line and mobile services). From 2016, these operators had in fact reduced the subscription and billing period for fixed-line offers from the previous term of 1 month to 28 days (TIM had introduced the amendment from April 2017 for consumer customers and from May 2017 for business customers).

In May 2017, TIM appealed against Resolution 121/17/CONS at the Lazio Regional Administrative Court. The industry-sector association ASSTEL has also submitted an appeal against the measure by the Authority. These proceedings are still underway and the ruling is expected between March and April 2018.

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In October 2017, the Government announced a legislative measure that will impose a 30-day billing obligation on the operators. The Government has not yet established the timing of the approval and the types of services (e.g. fixed-line only, fixed-line consumer only, inclusion of mobile services, etc.) covered by this measure, which may also extend AGCom s supervisory and disciplinary powers.

Universal Service

Through Resolution 46/17/CONS of January 26, 2017, AGCom introduced new measures regarding the subsidized financial conditions for access to fixed and mobile services for particular categories of disabled customers. The provisions of the measure, which apply to the deaf and the totally and partially blind, broaden the current subsidies, both in terms of discounted services (e.g. flat voice and data offers) and categories of disabled people covered (e.g. the partially blind).

In February 2017, TIM submitted an appeal to the Lazio Regional Administrative Court against Resolution 456/16/CONS of October 2016, through which AGCom rejected TIM s proposal for a price adjustment on the Voice offering (the basic voice telephony offering), and introduced a strict procedure for future changes of Universal Service prices, by providing, for example, a minimum time interval of a year between two successive tariff changes and the possibility to only change prices with reference to: (i) increase in *wholesale* costs; (ii) offsetting inflation; (iii) socio-economic conditions. The first hearing has been set for November 22, 2017.

Through Resolution 163/17/CONS of April 18, 2017, AGCom imposed a fine of 232,000 euros on TIM for the failure to achieve 4 quality objectives of 2015.

For information on the pending disputes relating to the remuneration of the net costs of the Universal Service incurred by TIM in the years 1999-2003, excluding 2002, see the Note Contingent liabilities, other information, commitments and guarantees of the Consolidated financial statements of the TIM Group at December 31, 2016.

As a result of the ruling no. 4616/2015 of October 2, 2015, in which the *Consiglio di Stato* canceled resolution 1/08/CIR solely with respect to the application of the new methodological criteria for the calculation of the net cost of the universal service (USO) for the period 2004-2007, AGCom initiated the renewal proceedings for those annual periods and appointed an independent consultant to revise the calculation of the USO, through resolution no. 145/17/CONS for the years 2006 and 2007 and through resolution no. 207/17/CONS for the years 2004 and 2005.

Wholesale mobile network markets

International roaming

On June 15, 2017, the provision of European Regulation 2015/2120 of November 25, 2015 (Telecom Single Market TSM Regulation) entered into force, which requires for the application of the national tariff for intra-EU voice, SMS and roaming data traffic.

On April 25, 2017, the European Parliament and the Council adopted a regulation establishing new wholesale caps for roaming traffic valid from June 15, 2017 to June 30, 2022 (Voice: 3.2 euro cents per minute; SMS 1 euro cents per SMS, data: 7.7 euro/GByte in 2017; 6 euro/GByte in 2018; 4.5 euro/GByte in 2019; 3.5 euro/GByte in 2020; 3 euro/GByte in 2021; and 2.5 euro/GByte in 2022).

AGCom contribution fee

On March 31, 2017, TIM paid an amount of 19.3 million euros, with reservation, for the 2017 AGCom contribution fee. The value was calculated by applying the rate of 0.0014 to the revenues recorded in the Company s 2015 Financial Statements. The guidelines for the calculation of the contribution fee, set out in the AGCom Resolutions 463/16/CONS and 62/17/CONS, have not changed with respect to those established for the calculation of the 2016 contribution fee.

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Antitrust

For information on the pending legal disputes, relating to the AGCM proceedings A428 and I761 see the Note Contingent liabilities, other information of the Condensed Consolidated Financial Statements of the TIM Group at September 30, 2017.

Case A500B

In April 2017, the AGCM extended to Telecom Italia Sparkle the case A500B, opened against TIM and regarding the possible improper conduct in the market consisting in bulk SMS messaging services. AGCM is required to make a final decision by December 31, 2017.

Case I799

In February 2017, AGCM initiated investigation proceedings for possible violation of Article 101 TFEU (ban on competition-restricting agreements) against TIM S.p.A. and Fastweb S.p.A., following the signing of an agreement aimed at establishing a joint cooperative enterprise Flash Fiber S.r.l.. In agreement with Fastweb, TIM has submitted several amendments to the agreements signed to the AGCM, in the form of proposed commitments, aimed at settling the proceedings without accepting the violation and, therefore, without any financial penalty. The end of the proceedings has been set at December 31, 2017.

Case A514

On June 28, 2017, AGCM initiated proceedings against TIM for possible breaches of Article 102 TFEU following complaints made by Infratel, Enel, Open Fiber, Vodafone and Wind-Tre. The deadline for the conclusion of the proceedings has been set at October 31, 2018. For more details see the description provided in the Note Contingent liabilities, other information of the Condensed Consolidated Financial Statements at September 30, 2017 of the TIM Group.

Disputes with AGCom

On August 9, 2017, AGCom provided notification of Resolution 88/17/CIR in which it had ruled on the dispute initiated on August 2, 2016 by TIM against Enel Distribuzione (ED) regarding the conditions of access to ED s infrastructure. AGCom recognized the validity of most of the objections raised by TIM and ordered the amendment of the Technical and Financial Rules for access to the electricity infrastructure of ED .

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BRAZIL

700 MHz and Analog TV switch off

In September 2014, TIM won the tender for the award of the 700MHz (4G/LTE) band frequencies, for a price of 1.7 billion reais, and with additional commitments of 1.2 billion reais (in four annual installments, adjusted for inflation) 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 700MHz band through the switch off of analog TV, the redistribution of channels and the reduction of interference.

To that end, the first payment (370 million reais) was made in April 2015 and the subsequent two payments (for a total of 860 million reais) were both made in January 2017, whereas the final installment (142 million reais) will be paid in January 2018.

Since 2016, over 2,500 towns have freed up the 700 Mhz LTE spectrum. In November, Goiânia will become the last of the 21 capitals to make it available for activation during the current year. In addition, the plan envisages the switch off by the end of November 2017 in the cities of Rio de Janeiro and Belo Horizonte and in January 2018 in the cities of Porto Alegre, Florianópolis and Curitiba.

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CORPORATE BOARDS AT SEPTEMBER 30, 2017

BOARD OF DIRECTORS

The ordinary shareholders meeting of the Company, held on May 4, 2017, appointed the new Board of Directors, setting its number of members at 15 and its term of office at three years (up to the approval of the financial statements at December 31, 2019). The Board of Directors meeting, held on May 5, 2017, appointed Giuseppe Recchi as Chairman of the Board, Arnaud Roy de Puyfontaine as Deputy Chairman and Flavio Cattaneo as Chief Executive Officer of the Company.

On June 1, 2017 the Board of Directors approved a change in the company officers, with the appointment of Arnaud Roy de Puyfontaine as Chairman of the Board of Directors and Giuseppe Recchi as Deputy Chairman.

On July 24, the Board of Directors accepted the resignation (with effect from July 28) submitted by the Chief Executive Officer Flavio Cattaneo, from that office and from the Board. In the meeting held on 27 July, the Board of Directors temporarily assigned the responsibilities of Chief Executive Officer to the Executive Chairman Arnaud Roy de Puyfontaine, except for those related to the Security Function and the company Telecom Italia Sparkle, which have been assigned on an interim basis to the Deputy Chairman, Giuseppe Recchi.

Subsequently, on September 28, 2017, the Board of Directors co-opted Amos Genish, appointing him as Chief Executive Officer assigning him executive powers and as General Manager. The Board of Directors also renewed the appointment of Arnaud Roy de Puyfontaine as Executive Chairman and of Giuseppe Recchi as Deputy Executive Chairman.

The Board of Directors of the Company, at September 30, 2017, was consequently composed as follows:

Executive Chairman	Arnaud Roy de Puyfontaine
Deputy Executive Chairman	Giuseppe Recchi
Chief Executive Officer and General Manager	Amos Genish
Directors	Camilla Antonini (independent)
	Franco Bernabè (independent)
	Ferruccio Borsani (independent)
	Lucia Calvosa (independent)
	Francesca Cornelli (independent)

	Frédéric Crépin
	Dario Frigerio (independent)
	Félicité Herzog (independent)
	Anna Jones (independent)
	Marella Moretti (independent)
	Hervé Philippe
	Danilo Vivarelli (independent)
Secretary to the Board	Agostino Nuzzolo

All the board members are domiciled for the positions they hold in TIM at the registered offices of the Company in Milan, Via G. Negri 1.

The following board committees were in place at September 30, 2017:

- **Control and Risk Committee: composed of the Directors:** Lucia Calvosa (Chair appointed in the meeting of June 22, 2017), Camilla Antonini (appointed by the Board of Directors on July 27, 2017 to replace the resigning director Frédéric Crépin), Francesca Cornelli, Félicité Herzog and Marella Moretti;

- **Nomination and Remuneration Committee: composed of the Directors:** Anna Jones (Chair appointed in the meeting of June 15, 2017), Ferruccio Borsani, Frédéric Crépin, Hervé Philippe and Danilo Vivarelli;

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Strategy Committee: composed of the Chairman of the Board of Directors, Arnaud Roy de Puyfontaine, the Chief Executive Officer, Amos Genish, the Deputy Executive Chairman, Giuseppe Recchi, (who was appointed Chair of the Committee by the Board of Directors on September 28), and the Directors Franco Bernabè, Frédéric Crépin (appointed by the Board of Directors on July 27, 2017) and Dario Frigerio.

BOARD OF STATUTORY AUDITORS

The ordinary shareholders meeting of May 20, 2015 appointed the Company s Board of Statutory Auditors with a term up to the approval of the 2017 financial statements.

On September 11, 2017, following her resignation, Paola Maiorana was replaced in the Board of Statutory Auditors by Gabriella Chersicla, formerly an Alternate Statutory Auditor of the Company.

The Board of Statutory Auditors of the Company is now composed as follows:

Chairman	Roberto Capone
Acting Auditors	Vincenzo Cariello
	Gabriella Chersicla
	Gianluca Ponzellini
	Ugo Rock
Alternate Auditors	Francesco Di Carlo
	Piera Vitali
	Riccardo Schioppo

INDEPENDENT AUDITORS

The shareholders meeting held on April 29, 2010 appointed the audit firm PricewaterhouseCoopers S.p.A. to audit TIM financial statements for the nine-year period 2010-2018.

MANAGER RESPONSIBLE FOR PREPARING THE CORPORATE FINANCIAL REPORTS

At the meeting of May 5, 2017, the Board of Directors confirmed Piergiorgio Peluso (Head of the Group

Administration, Finance and Control Function) as the manager responsible for preparing TIM s financial reports.

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MACRO-ORGANIZATION CHART AT SEPTEMBER 30, 2017

With effect from October 12, the responsibility for staff services provided to the Chief Executive Officer has been assigned to Alessandra Michelini.

With effect from October 18, the responsibility for the Institutional Communication Function has been assigned to Alessio Vinci, who has joined the TIM Group.

With effect from October 31, the activities and resources of Corporate Shared Value Projects and Development have been transferred to Institutional Communication.

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INFORMATION FOR INVESTORS

TIM S.P.A. SHARE CAPITAL AT SEPTEMBER 30, 2017

Share capital	11,677,002,855.10 euros
Number of ordinary shares (without nominal value)	15,203,122,583
Number of savings shares (without nominal value)	6,027,791,699
Number of TIM S.p.A. ordinary treasury shares	37,672,014
Number of TIM S.p.A. ordinary shares held by Telecom Italia Finance S.A.	126,082,374
Percentage of ordinary treasury shares held by the Group to total share capital	0.77%
Market capitalization (based on September 2017 average prices)	15,881 million euros

Regarding the trading of shares issued by Group companies on regulated markets, the ordinary and savings shares of TIM S.p.A. are listed in Italy (FTSE index), as well as the ordinary shares of INWIT S.p.A., whereas the ordinary shares of Tim Participações S.A. are listed in Brazil (BOVESPA index).

The ordinary and savings shares of TIM S.p.A., and 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 respectively represent 10 ordinary shares and 10 savings shares of TIM S.p.A. and 5 ordinary shares of Tim Participações S.A..

SHAREHOLDERS

Composition of the shareholders according to the Shareholders Book at September 30, 2017, supplemented by communications received and other available sources of information (ordinary shares):

There are no significant shareholders agreements for TIM pursuant to Article 122 of Italian Legislative Decree 58/1998.

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MAJOR HOLDINGS IN SHARE CAPITAL

At September 30, 2017, taking into account the entries in the Shareholders Book, communications sent to Consob and to the Company pursuant to Italian Legislative Decree 58 of February 24, 1998, Article 120, and other available sources of information, the relevant holdings of TIM S.p.A. 's ordinary share capital were as follows:

Holder	Type of ownership	Percentage of ownership
Vivendi S.A.	Direct	23.94% (*)

(*) Equity interest obtained following receipt of a notification by Vivendi S.A. pursuant to Article 152 octies, paragraph 7, of the Consob Issuer Regulations.

Blackrock Inc. also notified Consob that, on July 26, 2017, as an asset management company, it indirectly held a quantity of ordinary shares equal to 5.04% of the total ordinary shares of TIM S.p.A. at September 30, 2017.

COMMON REPRESENTATIVES

The special meeting of the savings shareholders held on June 16, 2016 renewed the appointment of Dario Trevisan as the common representative for three financial years, up to the approval of the financial statements for the year ended December 31, 2018.

By decree of June 9, 2017, the Milan Court confirmed the appointment of Enrico Cotta Ramusino (already appointed by the decrees of April 11, 2014 and March 7, 2011) as the common representative of the bondholders for the Telecom Italia S.p.A. 2002-2022 bonds at variable rates, open special series, reserved for subscription by employees of the TIM Group, in service or retired , with a mandate for the three-year period 2017-2019.

By decree of June 12, 2015, the Milan Court appointed Monica Iacoviello as the common representative of the bondholders for the Telecom Italia S.p.A. 1,250,000,000 euros 5.375 percent. Notes due 2019 up to the approval of the 2017 Annual Report.

RATING AT SEPTEMBER 30, 2017

At September 30, 2017, the three rating agencies Standard & Poor s, Moody s and Fitch Ratings rated TIM as follows:

	Rating	Outlook
STANDARD & POOR S	BB+	Positive
MOODY S	Ba1	Stable
FITCH RATINGS	BBB-	Stable

WAIVER OF THE OBLIGATION TO PUBLISH DISCLOSURE DOCUMENTS FOR EXTRAORDINARY OPERATIONS

On January 17, 2013, the board of directors of TIM S.p.A. resolved to exercise the option, as per article 70 paragraph 8 and article 71 paragraph 1-bis of the Consob Regulation 11971/99, to waive the obligations to publish disclosure documents in the event of significant operations such as mergers, demergers, capital increases by means of the transfer of assets in kind, acquisitions and disposals.

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RELATED PARTY TRANSACTIONS AND DIRECTION AND COORDINATION

With effect from May 3, 2017, the Board of Directors of TIM amended the Procedure for the management of transactions with related parties, initially extending its scope on a voluntary basis and then adding the treatment of Vivendi as its Controlling Entity, from June 1, 2017. In addition, on September 13, 2017, Consob communicated that it considered that Vivendi exercises *de facto* control over TIM pursuant to Article 2359 of the Italian Civil Code and Article 93 of the Consolidated Law on Finance, and pursuant to the related party regulations . Although it expressed its intention to challenge the decision, the Board of Directors ensured full compliance with the rules resulting from this classification, also amending the aforementioned Procedure as a consequence (on September 28, 2017); the latest version is available for consultation on the website www.telecomitalia.com, About Us section Governance System .

In the meantime, on July 27, 2017, the Board of Directors also acknowledged the start of direction and coordination by Vivendi. On August 4, 2017, in response to a request from Consob, the Company specified that this acknowledgment had taken place, following the statements made to the Board of Directors by the Executive Chairman, also in his capacity as Chief Executive Officer of the Vivendi group, in the light of two specific circumstances:

- on the one hand, the strengthening of the Company s management team with the arrival in TIM of a senior executive from the Vivendi group, aimed, among other things, at achieving greater coordination between the industrial and commercial activities of the various companies, as part of the current strategic plan; and
- on the other hand, the JV between TIM and Canal+, as another equally indicative sign of the desire to establish a form of coordination between the two groups in the multimedia sector, again within the context of the current strategic plan.

The information on related party transactions and transactions with the Controlling Entity Vivendi S.A. is presented in the financial statements and in the Note Related party transactions and Direction and Coordination in the Condensed Consolidated Financial Statements at September 30, 2017 of the TIM Group.

Joint Venture with Canal+

On October 20, 2017, the Board of Directors of TIM examined and approved the binding term sheet by majority vote for the creation of a joint venture with Canal+.

This transaction constitutes a related party transaction, because Canal+ International S.A.S. is a subsidiary of Vivendi S.A., already classed by Consob as the *de facto* controlling entity of TIM: this is a minor transaction in accordance with the parameters established by the relevant Consob Regulation. As such, it was submitted to the Control and Risk Committee for its recommendation, which voted in favor by majority, with motivated vote against by two board members. The Committee voted unanimously in favor, however, with regard to considering future transactions of the joint venture as transactions of TIM, for the application of the company procedure for performing transactions with related parties.

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SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

The effect of significant non-recurring events and transactions on the results of the TIM Group is reported below.

(millions of euros)	9 months to 9/30/2017	9 months to 9/30/2016
Acquisition of goods and services:		
Sundry expenses	(4)	
Employee benefits expenses:		
Expenses related to restructuring and rationalization	(19)	(128)
Other operating expenses:		
Sundry expenses and provisions	(199)	(25)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**(222)**	**(153)**
Gains (losses) on non-current assets:		
Gains on disposals of non-current assets		9
Impairment reversals (losses) on non-current assets:		
Impairment losses on non-current intangible assets	(30)	
Impact on EBIT Operating profit (loss)	**(252)**	**(144)**
Finance expenses:		
Interest expenses and miscellaneous finance expenses	(19)	(18)
Impact on profit (loss) before tax from continuing operations	**(271)**	**(162)**
Effect on income taxes on non-recurring items	75	48
Provision charges for Sparkle tax dispute	(37)	
Discontinued operations Effect of the disposal of the Sofora Telecom Argentina group		(12)
Impact on profit (loss) for the period	(233)	(126)

POSITIONS OR TRANSACTIONS RESULTING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In the first nine months of 2017, the TIM Group did not perform any atypical and/or unusual transactions, as defined by Consob Communication DEM/6064293 of July 28, 2006.

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ALTERNATIVE PERFORMANCE MEASURES

In this Interim Management Report at September 30, 2017 of the TIM Group, in addition to the conventional financial performance measures required by IFRS, a series of *alternative performance measures* are presented for the purposes of providing a better understanding of results from operations and the financial position. Such measures, which are also presented in other periodical financial reports (annual and interim) should, however, not be construed as a substitute for those required by IFRS.

The alternative performance measures used are described below:

EBITDA: this financial measure is used by TIM as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of the operating performance of the Group (as a whole and at the Business Unit level), in addition to EBIT. These measures are calculated as follows:

Profit (loss) before tax from continuing operations

+	Finance expenses
-	Finance income
+/-	Other expenses (income) from investments
+/-	Share of profits (losses) of associates and joint ventures accounted for using the equity method

EBIT - Operating profit (loss)

+/-	Impairment losses (reversals) on non-current assets
+/-	Losses (gains) on disposals of non-current assets
+	Depreciation and amortization

EBITDA - Operating profit (loss) before depreciation and amortization, Capital gains (losses) and Impairment reversals (losses) on non-current assets

Organic change in Revenues, EBITDA and EBIT: these measures express changes (amount and/or percentage) in revenues, EBITDA and EBIT, excluding, where applicable, the effects of the change in the scope of consolidation and exchange differences.

TIM believes that the presentation of the organic change in revenues, EBITDA and EBIT allows for a more complete and effective understanding of the operating performance of the Group (as a whole and at the Business Unit level). This method of presenting information is also used in presentations to analysts and investors. This Interim Report provides a reconciliation between the accounting or reported figure and the organic figure.

EBITDA margin and EBIT margin: TIM believes that these margins represent useful indicators of the Group s ability, as a whole and at Business Unit level, to generate profits from its revenues. In fact, EBITDA margin and EBIT margin measure the operating performance of an entity by analyzing the percentage of revenues that are converted, respectively, into EBITDA and EBIT. Such indicators are used by TIM in internal presentations (business plans) and in external presentations (to analysts and investors) in order to illustrate the results from operations also through the comparison of the operating results of the reporting period with those of the previous periods.

Net Financial Debt: TIM believes that Net Financial Debt represents an accurate indicator of the Group s ability to meet its financial obligations. It is represented by Gross Financial Debt less Cash and Cash Equivalents and other Financial Assets. This Interim Management Report includes tables showing the amounts taken from the statement of financial position and used to calculate the Net Financial Debt of the Group.

To better represent the real performance of Net Financial Debt, in addition to the usual indicator (called Net financial debt carrying amount), Adjusted net financial debt is also shown, which excludes effects that are purely accounting and non-monetary in nature deriving from the fair value measurement of derivatives and related financial assets and liabilities.

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Net financial debt is calculated as follows:

+ Non-current financial liabilities

+ Current financial liabilities

+ Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale

A) Gross financial debt

+ Non-current financial assets

+ Current financial assets

+ Financial assets relating to Discontinued operations/Non-current assets held for sale

B) Financial assets

C=(A - B) Net financial debt carrying amount

D) Reversal of fair value measurement of derivatives and related financial assets/liabilities

E=(C + D) Adjusted net financial debt

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TIM GROUP CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2017

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

(millions of euros)	note	9/30/2017	12/31/2016
Non-current assets			
Intangible assets			
Goodwill	4)	29,520	29,612
Intangible assets with a finite useful life	5)	7,123	6,951
		36,643	**36,563**
Tangible assets	6)		
Property, plant and equipment owned		13,897	13,947
Assets held under finance leases		2,369	2,413
		16,266	**16,360**
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method		17	18
Other investments		49	46
Non-current financial assets		1,916	2,698
Miscellaneous receivables and other non-current assets		2,418	2,222
Deferred tax assets		705	877
		5,105	**5,861**
Total Non-current assets	**(a)**	**58,014**	**58,784**
Current assets			
Inventories		333	270
Trade and miscellaneous receivables and other current assets		5,472	5,426
Current income tax receivables		52	94
Current financial assets			

Securities other than investments, financial receivables and other current financial assets		*1,506*	*1,908*
Cash and cash equivalents		*2,519*	*3,964*
		4,025	5,872
Current assets sub-total		**9,882**	**11,662**
Discontinued operations/Non-current assets held for sale			
Total Current assets	**(b)**	**9,882**	**11,662**
Total Assets	**(a+b)**	**67,896**	**70,446**

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Equity and Liabilities

(millions of euros)		note	9/30/2017	12/31/2016
Equity		7)		
Share capital issued			11,677	11,677
less: Treasury shares			(90)	(90)
Share capital			**11,587**	**11,587**
Additional paid-in capital			2,094	2,094
Other reserves and retained earnings (accumulated losses), including profit (loss) for the period			8,100	7,526
Equity attributable to Owners of the Parent			**21,781**	**21,207**
Non-controlling interests			2,278	2,346
Total Equity	**(c)**		**24,059**	**23,553**
Non-current liabilities				
Non-current financial liabilities		8)	28,592	30,469
Employee benefits			1,317	1,355
Deferred tax liabilities			313	293
Provisions			833	830
Miscellaneous payables and other non-current liabilities			1,600	1,607
Total Non-current liabilities	**(d)**		**32,655**	**34,554**
Current liabilities				
Current financial liabilities		8)	4,307	4,056
Trade and miscellaneous payables and other current liabilities			6,727	7,646
Current income tax payables			148	637
Current liabilities sub-total			**11,182**	**12,339**

Liabilities directly associated with Discontinued operations/Non-current assets held for sale			
Total Current Liabilities	**(e)**	**11,182**	**12,339**
Total Liabilities	**(f=d+e)**	**43,837**	**46,893**
Total Equity and Liabilities	**(c+f)**	**67,896**	**70,446**

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SEPARATE CONSOLIDATED INCOME STATEMENTS

(millions of euros)	*note*	3rd Quarter 2017	3rd Quarter 2016	9 months to 9/30/2017	9 months to 9/30/2016
Revenues		**4,907**	**4,843**	**14,679**	**13,939**
Other income		99	58	316	165
Total operating revenues and other income		**5,006**	**4,901**	**14,995**	**14,104**
Acquisition of goods and services		(2,045)	(1,927)	(6,181)	(5,710)
Employee benefits expenses		(673)	(752)	(2,203)	(2,303)
Other operating expenses		(357)	(256)	(933)	(757)
Change in inventories		24	32	74	65
Internally generated assets		144	154	461	479
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		**2,099**	**2,152**	**6,213**	**5,878**
Depreciation and amortization		(1,109)	(1,069)	(3,358)	(3,116)
Gains/(losses) on disposals of non-current assets		3	1	9	14
Impairment reversals (losses) on non-current assets		(30)	(3)	(30)	(8)
Operating profit (loss) (EBIT)		**963**	**1,081**	**2,834**	**2,768**
Share of profits (losses) of associates and joint ventures accounted for using the equity method				(1)	(2)
Other income (expenses) from investments		1	(1)	(18)	6
Finance income		386	309	1,496	2,321
Finance expenses		(772)	(674)	(2,622)	(2,831)
Profit (loss) before tax from continuing operations		**578**	**715**	**1,689**	**2,262**
Income tax expense		(102)	(210)	(559)	(699)
Profit (loss) from continuing operations		**476**	**505**	**1,130**	**1,563**

Profit (loss) from Discontinued operations/Non-current assets held for sale				47
Profit (loss) for the period	**476**	**505**	**1,130**	**1,610**
Attributable to:				
Owners of the Parent	**437**	**477**	**1,033**	**1,495**
Non-controlling interests	39	28	97	115

(euros)	9 months to 9/30/2017	9 months to 9/30/2016
Earnings per share:		
Earnings per share (Basic)		
Ordinary Share	0.05	0.07
Savings Share	0.06	0.08
of which:		
from Continuing operations attributable to Owners of the Parent		
Ordinary Share	0.05	0.07
Savings Share	0.06	0.08
Earnings per share (Diluted)		
Ordinary Share	0.04	0.05
Savings Share	0.05	0.06
of which:		
from Continuing operations attributable to Owners of the Parent		
Ordinary Share	0.04	0.05
Savings Share	0.05	0.06

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Note 7

(millions of euros)		3rd Quarter 2017	3rd Quarter 2016	9 months to 9/30/2017	9 months to 9/30/2016
Profit (loss) for the period	**(a)**	**476**	**505**	**1,130**	**1,610**
Other components of the Consolidated Statements of Comprehensive Income					
Other components that subsequently will not be reclassified in the Separate Consolidated Income Statements					
Remeasurements of employee defined benefit plans (IAS 19):					
Actuarial gains (losses)				33	(118)
Income tax effect				(8)	32
	(b)			**25**	**(86)**
Share of other profits (losses) of associates and joint ventures accounted for using the equity method:					
Profit (loss)					
Income tax effect					
	(c)				
Total other components that subsequently will not be reclassified in the Separate Consolidated Income Statements	**(d=b+c)**			**25**	**(86)**
Other components that subsequently will be reclassified in the Separate Consolidated Income Statements					
Available-for-sale financial assets:					
Profit (loss) from fair value adjustments		21	11	55	87
Loss (profit) transferred to the Separate Consolidated Income Statements		(18)	(2)	(55)	(71)
Income tax effect				2	(4)

	(e)	**3**	**9**	**2**	**12**
Hedging instruments:					
Profit (loss) from fair value adjustments		(298)	(231)	(629)	(558)
Loss (profit) transferred to the Separate Consolidated Income Statements		194	67	691	312
Income tax effect		26	43	(17)	41
	(f)	**(78)**	**(121)**	**45**	**(205)**
Exchange differences on translating foreign operations:					
Profit (loss) on translating foreign operations		40	(87)	(511)	531
Loss (profit) on translating foreign operations transferred to the Separate Consolidated Income Statements				19	304
Income tax effect					
	(g)	**40**	**(87)**	**(492)**	**835**
Share of other profits (losses) of associates and joint ventures accounted for using the equity method:					
Profit (loss)					
Loss (profit) transferred to the Separate Consolidated Income Statements					
Income tax effect					
	(h)				
Total other components that subsequently will be reclassified to the Separate Consolidated Income Statements	**(i=e+f+g+h)**	**(35)**	**(199)**	**(445)**	**642**
Total other components of the Consolidated Statements of Comprehensive Income	**(k=d+i)**	**(35)**	**(199)**	**(420)**	**556**
Total comprehensive income (loss) for the period	**(a+k)**	**441**	**306**	**710**	**2,166**
Attributable to:					
Owners of the Parent		**388**	**304**	**755**	**2,030**
Non-controlling interests		53	2	(45)	136

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Changes from January 1, 2016 to September 30, 2016

	Equity attributable to Owners of the Parent										
(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	Non-controlling interests	Total equity
Balance at December 31, 2015	**10,650**	**1,731**	**32**	**(249)**	**(1,459)**	**(87)**		**6,992**	**17,610**	**3,723**	**21,333**
Correction due to errors					**46**			**(102)**	**(56)**	**(28)**	**(84)**
Adjusted Balance at December 31, 2015	**10,650**	**1,731**	**32**	**(249)**	**(1,413)**	**(87)**		**6,890**	**17,554**	**3,695**	**21,249**
Changes in equity during the period:											
Dividends approved								**(166)**	**(166)**	**(26)**	**(192)**
Total comprehensive income (loss) for the period			**12**	**(205)**	**814**	**(86)**		**1,495**	**2,030**	**136**	**2,166**
Disposal of the Sofora Telecom Argentina group										**(1,582)**	**(1,582)**

Issue of equity instruments								**7**	**7**		**7**
Other changes								**(11)**	**(11)**		**(11)**
Balance at September 30, 2016	**10,650**	**1,731**	**44**	**(454)**	**(599)**	**(173)**		**8,215**	**19,414**	**2,223**	**21,637**

Changes from January 1, 2017 to September 30, 2017 Note 7

	Equity attributable to Owners of the Parent										
(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	Non-controlling interests	Total equity
Balance at December 31, 2016	**11,587**	**2,094**	**39**	**(551)**	**(366)**	**(113)**		**8,517**	**21,207**	**2,346**	**23,553**
Changes in equity during the period:											
Dividends approved								**(166)**	**(166)**	**(39)**	**(205)**
Total comprehensive income (loss) for the period			**2**	**45**	**(350)**	**25**		**1,033**	**755**	**(45)**	**710**
Issue of equity instruments								**(6)**	**(6)**		**(6)**
Other changes					**(14)**			**5**	**(9)**	**16**	**7**
Balance at September 30, 2017	**11,587**	**2,094**	**41**	**(506)**	**(730)**	**(88)**		**9,383**	**21,781**	**2,278**	**24,059**

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of euros)	note	9 months to 9/30/2017	9 months to 9/30/2016
Cash flows from operating activities:			
Profit (loss) from continuing operations		1,130	1,563
Adjustments for:			
Depreciation and amortization		3,358	3,116
Impairment losses (reversals) on non-current assets (including investments)		40	9
Net change in deferred tax assets and liabilities		178	459
Losses (gains) realized on disposals of non-current assets (including investments)		(10)	(15)
Share of profits (losses) of associates and joint ventures accounted for using the equity method		1	2
Change in employee benefits		(34)	12
Change in inventories		(64)	(71)
Change in trade receivables and net amounts due from customers on construction contracts		9	(31)
Change in trade payables		(829)	(65)
Net change in current income tax receivables/payables		(445)	85
Net change in miscellaneous receivables/payables and other assets/liabilities		(85)	(774)
Cash flows from (used in) operating activities	**(a)**	**3,249**	**4,290**
Cash flows from investing activities:			
Purchase of intangible assets	5)	*(1,635)*	*(1,125)*
Purchase of tangible assets	6)	*(2,291)*	*(2,160)*
Total purchase of intangible and tangible assets on an accrual basis		(3,926)	(3,285)
		(125)	*(180)*

Change in amounts due for purchases of intangible and tangible assets			
Total purchase of intangible and tangible assets on a cash basis		(4,051)	(3,465)
Acquisition of control in subsidiaries or other businesses, net of cash acquired			(6)
Acquisitions/disposals of other investments		(1)	(5)
Change in financial receivables and other financial assets		1,159	(96)
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of			492
Proceeds from sale/repayment of intangible, tangible and other non-current assets		26	33
Cash flows from (used in) investing activities	**(b)**	**(2,867)**	**(3,047)**
Cash flows from financing activities:			
Change in current financial liabilities and other		(895)	(140)
Proceeds from non-current financial liabilities (including current portion)		1,365	3,313
Repayments of non-current financial liabilities (including current portion)		(2,072)	(3,267)
Share capital proceeds/reimbursements (including subsidiaries)		16	
Dividends paid		(219)	(227)
Cash flows from (used in) financing activities	**(c)**	**(1,805)**	**(321)**
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	**(d)**		**(45)**
Aggregate cash flows	**(e=a+b+c+d)**	**(1,423)**	**877**
Net cash and cash equivalents at beginning of the period	**(f)**	**3,952**	**3,216**
Net foreign exchange differences on net cash and cash equivalents	(g)	(99)	182
Net cash and cash equivalents at end of the period	**(h=e+f+g)**	**2,430**	**4,275**

September 30, 2017

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Additional Cash Flow Information

(millions of euros)	9 months to 9/30/2017	9 months to 9/30/2016
Income taxes (paid) received	(804)	(117)
Interest expense paid	(1,514)	(1,701)
Interest income received	534	624
Dividends received		7

Analysis of Net Cash and Cash Equivalents

(millions of euros)	9 months to 9/30/2017	9 months to 9/30/2016
Net cash and cash equivalents at beginning of the period		
Cash and cash equivalents - from continuing operations	3,964	3,559
Bank overdrafts repayable on demand from continuing operations	(12)	(441)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale		98
Bank overdrafts repayable on demand from Discontinued operations/Non-current assets held for sale		
	3,952	**3,216**
Net cash and cash equivalents at end of the period		
Cash and cash equivalents - from continuing operations	2,519	4,275
Bank overdrafts repayable on demand from continuing operations	(89)	
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale		
Bank overdrafts repayable on demand from Discontinued operations/Non-current assets held for sale		

2,430	**4,275**

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NOTE 1

FORM, CONTENT AND OTHER GENERAL INFORMATION

FORM AND CONTENT

Telecom Italia S.p.A. (the **Parent**), also known in short as TIM S.p.A. , and its subsidiaries form the TIM Group or the Group .

TIM is a joint-stock company (S.p.A.) organized under the laws of the Republic of Italy.

The registered offices of the Parent, TIM, are located in Milan, Italy at Via Gaetano Negri 1.

The duration of TIM S.p.A., as stated in the company s bylaws, extends until December 31, 2100.

On July 27, 2017, the Board of Directors of TIM S.p.A. acknowledged the start of the direction and coordination by Vivendi S.A..

On September 13, 2017, Consob communicated that it considered that Vivendi exercises *de facto* control over TIM pursuant to Article 2359 of the Italian Civil Code and pursuant to Article 93 of the Consolidated Law on Finance, as well as the related party rules .

The TIM Group Condensed Consolidated Financial Statements at September 30, 2017 have therefore been prepared in accordance with the relevant provisions, indicating Vivendi S.A. as the Controlling Entity and TIM S.p.A. as the company subject to Direction and Coordination.

The TIM Group operates mainly in Europe, the Mediterranean Basin and South America.

The Group is engaged principally in the communications sector and, particularly, the fixed and mobile national and international telecommunications sector.

The TIM Group condensed consolidated financial statements at September 30, 2017 have been prepared on a going concern basis (for further details see the Note Accounting policies) and in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the European Union (designated as **IFRS**), as well as the laws and regulations in force in Italy.

The TIM Group condensed consolidated financial statements at September 30, 2017 have been prepared in compliance with IAS 34 (*Interim Reports*) and, as permitted by this standard, do not include all the information required in the annual consolidated financial statements; accordingly, these financial statements should be read together with the 2016 TIM Group consolidated financial statements.

For purposes of comparison, the consolidated statements of financial position at December 31, 2016, the separate consolidated income statements and the consolidated statements of comprehensive income for the third quarter of 2016 and the first nine months of 2016 have bee