HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2019

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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BOARD OF DIRECTORS

Chairman	Fulvio Conti (independent)
Chief Executive Officer and General Manager	Luigi Gubitosi
Directors	Alfredo Altavilla (independent)
	Paola Bonomo (independent)
	Franck Cadoret
	Giuseppina Capaldo (independent)
	Maria Elena Cappello (independent)
	Massimo Ferrari (independent)
	Paola Giannotti de Ponti (independent)
	Marella Moretti (independent)
	Lucia Morselli (independent)
	Dante Roscini (Lead Independent Director)
	Arnaud Roy de Puyfontaine
	Rocco Sabelli (independent)
	Michele Valensise (independent)
Secretary to the Board	Agostino Nuzzolo

BOARD OF STATUTORY AUDITORS

Chairman	Roberto Capone
Acting Auditors	Giulia De Martino
	Anna Doro
	Marco Fazzini
	Francesco Schiavone Panni
Alternate Auditors	Andrea Balelli
	Antonia Coppola
	Franco Dalla Sega
	Laura Fiordelisi

Independent Auditors	EY S.p.A.

HIGHLIGHTS – HALF-YEAR 2019

The results for the first half of the year are in line with the objectives of the three-year plan “TIMe to deliver and delever”, both in terms of execution, thanks to the numerous strategic and business initiatives put in place, and in terms of debt reduction through significant cash generation.

Operating free cash flow reached **1.5 billion euros**, an improvement of 604 million euros compared to the first half of 2018, and **equity free cash flow** was **786 million euros,** +526 million euros YoY.

Consequently, **net financial debt** at June 30 fell by 539 million euros from the end of 2018 (and by 349 million euros compared to March 31, 2019), reaching **24.7 billion euros.**

During the quarter, a binding agreement was reached for the sale of **Persidera**, which is expected to be finalized within this year and will result in a further reduction in net financial debt of **160 million euros.**

On July 26, 2019 TIM and Vodafone have signed agreements to share the active component of the 5G network, to share active devices on the 4G network, and to expand their existing agreement on passive network infrastructure sharing. The agreements will enable more efficient implementation of 5G in Italy, with wider geographical coverage (national coverage expected by 2025) and significant cost reductions, including over 800 million euros of synergies each for TIM and Vodafone over the next 10 years. In addition, the new INWIT is expected to see an annual improvement of over 200 million euros in EBITDA by 2026, through synergies, commitments and new potential opportunities.

Finally, on August 1, 2019 an agreement was signed with Sky that puts an end to a contractual dispute started a few years ago and allows TIM to sell the NowTV-Ticket Sport great sport offer, including 7 out of 10 Serie A TIM matches. This important partnership allows TIM to build a TIMVISION offer package that aggregates and distributes the contents from other TIM partners: Discovery, Mediaset, Netflix, Amazon Prime and Eurosport.

The management has informed the Board of Directors on the progress of both the project for a partnership in financial services to support TIM’s business and of the discussions with Open Fiber and its shareholders (following the announcement on June 20, 2019 of the signing of a Non-Disclosure Agreement), on the latter confirming mandate to the CEO to continue negotiations.

Group **revenues** in the Half year totalled **9.0 billion euros,** down 3.4% YoY, almost entirely attributable to Sparkle's international voice traffic. Excluding this component and product revenues, the change in service revenues falls to -1.2% YoY.

Group **reported EBITDA** in the first six months was **4.1 billion euros,** up 8.9% YoY due to the continuation of cost-optimisation actions and net non-recurring income including 662 million euros from the favourable outcome for TIM Brasil of the disputes over double taxation, partly offset by 296 million euros provisions.

Consequently, **reported EBITDA – CAPEX** reached **2.6 billion euros,** up 21.0% YoY.

PERFORMANCE IN THE SECOND QUARTER OF 2019

Group **revenues** in the second quarter reached **4,523 million euros** (**-3.9%** YoY on organic basis). Service revenues totalled **4,143 million euros**, down by 107 million euros (**-2.5%** YoY) compared to the second quarter in 2018, in an improving trend on the first quarter of 2019 (-3.0% YoY), albeit influenced by the significant reduction in low- or zero-margin International Wholesale contracts since the beginning of the year implying an EBITDA boost for Sparkle (+17% in Q2 YoY). Net of this impact (-96 million YoY), service revenues were stable compared to the previous year (-0.4% YoY) at Group level (-2.0% in Q1) and down 1.2% for the Domestic business unit (-2.7% in Q1).

In Italy, in the **fixed-line segment** there was an increase in both **consumer ARPU** (**+8.3%** YoY) and **broadband** (**+17.2%** YoY) and in the number of fibre customers – retail and wholesale – to **6.3 million**, up 45% YoY and 5.6% compared to the first quarter 2019. This ongoing migration from copper to fibre, together with the positive impact of the new regulated wholesale prices and the growth in business ICT (+16% YoY), led to service revenues improving of 2.2% YoY and overall revenues of +3.0% YoY, net of the above-mentioned changes in the International Wholesale segment (Sparkle).

The **mobile segment** showed a reversal of the downward trend in ARPU, which increased to 12.5 euros per line per month from 12.4 euros in the previous quarter. A sign of a return to market normality was the further decline in Mobile Number Portability, which decreased by 36% on an annual basis and by 11% compared to the previous quarter (2.6 million lines vs. 2.9 million lines). The total number of TIM mobile lines amounted to 31.7 million at the end of June, up 0.1% YoY. The churn rate fell by 1.7pp YoY and 0.9pp QoQ.

Strong performance of the Domestic Wholesale segment, which saw an increase in service revenues of 14.4% YoY, thanks to the aforementioned migration of customers from copper to fibre in addition to the stabilisation of regulated tariffs and the Business segment, whose revenues rose by 0.4%. The Consumer segment was affected by the performance of the mobile market, where service revenues fell compared to the second quarter of 2018 by 5.6%.

In **Brazil**, TIM recorded an increase in service revenues of 2.4% YoY (+1.7% YoY in the first quarter) driven by sales policies deployed in the mobile segment and despite the adverse macroeconomic and market dynamics, once again in line with guidance.

Group EBITDA After Lease stood at **1.8 billion euros** (-1.4% YoY).

Group organic EBITDA (IFRS 9/15) was **1.9 billion euros**, (-2.6% YoY), with an EBITDA margin of 42.2% (+0.6 percentage points YoY) driven by cost containment initiatives. The EBITDA of the Domestic business unit was 1.5 billion euros (-4.4% YoY) while the EBITDA of TIM Brasil increased by 6.3% YoY, (+5.5% YoY in the first quarter).

TIM's **4G coverage** reaches about 99% of the Italian population and its **fibre coverage** extends to 80% of the population. The company is committed to providing universal coverage in Italy by developing its fibre, 5G (national coverage by 2025) and Fixed Wireless Access networks.

Group investments in the second quarter totalled 874 million euros (-6.0% YoY) of which 659 million euros in Italy (-6.5% YoY).

Financial highlights for the half-year

(millions of euros)		1st Half 2019	1st Half 2019 comparable (a)	1st Half 2018 (b)	% Change (a-b)	organic excluding non-recurring
Revenues		**8,994**	**8,994**	**9,411**	(4.4)	(3.4)
EBITDA	(1)	**4,391**	**4,065**	**3,733**	8.9	(2.3)
EBITDA Margin		*48.8%*	*45.2%*	*39.7%*	*5.5pp*	
Organic EBITDA Margin excluding non-recurring		*45.1%*	*41.4%*	*41.0%*		*0.4pp*
EBIT	(1)	**1,887**	**1,871**	**1,614**	15.9	(10.7)
EBIT Margin		*21.0%*	*20.8%*	*17.2%*	*3.6pp*	
Organic EBIT Margin excluding non-recurring		*17.3%*	*17.1%*	*18.5%*		*(1.4)pp*
Profit (loss) for the period attributable to owners of the Parent		**551**	**592**	**532**	11.3	
Spectrum & capital expenditures		**1,481**	**1,481**	**1,597**	(7.3)	
		6/30/2019	**6/30/2019 comparable (a)**	**12/31/2018 (b)**	**Change Amount (a-b)**	
Adjusted net financial debt	(1)	**28,328**	**24,731**	**25,270**	(539)	

Financial highlights for the second quarter

(millions of euros)		2nd Quarter 2019	2nd Quarter 2019 comparable (a)	2nd Quarter 2018 (b)	% Change (a-b)	organic excluding non-recurring
Revenues		**4,523**	**4,523**	**4,726**	(4.3)	(3.9)
EBITDA	(1)	**2,445**	**2,273**	**1,940**	17.2	(2.6)
EBITDA Margin		*54.1%*	*50.3%*	*41.0%*	*9.3pp*	
Organic EBITDA Margin excluding non-recurring		*46.0%*	*42.2%*	*41.6%*		*0.6pp*
EBIT	(1)	**1,204**	**1,186**	**874**	35.7	(8.6)
EBIT Margin		*26.6%*	*26.2%*	*18.5%*	*7.7pp*	
Organic EBIT Margin excluding non-recurring		*18.5%*	*18.1%*	*19.1%*		*(1.0)pp*
Profit (loss) for the period attributable to owners of the Parent		**386**	**399**	**333**	19.8	

(1) Details are provided under "Alternative Performance Measures".

INTRODUCTION

The Half-year Financial Report at June 30, 2019 of the TIM Group has been prepared in compliance with Article 154-ter (Financial Reports) of Italian Legislative Decree no. 58/1998 (Consolidated Law on Finance – TUF) and subsequent amendments and supplements are presented in accordance with the international accounting standards issued by the International Accounting Standards Board and endorsed by the European Union (designated as "IFRS") as well as with the regulations issued to implement Article 9 of Italian Legislative Decree no. 38/2005.
The Half-year Financial Report includes:

- *the Interim Management Report;*
- *the Half-Year Condensed Consolidated Financial Statements;*
- *the Certification of the Half-Year Condensed Consolidated Financial Statements pursuant to Article 81-ter of the Consob Regulation 11971 dated May 14, 1999, with amendments and additions.*

The Half-year Condensed Consolidated Financial Statements at June 30, 2019 is subject to a limited Audit Review.

The accounting criteria and consolidation principles adopted are homogeneous with those used when drawing up the Consolidated Financial Statements of the TIM Group at December 31, 2018, to which the reader is referred, except for the adoption of IFRS 16 (Leases) adopted starting from January 1, 2019 with the modified retrospective method (that is, without recalculating the comparative figures of previous years). Further details are provided in the Note "Accounting Policies" to the Half-year Condensed Consolidated Financial Statements at June 30, 2019 of the TIM Group.
Furthermore, for the economic and financial performance of the first half of 2019 to be compared with the same period of the previous year, financial figures and income statement balances of the first half of 2019 are shown in this in this Interim Management Report in a "comparable" layout, using the previous IAS 17 (Leases) accounting standard and relevant interpretations (IFRIC 4, SIC 15 and SIC 27) in order to distinguish between operating and finance leasing and the resulting booking of the lease contracts payable.

The TIM Group, in addition to the conventional financial performance measures established by the 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; organic change and impact of the non-recurring items on revenues, EBITDA and EBIT; EBITDA margin and EBIT margin; and net financial debt carrying amount and adjusted net financial debt. Following the adoption of IFRS 16, the TIM Group also presents the following additional alternative performance indicators:

- *EBITDA adjusted After Lease ("EBITDA-AL"), calculated by adjusting the Organic EBITDA net of the non-recurring items, amounts connected with the accounting treatment of the finance leasing contracts according to IAS 17 (applied until year-end 2018) and according to IFRS 16 (applied starting from 2019);*
- *Adjusted net financial debt After Lease, calculated by excluding the liabilities connected with the accounting treatment of the finance leasing contracts from the adjusted net financial debt according to IAS 17 (applied until year-end 2018) and according to IFRS 16 (applied starting from 2019).*

As described in the 2018 consolidated financial statements of the TIM Group, existing improvements - also on the supporting IT systems - relating to the process of implementing the new accounting standards, together with the high number of new commercial offers of recent months, involved recalculating the time distribution of the revenues during the first and second quarters of 2018 for some specific fixed-line and mobile contract types, and presentation of the income statement figures of the first two quarters of the year 2018, as well as those of the first half of 2018. These figures are not audited.
Lastly, the section entitled "Business Outlook for the year 2019" 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 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 in the first half of 2019 or in the corresponding period of 2018.

CONSOLIDATED OPERATING PERFORMANCE

REVENUES

TIM Group revenues amounted to 8,994 million euros in the first half of 2019, down by 4.4% on the first half of 2018 (9,411 million euros). The reduction was mainly attributable to the Domestic Business Unit (-354 million euros) and the Brazil Business Unit (-55 million euros). Without the negative exchange rate effect[(1)], amounting to 94 million euros, the revenues of the Brazil Business Unit saw growth of +39 million euros (+2.1%).

The analysis of the first Half 2019 revenues, broken down by operating segment compared to the first half of 2018, is the following:

(millions of euros)	1st Half 2019 comparable		1st Half 2018		Changes		
		% of total		% of total	amount	%	% organic excluding non-recurring
Domestic	7,069	78.6	7,423	78.9	(354)	(4.8)	(4.7)
Core Domestic	*6,704*	*74.5*	*6,943*	*73.8*	*(239)*	*(3.4)*	*(3.2)*
International Wholesale	*469*	*5.2*	*609*	*6.5*	*(140)*	*(23.0)*	*(24.1)*
Brazil	1,946	21.6	2,001	21.3	(55)	(2.7)	2.1
Other Operations	–	–	–	–	–		
Adjustments and eliminations	(21)	(0.2)	(13)	(0.2)	(8)		
Consolidated Total	**8,994**	**100.0**	**9,411**	**100.0**	**(417)**	**(4.4)**	**(3.4)**

The organic change of the Group consolidated revenues, net of the non-recurring charges of 15 million euros referring to adjustments of revenues of previous years, and the effect of changes in exchange rates equal to 85 million euros, was -317 million euros (-3.4%); this reduction is almost entirely attributable to Sparkle international voice traffic, excluding this component and product revenues, the change in service revenues is reduced to -1.2%.

EBITDA

The reported EBITDA of the first half of 2019 was 4,391 million euros, and benefited, for the amount of 326 million euros, from the application of IFRS 16 following which, with reference to the lease contracts payable that did not cover supply of services, the lease payments are no longer recognized as costs for Acquisition of goods and services, but a financial liability must be recognized in the statements of financial position, represented by the current value of the future payments, and the Right of Use under assets, amortized along the probable term of the contact and the related financial charges component is charged to the income statement.

The comparable EBITDA of the first half of 2019 - prepared on the basis of accounting standards homogeneous with those adopted in the first half of 2018 - amounted to 4,065 million euros (3,733 million euros in the first half of 2018); +8.9%), with an EBITDA margin of 45.2% (39.7% in the first half of 2018; +5.5 percentage points).

(1) The average exchange rates used for the translation into euro (expressed in terms of units of local currency per 1 euro) were 4.34394 for the Brazilian real in the first half of 2019 and 4.14011 in the first half of 2018. For the US dollar, the average exchange rates used were 1.12977 in the first half of 2019 and 1.21058 in the first half of 2018. 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.

The breakdown by operating segment of comparable EBITDA for the first half of 2019, on the same accounting basis and compared to the first half of 2018, is shown below, together with the EBITDA margin:

(millions of euros)	1st Half 2019 comparable		1st Half 2018		Changes		
		% of total		% of total	amount	%	% organic excluding non-recurring
Domestic	2,749	67.6	3,037	81.4	(288)	(9.5)	(4.2)
EBITDA Margin	*38.9*		*40.9*			*(2.0)pp*	*0.2 pp*
Brazil	1,321	32.5	704	18.9	617	87.6	5.9
EBITDA Margin	*67.9*		*35.2*			*32.7 pp*	*1.3 pp*
Other Operations	(5)	(0.1)	(9)	(0.3)	4		
Adjustments and eliminations	–	–	*1*	–	*(1)*		
Consolidated Total	**4,065**	**100.0**	**3,733**	**100.0**	**332**	**8.9**	**(2.3)**
EBITDA Margin	*45.2*		*39.7*			*5.5 pp*	*0.4 pp*

Organic EBITDA - net of the non-recurring component, positive for the first half of 2019 for a total of 332 million euros - amounted to 3,733 million euros (3,823 million euros in the first half of 2018) and shows a change of 90 million euros (-2.3%) compared to the first half of 2018.

In detail, the TIM Group recorded net non-recurring income in the first half of 2019, as the balance between:

- coming from the tax recoveries of the Brazil Business Unit, which totaled 662 million euros, connected with the recognition of tax credits consequent to the favorable result of the tax disputes connected with including the ICMS indirect tax in the basis of calculation of the taxes on PIS and COFINS revenues, of which 396 million euros related to the recovery of indirect taxes and 266 million euros for the legal revaluation;
- non-recurring charges of the Brazil and Domestic Business Units, totaling 330 million euros, mainly relating to provisions for regulatory disputes and potential related liabilities, to liabilities with customers and/or suppliers and to charges related to corporate reorganization/restructuring as well as to the aforementioned adjustments to revenues from previous years.

Non-recurring operating expenses in the first half of 2018 amounted to 121 million euros, including the provision to cover a fine for alleged infringement of Article 2 of Italian Decree Law 21 of March 3/15/2012, 2012 (the "Golden Power" rule).

Organic EBITDA, net of the non-recurring component, is calculated as follows:

(millions of euros)	1st Half 2019 comparable	1st Half 2018	Changes	
			amount	%
EBITDA	**4,065**	**3,733**	**332**	**8.9**
Foreign currency financial statements translation effect		(31)	31	
Non-recurring expenses (Income)	(332)	121	(453)	
ORGANIC EBITDA, excluding Non-recurring items	**3,733**	**3,823**	**(90)**	**(2.3)**

Exchange rate fluctuations mainly related to the Brazil Business Unit.

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

- **Acquisition of goods and services (3,198 million euros; 3,524 million euros on comparable basis; 3,980 million euros in the first half of 2018):**

(millions of euros)	1st Half 2019 comparable	1st Half 2018	Change
Acquisition of goods	654	899	(245)
Revenues due to other TLC operators and costs for telecommunications network access services	841	947	(106)
Commercial and advertising costs	696	716	(20)
Power, maintenance and outsourced services	581	585	(4)
Rent and leases	239	306	(67)
Other service expenses	513	527	(14)
Total acquisition of goods and services	**3,524**	**3,980**	**(456)**
EBITDA Margin	*39.2*	*42.3*	*(3.1)pp*

The decrease is refers mainly to -382 million euros for the Domestic Business Unit and -66 million euros for the Brazil Business Unit.
In relation to the Domestic Business Unit, the trend is attributable for 244 million euros to the reduction in purchases for resale, linked to the decrease in volumes of mobile terminals sold, in line with the commercial strategy repositioning in progress.

- **Employee benefits expenses (1,502 million euros; 1,502 million euros on comparable basis; 1,526 million euros in the first half of 2018):**

(millions of euros)	1st Half 2019 comparable	1st Half 2018	Change
Employee benefits expenses - Italy	**1,320**	**1,360**	**(40)**
Ordinary employee expenses and costs	1,302	1,352	(50)
Restructuring and other expenses	18	8	10
Employee benefits expenses – Outside Italy	**182**	**166**	**16**
Ordinary employee expenses and costs	167	166	1
Restructuring and other expenses	15	-	15
Total employee benefits expenses	**1,502**	**1,526**	**(24)**
EBITDA Margin	*16.7*	*16.2*	*0.5 pp*

The net decrease of 24 million euros was mainly driven by:

- the contraction of the Italian component of the ordinary employee expenses of 50 million euros, mainly following the benefits related to reduction of the average salaried workforce that amounted as a total to –3,472 average employees, of which -1,789 average employees relating to the "solidarity" agreements in effect since June 2018 with a duration of 12 months and -1,683 average employees related to staff leaving during the period;
- the increase of 10 million euros in restructuring and other expenses of the Italian component, following the update of the actuarial measurements of the funds connected with application of Art. 4 of the Law No. 92 of June 28, 2012;
- to the 16 million euros increase in the international component, mainly due to higher restructuring costs and other costs.

- **Other operating income (766 million euros; 766 million euros on comparable basis; 144 million euros in the first half of 2018):**

(millions of euros)	1st Half 2019 comparable	1st Half 2018	Change
Late payment fees charged for telephone services	31	29	2
Recovery of employee benefit expenses, purchases and services rendered	11	11	–
Capital and operating grants	15	22	(7)
Damages, penalties and recoveries connected with litigation	8	20	(12)
Partnership agreements and other arrangements with suppliers	–	11	(11)
Estimate revisions and other adjustments	18	23	(5)
Brazil Business Unit tax recoveries	662	–	662
Other	21	28	(7)
Total	**766**	**144**	**622**

Other operating income of the first half of 2019 benefited from the Brazil Business Unit for 662 million euros, connected with the recognition of tax credits consequent to the favorable result of the tax disputes connected with including the ICMS indirect tax in the basis of calculation of the taxes on PIS and COFINS revenues, for which the company has been in court since 2006, with reimbursement requests related - as allowed - to the previous five years, and therefore with effect from 2001. The amount includes 396 million euros relating to the recovery of indirect taxes and 266 million euros for the legal revaluation. The use of the recognized tax receivables is expected to start in the second Half of 2020 and will be subject to taxation; in the first half of 2019, therefore, deferred direct taxes were also recognized for an amount of approximately 225 million euros.

- **Other operating expenses (871 million euros; 871 million euros on comparable basis; 661 million euros in the first half of 2018):**

(millions of euros)	1st Half 2019 comparable	1st Half 2018	Change
Write-downs and expenses in connection with credit management	296	252	44
Provision charges	288	123	165
TLC operating fees and charges	135	146	(11)
Indirect duties and taxes	74	68	6
Penalties, settlement compensation and administrative fines	33	31	2
Association dues and fees, donations, scholarships and traineeships	6	6	–
Other	39	35	4
Total	**871**	**661**	**210**

Other operating expenses include a non-recurring component equal to 276 million euros (107 million euros in the first half of 2018) mainly relating to regulatory disputes and liabilities relating to them and liabilities with customers and/or suppliers. The increase refers mainly to 179 million euros for the Domestic Business Unit and 33 million euros for the Brazil Business Unit.

Depreciation and amortization

Depreciation and amortization amounted to 2,496 million euros. Application of IFRS 16 resulted in an impact of 310 million euros. On the same accounting basis as that of the first half of 2018, depreciation and amortization amounted to 2,186 million euros, breaking down as follows:

(millions of euros)	1st Half 2019 comparable	1st Half 2018	Change
Amortization of intangible assets with a finite useful life	825	800	25
Depreciation of tangible assets (*)	1,233	1,322	(89)
Amortization of rights of use third-party assets	128		128
Total	**2,186**	**2,122**	**64**

(*) The item included the depreciation of assets held under finance leases in the first half of 2018.

Net impairment losses on non-current assets

These were zero in both the first half of 2019 and the first half of 2018.

In accordance with IAS 36, goodwill is not subject to amortization, but is tested for impairment annually when preparing the company's separate and consolidated financial statements. Furthermore, if specific events or circumstances occur ("trigger events") that could lead to a presumption that goodwill has suffered a reduction in value, impairment testing is also carried out when preparing interim financial statements.

No exogenous or endogenous events such as to consider new impairment testing as necessary were identified in the first half of 2019, so the goodwill figures assigned to the individual Cash Generating Units in the 2018 Consolidated Financial Statements were confirmed.

With reference to the Core Domestic CGU and to the International Wholesale CGU, it should be noted that in the 2018 consolidated financial statements, the impairment testing on these CGUs resulted in an impairment loss (write-downs) for a total amount of 2,590 million euros, of which 2,450 million euros relate to the goodwill attributed to the Core Domestic CGU and 140 million euros to the goodwill attributed to the International Wholesale CGU.

EBIT

Reported EBIT totaled 1,887 million euros in the first half of 2019 and include an impact of 16 million euros following the application of IFRS 16.
Comparable EBIT for the first half of 2019 totaled 1,871 million euros (1,614 million euros in the first half of 2018), increase by 257 million euros (+15.9%) compared to the first half of 2018, with an EBIT margin of 20.8% (17.2% in the first half of 2018).
Organic EBIT, net of the non-recurring component, wholly referable to EBITDA, amounted to 1,539 million euros (1,723 million euros in the first half of 2018), with an EBIT margin of 17.1% (18.5% in the first half of 2018).
Organic EBIT, net of the non-recurring component, is calculated as follows:

(millions of euros)	1st Half 2019 comparable	1st Half 2018	Changes amount	%
EBIT	**1,871**	**1,614**	**257**	**15.9**
Foreign currency financial statements translation effect		(12)	12	
Non-recurring expenses (Income)	(332)	121	(453)	
ORGANIC EBIT, excluding Non-recurring items	**1,539**	**1,723**	**(184)**	**(10.7)**

Exchange rate fluctuations mainly related to the Brazil Business Unit.

Finance income (expenses), net

Finance income/(expenses) showed a net expense of 754 million euros.
In comparable terms, the item showed a net expense of 650 million euros (expense of 718 million euros in the first half of 2018): the positive change was mainly driven by lower finance expenses, connected to the reduction in the Group's debt exposure and a drop in interest rates.

Income tax expense

The item amounted to 392 million euros, down by 95 million euros on the first half of 2018 (297 million euros). This increase is attributable to the recognition of 225 million euros for deferred taxes related in particular to the non-recurring income of the Brazil Business Unit which is only partially offset by lower taxes of the Domestic Business Unit.

PROFIT (LOSS) FOR THE PERIOD

This item breaks down as follows:

(millions of euros)	1st Half 2019	1st Half 2019 comparable	1st Half 2018
Profit (loss) for the period	**740**	**798**	**607**
Attributable to:			
Owners of the Parent:			
Profit (loss) from continuing operations	551	592	532
Profit (loss) from Discontinued operations/Non-current assets held for sale	–	–	–
Profit (loss) for the period attributable to owners of the Parent	**551**	**592**	**532**
Non-controlling interests:			
Profit (loss) from continuing operations	189	206	75
Profit (loss) from Discontinued operations/Non-current assets held for sale	–	–	–
Profit (loss) for the period attributable to non-controlling interests	**189**	**206**	**75**

Reported profit for the first half of 2019 attributable to Owners of the Parent totaled 551 million euros (532 million euros in the first half of 2018) also benefiting from non-recurring net income of 53 million euros and pulled down by the adoption of IFRS 16 for 41 million euros.
On comparable basis, profit attributable to Owners of the Parent for the first half of 2019 was down on the same period of the previous year (111 million euros).

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

DOMESTIC

(millions of euros)	1st Half 2019	1st Half 2019 comparable (a)	1st Half 2018 (b)	Changes (a-b) amount	%	% organic excluding non-recurring
Revenues	7,069	7,069	7,423	(354)	(4.8)	(4.7)
EBITDA	2,929	2,749	3,037	(288)	(9.5)	(4.2)
EBITDA Margin	*41.4*	*38.9*	*40.9*		*(2.0)pp*	*0.2 pp*
EBIT	1,029	1,012	1,371	(359)	(26.2)	(13.5)
EBITDA Margin	*14.6*	*14.3*	*18.5*		*(4.2)pp*	*(1.9)pp*
Headcount at period end (number) (°)	47,891		(1)48,200	(309)	(0.6)	

(1) Headcount at December 31, 2018
(°) Includes employees with temp work contracts: 6 units at June 30, 2019 (0 units at December 31, 2018)

Fixed

	6/30/2019	12/31/2018	6/30/2018
Physical accesses of TIM Retail (thousands)	9,530	10,149	10,644
of which NGN	*3,428*	*3,166*	*2,744*
Physical accesses of TIM Wholesale (thousands)	*8,079*	*8,063*	*8,078*
of which NGN	*2,869*	*2,262*	*1,598*
Active broadband accesses of TIM Retail (thousands)	7,414	7,483	7,547
ARPU Consumer (€/month) (1)	35.7	34.0	32.8
Broadband ARPU (€/month) (2)	29.3	26.3	*25.1*

(1) Revenues from retail Consumer services in proportion to the average Consumer physical accesses.
(2) Revenues from broadband services in proportion to the average active TIM retail broadband accesses

Mobile

	6/30/2019	12/31/2018	6/30/2018
Lines at period end (thousands)	31,662	31,818	31,629
of which Human	21,956	22,448	23,132
Churn rate (%) (3)	9.4	26.3	12.5
Broadband users (thousands) (4)	13,124	13,015	13,590
Reported ARPU (€/month) (5)	8.7	9.8	10.1
Human ARPU (€/month) (6)	12.5	13.4	13.6

(3) 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.
(4) Mobile lines using data services.
(5) Revenues from retail services (visitors and MVNO not included) in proportion to the average total lines.
(6) Revenues from retail services (visitors and MVNO not included) in proportion to the average human total lines.

Revenues

In order to bear in mind the changed market context and types of offer, starting from 2019 the breakdown of revenues and the itemization of some commercial indicators have been revised; As a result, also the comparative 2018 figures have been updated in order to provide a homogeneous representation. In detail, Revenues are represented by distinguishing between those deriving from offers of only Services or packages of Services (Revenues from stand alone Services) and those deriving from so-called "bundle" offers that include the customer signing a contract providing for the purchase of devices/products jointly with the rendering of a service along a certain time span (Handset and Bundle & Handset revenues).

Reported revenues of the Domestic Business Unit amounted to 7,069 million euros, down by 354 million euros compared to the first half of 2018 (-4.8%).

Revenues from stand-alone services amounted to 6,386 million euros (-262 million euros compared to the same period of 2018, equal to –3.9%) and were affected by the effects of the changed regulatory and competitive scenario.

In detail:

- revenues from stand alone Fixed services amounted to 4,810 million euros, down 50 million euros compared to the first half of 2018 (-1.0%). Leaving the revenues from services out of the low margin international wholesale component, revenues from fixed services increased by 2.0% compared to the first half of 2018, in a competitive and challenging market environment. Contributing to this result was the increase in retail ARPU, the positive trend of revenues from ICT solutions (+56 million euros compared to the first half of 2018, +15.9%) and from broadband services (+160 million euros, +14.1%), also brought about by growth in Ultra BroadBand customers. These dynamics offset the natural decline in revenues from traditional voice services due to the decrease in accesses;
- revenues from stand alone services for the Mobile market were equal to 1,859 million euros (-219 million euros, equal to -10.5% on the first quarter of 2018) and were affected by the changed regulatory and competitive scenario, with a downturn in ARPU.

Handset and Bundle & Handset revenues, including the change in work in progress, amounted to 683 million euros in the first half of 2019 (-92 million euros on the first half of 2018).

EBITDA

Reported EBITDA of the Domestic Business Unit for the amounted to 2,929 million euros in the first half of 2019 as it benefited from the application of IFRS 16 by the amount of 180 million euros.
The comparable EBITDA for the first half of 2019 amounted to 2,749 million euros, down 288 million euros on the first half of 2018 (-9.5%).
Organic EBITDA, net of the non-recurring component, amounted to 3,027 million euros, down 133 million euros compared to the first half of 2018 (-4.2%). In particular, the EBITDA in the first half of 2019 was negatively impacted by 278 million euros, referring to non-recurring charges mainly related to provisions for regulatory disputes and possible related liabilities, to liabilities with customers and/or suppliers and to charges related to corporate reorganization/restructuring as well as to cited adjustments to revenues from previous years.

Organic EBITDA, net of the non-recurring component, is calculated as follows:

(millions of euros)	1st Half 2019 comparable	1st Half 2018	Changes amount	Changes %
EBITDA	**2,749**	**3,037**	**(288)**	**(9.5)**
Foreign currency financial statements translation effect		2	(2)	
Non-recurring expenses (Income)	278	121	157	
ORGANIC EBITDA - excluding Non-recurring items	**3,027**	**3,160**	**(133)**	**(4.2)**

The changes in the main cost items, on the same accounting basis, are shown below:

(millions of euros)	1st Half 2019 comparable	1st Half 2018	Change
Acquisition of goods and services	2,634	3,016	(382)
Employee benefits expenses	1,332	1,368	(36)
Other operating expenses	593	414	179

In particular:

- **Acquisition of goods and services (2,454 million euros; 2,634 million euros on comparable basis; 3,016 million euros in the first half of 2018):**

(millions of euros)	1st Half 2019 comparable	1st Half 2018	Change
Acquisition of goods	543	787	(244)
Revenues due to other TLC operators and costs for telecommunications network access services	585	751	(166)
Commercial and advertising costs	439	427	12
Power, maintenance and outsourced services	458	465	(7)
Rent and leases	191	199	(8)
Other service expenses	418	387	31
Total acquisition of goods and services	**2,634**	**3,016**	**(382)**
EBITDA Margin	*37.3*	*40.6*	*(3.4)*

They decreased by 382 million euros compared to the first half of 2018. There was a reduction in purchases for resale, linked to the decrease in sold volumes of mobile handsets, in line with the repositioning of the current commercial strategies, a reduction in the revenues due to other operators and costs for access services to telecommunications networks, partially offset by an increase in commercial and advertising costs.

- **Employee benefits expenses (1,332 million euros; 1,332 million euros on comparable basis; 1,368 million euros in the first half of 2018)**: went down by 36 million euros, driven chiefly by the same factors affecting the Italian employee benefits expenses component at Group level, to which readers are referred.

- **Other operating income (95 million euros; 95 million euros on comparable basis; 132 million euros in the first half of 2018):**

(millions of euros)	1st Half 2019 comparable	1st Half 2018	Change
Late payment fees charged for telephone services	25	24	1
Recovery of employee benefit expenses, purchases and services rendered	11	12	(1)
Capital and operating grants	13	19	(6)
Damages, penalties and recoveries connected with litigation	8	20	(12)
Partnership agreements and other arrangements with suppliers	–	11	(11)
Estimate revisions and other adjustments	18	23	(5)
Other income	20	23	(3)
Total	**95**	**132**	**(37)**

- **Other operating expenses (593 million euros; 593 million euros on comparable basis; 414 million euros in the first half of 2018):**

(millions of euros)	1st Half 2019 comparable	1st Half 2018	Change
Write-downs and expenses in connection with credit management	213	193	20
Provision charges	240	92	148
TLC operating fees and charges	25	24	1
Indirect duties and taxes	47	46	1
Penalties, settlement compensation and administrative fines	32	31	1
Association dues and fees, donations, scholarships and traineeships	6	5	1
Sundry expenses	30	23	7
Total	**593**	**414**	**179**

Other operating expenses include a non-recurring component equal to 240 million euros (107 million euros in the first half of 2018) mainly relating to regulatory disputes and liabilities relating to them, as well as charges related to disputes with former employees and liabilities with customers and suppliers.

EBIT

EBIT for the Domestic Business Unit in the first half of 2019 amounted to 1,029 million euros.
The comparable EBIT for the first half of 2019 amounted to 1,012 million euros (1,371 million euros in the first half of 2018).
Organic EBIT, net of the non-recurring component, already outlined in the paragraph relating to the EBITDA, amounted to 1,290 million euros (1,492 million euros in the first half of 2018), with an EBIT margin of 18.2% (20.1% in the first half of 2018).
EBIT for the first half of 2019 reflected the negative impact of non-recurring net expenses totaling 278 million euros (121 million euros in the first half of 2018, at constant exchange rates).

Organic EBIT, net of the non-recurring component, is calculated as follows:

(millions of euros)	1st Half 2019 comparable	1st Half 2018	Changes	
			Amount	%
EBIT	**1,012**	**1,371**	**(359)**	**(26.2)**
Foreign currency financial statements translation effect	–	–	–	
Non-recurring expenses (Income)	278	121	157	
ORGANIC EBIT, excluding Non-recurring items	**1,290**	**1,492**	**(202)**	**(13.5)**

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), as defined by IAS 36:

- **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 Retail 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. The segment includes the companies Olivetti, TI Trust Technologies, Telsy.
  - **Wholesale:** the segment consists of the management and development of the portfolio of regulated and unregulated wholesale services for Fixed-line and Mobile telecommunications operators in the domestic market and Open Access operations connected with delivery and assurance processes for customer services. The segment includes the companies TN Fiber, Flash Fiber, TI San Marino and Telefonia Mobile Sammarinese.
  - **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 development, engineering, construction and operating processes for 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.

Key results for the first half of 2019 for the Domestic Business Unit are presented in the following tables by market/business segment, and compared on the same accounting basis to the first half of 2018.

Core Domestic

(millions of euros)	1st Half 2019 comparable	1st Half 2018	Changes amount	%	% organic excluding non-recurring
Revenues	**6,704**	**6,943**	**(239)**	**(3.4)**	**(3.2)**
Consumer	*3,345*	*3,652*	*(307)*	*(8.4)*	*(8.4)*
Business	*2,313*	*2,305*	*8*	*0.3*	*0.3*
Wholesale	*938*	*877*	*61*	*7.0*	*7.0*
Other Operations	*108*	*109*	*(1)*	*(0.9)*	*12.8*
EBITDA	**2,685**	**3,000**	**(315)**	**(10.5)**	**(5.0)**
EBITDA Margin	40.1	43.2		(3.1) pp	(0.9) pp
EBIT	**1,004**	**1,389**	**(385)**	**(27.7)**	**(15.0)**
EBITDA Margin	*15.0*	*20.0*		*(5.0) pp*	*(2.6) pp*
Headcount at period end (number) (°)	**47,151**	**(*)47,455**	**(304)**	**(0.6)**	

(*) Headcount at December 31, 2018
(°) Includes employees with temp work contracts: 6 units at June 30, 2019 (0 units at December 31, 2018)

Please note that as of 2019, the revenues of the company Persidera are no longer included in the Consumer segment of Core Domestic and are reclassified as revenues of Other Core Domestic assets; the Consumer revenues of the corresponding period of 2018 were therefore revised in order to provide a homogeneous representation. The Persidera company is being sold following the conclusion of the binding agreement signed on June 5, 2019 by TIM S.p.A. and GEDI Gruppo Editoriale S.p.A. with F2i and EI Tower S.p.A..

Core Domestic revenues totaled 6,704 million euros, posting a -3.4% decrease (6,943 million euros in the first half of 2018).

As regards the market segments, please note the following changes compared to the first half of 2018:

- **Consumer:** revenues of the Consumer segment for the first half of 2019 totaled 3,345 million euros and, compared to the figures for the first half of 2018, dropped by 307 million euros (-8.4 %) due to the changed regulatory and competitive scenario The same trend seen in total revenues also applied to revenues from stand alone services, which amounted to 2,952 million euros, down by 5.4% compared to the same period of the previous year (-169 million euros). In particular:
  - revenues from stand alone Mobile services amounted to 1,252 million euros and posted a decrease of 170 million euros (-12.0%) compared to the first half of 2018 due to the changed regulatory and competitive dynamics;
  - revenues from stand alone Fixed services amounted to 1,711 million euros, substantially in line with the first half of 2018 (-6 million euros, -0.3%); this trend reflected a decrease in accesses, offset by higher ARPU levels.

  Handset and bundle & handset revenues of the Consumer segment totaled 393 million euros, down by 138 million euros on the first half of 2018 (-26.0%), of which -124 million euros were on the mobile component and -14 million euros on the fixed component.

- **Business:** revenues for the Business segment amounted to 2,313 million euros, up by 8 million euros on the first half of 2018 (+0.3%, of which -0.7% for revenues from the stand alone services component). In particular:
  - mobile revenues show a negative performance compared to the first half of 2018 (-7.6%), driven mainly by lower revenues from stand alone services (-6.9%) and, in particular, a decline in new digital services (-9.3% on the first half of 2018);
  - revenues from the fixed-line market rose by 51 million euros (+2.9% over the first half of 2018), mostly thanks to the performance of services (+1.5%); lower prices and revenues from traditional services (connected with the technological shift towards VoIP systems and solutions) were more than offset by steady growth in revenues from ICT services (+15,9%).

- **Wholesale:** Wholesale segment revenues in the first half of 2019 came to 938 million euros, up by 61 million euros compared to the first half of 2018 (+7.0%), with a positive performance mainly driven by the growth in accesses in the Ultra Broadband segment.

International Wholesale

(millions of euros)	1st Half 2019 comparable	1st Half 2018	Changes amount	%	% organic excluding non-recurring
Revenues	**469**	**609**	**(140)**	**(23.0)**	**(24.1)**
of which third party	*386*	*516*	*(130)*	*(25.2)*	*(26.5)*
EBITDA	**65**	**53**	**12**	**22.6**	**18.2**
EBITDA Margin	*13.9*	*8.7*		*5.2 pp*	*5.0 pp*
EBIT	**8**	**(4)**	**12**		
EBITDA Margin	*1.7*	*(0.7)*		*2.4 pp*	*2.3 pp*
Headcount at period end (number)	**740**	**(*)745**	**(5)**	**(0.7)**	

(*) Headcount at December 31, 2018

The revenues of the first half of 2019 of the International Wholesale Cash-Generating Unit came to 469 million euros, down 140 million euros (-23.0%) compared to the first half of 2018. This trend is mainly connected to the new positioning of Telecom Italia Sparkle in the Voice business, better focused contracts having higher margins, also in a perspective of simplifying and streamlining operating processes.

BRAZIL

	(millions of euros)			(millions of reais)					
	1st Half 2019	**1st Half 2019 comparable**	**1st Half 2018**	**1st Half 2019**	**1st Half 2019 comparable**	**1st Half 2018**	**Changes**		
							amount	%	% organic excluding non-recurring
		(a)	(b)		(c)	(d)	(c-d)	(c-d)/d	
Revenues	1,946	1,946	2,001	8,454	8,454	8,282	172	2.1	2.1
EBITDA	1,467	1,321	704	6,370	5,738	2,915	2,823	96.8	5.9
EBITDA Margin	*75.3*	*67.9*	*35.2*	*75.3*	*67.9*	*35.2*		*32.7 pp*	*1.3 pp*
EBIT	862	863	252	3,747	3,749	1,042	2,707	-	5.5
EBITDA Margin	*44.3*	*44.3*	*12.6*	*44.3*	*44.3*	*12.6*		*31.7pp*	*0.4 pp*
Headcount at period end (number)				9,411		(1) 9,658			

(1) Headcount at December 31, 2018.

The average exchange rates used for the translation into euro (expressed in terms of units of Real per 1 euro) were 4.34394 for in the first half of 2019 and 4.14011 in the first half of 2018.

	1st Half 2019	**1st Half 2018**
Lines at the end of the period (thousands) (*)	54,972	(1) 55,923
MOU (minutes/month) (**)	123.8	118.8
ARPU (reais)	23.0	21.8

(1) Amount at December 31, 2018.
(*) Includes corporate lines.
(**) Net of visitors.

Revenues

First Half 2019 revenues of the Tim Brasil group amounted to 8,454 million reais, up by 172 million reais on the first half of 2018 (+2.1%).

Revenues from services totaled 8,088 million reais, an increase of 134 million reais compared to 7,954 million reais for the first half of 2018 (+1.7%).

Revenues from product sales came to 366 million reais (328 million reais in the first half of 2018). The increase reflects the change in the sales policy, which is now focused more on value than on increasing sales volumes. The main goals of the new strategy are to increase sales of new connected devices giving TIM customers access to broadband services on 3G/4G networks as well as to support new retention offerings for higher-value postpaid customers.

Mobile ARPU of the first half of 2019 was 23.0 reais, up 5.5% compared to the figure posted in the first half of 2018 due to an overall repositioning on the postpaid segment and new commercial initiatives aimed at boosting use of data and the customer's average spending.

Total lines in place at June 30, 2019 amounted to 55.0 million, a decline of 0.9 million compared to December 31, 2018 (55.9 million). The lower figure was driven entirely by the prepaid segment (-2.0 million) and only partially offset by growth in the post-paid segment (+1.1 million), in part due to the consolidation underway in the market for second SIM cards. Postpaid customers accounted for 38,8% of the customer base at June 30, 2019, an increase of 2,6 percentage points on December 2018 (36,2%).

EBITDA

Reported EBITDA for the first half of 2019 amounted to 6,370 million reais.
Comparable EBITDA for the first half of 2019 amounted to 5,738 million reais, up by 2,823 million reais (+96.8%).
EBITDA in the first half of 2019 included 2,650 million reais of non-recurring net income, connecting to the aforementioned recognition of tax credits for an amount of 2,876 million reais - from the recognition by the Brazilian Federal Supreme Court ("STF") of the unconstitutionality of the inclusion of the ICMS in the calculation base of PIS/COFINS contributions - which were offset by charges for non-recurring expenses, for an amount of 226 million reais, mainly for regulatory disputes and liabilities related to them, as well as to liabilities with customers and/or suppliers.

EBITDA, net of the non-recurring component, was equal to 3,088 million reais and calculated as follows:

(millions of reais)	1st Half 2019 comparable	1st Half 2018	Changes amount	%
EBITDA	**5,738**	**2,915**	**2,823**	**96.8**
Non-recurring expenses (Income)	(2,650)	–	(2,650)	
ORGANIC EBITDA - excluding Non-recurring items	**3,088**	**2,915**	**173**	**5.9**

Growth in EBITDA, excluding the aforementioned non-recurring items, was equal to + 5.9%, was attributable to both the positive performance of revenues and the benefits delivered by projects to enhance the efficiency of the operating expenses structure.

The changes in the main cost items are shown below:

	(millions of euros)		(millions of reais)		
	1st Half 2019 comparable (a)	1st Half 2018 (b)	1st Half 2019 comparable (c)	1st Half 2018 (d)	Change (c-d)
Acquisition of goods and services	906	972	3,935	4,025	(90)
Employee benefits expenses	170	154	737	636	101
Other operating expenses	276	243	1,197	1,005	192
Change in inventories	(7)	(12)	(31)	(49)	18

EBIT

Reported EBITDA for the first half of 2019 amounted to 3,747 million reais.
Comparable EBIT for the first half of 2019 amounted to 3,749 million reais, up by 2,707 million reais on the same period of the previous year (1,042 million reais).

Net of the non-recurring component, organic EBIT was equal to 1,099 million reais, with a growth of 5.5%; and was calculated as:

(millions of reais)	1st Half 2019 comparable	1st Half 2018	Changes amount	%
EBIT	**3,749**	**1,042**	**2,707**	**-**
Non-recurring expenses (Income)	(2,650)	–	(2,650)	
ORGANIC EBIT - excluding Non-recurring items	**1,099**	**1,042**	**57**	**5.5**

CONSOLIDATED FINANCIAL POSITION AND CASH FLOWS PERFORMANCE

NON-CURRENT ASSETS

- **Goodwill:** went up by 15 million euros, from 26,769 million euros of year-end 2018 to 26,784 million euros at June 30, 2019 due to the exchange rate difference concerning the Brazil Business Unit Goodwill[21].
- **Intangible assets with a finite useful life:** were down by 883 million euros, from 8,889 million euros at the end of 2018 to 8,006 million euros at June 30, 2019, representing the balance of the following items:
  - reclassifications, on the adoption of IFRS 16, of the Indefeasible Rights of Use - IRU as well as of the rights of use infrastructure in Brazil, Intangible assets of the specific Rights of use on third-party assets item (-445 million euros);
  - capex (+376 million euros);
  - amortization charge for the period (-825 million euros);
  - disposals, exchange differences and other changes (for a net positive balance of 11 million euros).
- **Tangible assets:** were down by 2,057 million euros, from 16,146 million euros at the end of 2018 to 14,089 million euros at June 30, 2019, representing the balance of the following items:
  - reclassifications, following the adoption of IFRS 16, of Assets held under finance leases and of improvements in tangible assets of the specific Rights of use on third party assets item (-1,923 million euros);
  - capex (+1,079 million euros);
  - amortization charge for the period (-1,233 million euros);
  - disposals, exchange differences and other changes (for a net positive balance of 20 million euros).
- **Rights of use third-party assets**: after IFRS 16 (Leasing) was adopted, the TIM Group decided to classify rights of use third-party assets under a specific item of the statements of financial position. This entailed the recognition of rights of use amounting to 3,503 million euros in addition to reclassification of intangible and tangible fixed assets totaling 2,368 million euros. At June 30, 2019 they totaled 5,803 million euros. Recognized during the first half of 2019 were:
  - investments and increases in finance leasing contracts (+318 million euros)
  - amortization charge for the period (-438 million euros);
  - disposals, exchange differences and other changes (for a net positive balance of 52 million euros).

CONSOLIDATED EQUITY

Consolidated equity amounted to 22,334 million euros (21,747 million euros at December 31, 2018), of which 19,949 million euros attributable to Owners of the Parent (19,528 million euros at December 31, 2018) and 2,385 million euros attributable to non-controlling interests (2,219 million euros at December 31, 2018). In greater detail, the changes in consolidated equity were the following:

(millions of euros)	6/30/2019	12/31/2018
At the beginning of the period	**21,747**	**23,695**
IFRS 16 adoption effect	–	
At the beginning of the period, restated	**21,747**	**23,695**
Total comprehensive income (loss) for the period	799	(1,694)
Dividends approved by:	(221)	(281)
TIM S.p.A.	*(166)*	*(166)*
Other Group companies	*(55)*	*(115)*
Issue of equity instruments	2	2
Other changes	7	25
At the end of the period	**22,334**	**21,747**

(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 4.36104 at June 30, 2019 and 4.43664 at December 31, 2018.

CASH FLOWS

Reported adjusted net financial debt amounted to 28,328 million euros.
Adjusted net financial debt stood at 24,731 million euros, down by 539 million euros compared to December 31, 2018 (25,270 million euros).
The table below summarizes the main transactions that had an impact on the change in adjusted net financial debt during the first half of 2019:

Change in adjusted net financial debt

(millions of euros)	1st Half 2019	1st Half 2019 comparable (a)	1st Half 2018 (b)	Change (a-b)
EBITDA	4,391	4,065	3,733	332
Capital expenditures on an accrual basis	(1,481)	(1,481)	(1,597)	116
Expenditures for mobile telephone licenses / spectrum	–	–	–	–
Change in net operating working capital:	(1,146)	(1,149)	(1,295)	146
Change in inventories	*73*	*73*	*(31)*	*104*
Change in trade receivables and net amounts due from customers on construction contracts	*(138)*	*(138)*	*(74)*	*(64)*
Change in trade payables	*(973)*	*(968)*	*(991)*	*23*
Change in payables for mobile telephone licenses / spectrum	*–*	*–*	*(36)*	*36*
Other changes in operating receivables/payables	*(108)*	*(116)*	*(163)*	*47*
Change in provisions for employee benefits	(214)	(214)	(23)	(191)
Change in operating provisions and Other changes	269	269	68	201
Net operating free cash flow	**1,819**	**1,490**	**886**	**604**
of which operating free cash flow connected with the purchase of mobile telephone licenses / spectrum	*–*	*–*	*(36)*	*36*
EBITDA Margin	*20.2*	*16.6*	*9.4*	*7.2 pp*
Sale of investments and other disposals flow	7	7	14	(7)
Share capital increases/reimbursements, including incidental costs	5	5	11	(6)
Financial investments flow	(4)	(4)	(3)	(1)
Dividends payment	(246)	(246)	(222)	(24)
Increases in finance leasing contracts	(292)	(18)	(44)	26
Finance expenses, income taxes and other net non-operating requirements flow and impact from application of IFRS 16	(4,347)	(695)	(475)	(220)
Reduction/(Increase) in adjusted net financial debt from continuing operations	**(3,058)**	**539**	**167**	**372**
Reduction/(Increase) in net financial debt from Discontinued operations/Non-current assets held for sale	–	-	–	–
Reduction/(Increase) in adjusted net financial debt	**(3,058)**	**539**	**167**	**372**

In addition to that reported earlier with reference to EBITDA, net financial debt during the first half of 2019 has been particularly impacted by the following items:

Capital expenditures and for mobile telephone licenses / spectrum

On the same accounting basis, capital expenditures in the first half of 2019 totaled 1,481 million euros (1,597 million euros in the first half of 2018).

Capital expenditures and for mobile telephone licenses / spectrum are broken down by operating segment as follows:

(millions of euros)	1st Half 2019 comparable		1st Half 2018		Change
		% of total		% of total	
Domestic	1,114	75.2	1,212	75.9	(98)
Brazil	367	24.8	385	24.1	(18)
Other Operations	–	–	–	–	–
Adjustments and eliminations	–	–	–	–	–
Consolidated Total	**1,481**	**100.0**	**1,597**	**100.0**	**(116)**
EBITDA Margin	*16.5*		*17.0*		*(0.5)pp*

In particular:

- the **Domestic Business Unit** recorded capital expenditures that amounted to 1,114 million euros (1,212 million euros in the first half of 2018), down by 98 million euros, particularly on the fixed and mobile access components due to the coverage levels already achieved;
- the **Brazil Business Unit** posted capex in the first half of 2019 of 367 million euros, down by 18 million euros on the corresponding period of 2018 (385 million euros) substantially related to exchange rate dynamics. Capital expenditures were therefore in line with the first half of 2018 and targeted primarily at strengthening mobile ultra-broadband network infrastructure and developing the fixed broadband business of TIM Live.

Change in net operating working capital

On a comparative basis, the change in net operating working capital of the first half of 2019 shows a usage of 1,149 million euros (negative for 1,295 million euros in the first half of 2018), mainly driven the net requirement deriving from the reduction in trade payables (-968 million euros; - 991 million euros in the first half of 2018). In particular, the change in trade payables is influenced by the seasonal trend of trend in payments of bills payable. In fact, the last quarter of the year presents a high concentration of investment spending and external costs, the financial impact of which is to a large extent postponed to subsequent periods, also due to the normal payment terms provided for by contracts.

Sale of investments and other disposals flow

The item showed a positive figure of 7 million euros (positive for 14 million euros in the first half of 2018) and related mainly to disposals of assets within the normal operating cycle.

Share capital increases/reimbursements, including incidental costs

These totaled 5 million euros in the first half of 2019 and essentially consisted of contributions from an external shareholder of the Group for new capital issued by a subsidiary (11 million euros in the first half of 2018).

Increases in finance leasing contracts

In the first half of 2019, the item amounted to 292 million euros.
In comparable terms, they amounted to 18 million euros (44 million euros in the first half of 2018), mainly attributable to TIM S.p.A. and to the Brazil Business Unit and relate to the renegotiation and adjustment of financial leasing contracts already in existence at December 31, 2018 measured according to IAS 17.
Increases in finance lease contracts include the higher value of rights of use recorded following new rental lease agreements, increases in lease payments and renegotiation of existing contracts. For more detailed information, please refer to the Note "Rights of use third-party assets" of the Half-year condensed consolidated financial statements at June 30, 2019.

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

The item shows a net requirement totaling 695 million euros and mainly includes payments of around 610 million euros connected with the components of financial income and the payment of 30 million euros in taxes, as well as the change in non-operating payables and receivables.

Sales of receivables to factoring companies

It is noted that the sales without recourse of trade receivables to factoring companies completed during the first half of 2019 resulted in a positive effect on adjusted net financial debt at June 30, 2019 equal to 1,735 million euros (2,004 million euros at December 31, 2018); 1,598 million euros at June 30, 2018).

Net financial debt

Net financial debt is composed as follows:

(millions of euros)	6/30/2019 (a)	12/31/2018 (b)	Change (a-b)
Non-current financial liabilities			
Bonds	20,479	18,579	1,900
Amounts due to banks, other financial payables and liabilities	5,200	4,740	460
Non-current financial liabilities for lease contracts payable	4,814	1,740	3,074
	30,493	**25,059**	**5,434**
Current financial liabilities (*)			
Bonds	1,025	2,918	(1,893)
Amounts due to banks, other financial payables and liabilities	1,755	2,787	(1,032)
Current financial liabilities for lease contracts payable	705	208	497
	3,485	**5,913**	**(2,428)**
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	–	–	–
Total gross financial debt	**33,978**	**30,972**	**3,006**
Non-current financial assets			
Securities other than investments	–	–	–
Non-current financial receivables for lease contract	(60)	(54)	(6)
Financial receivables and other current financial assets	(2,030)	(1,540)	(490)
	(2,090)	**(1,594)**	**(496)**
Current financial assets			
Securities other than investments	(1,004)	(1,126)	122
Current financial receivables for lease contracts	(53)	(70)	17
Financial receivables and other current financial assets	(107)	(270)	163
Cash and cash equivalents	(1,700)	(1,917)	217
	(2,864)	**(3,383)**	**519**
Financial assets relating to Discontinued operations/Non-current assets held for sale	–	–	–
Total financial assets	**(4,954)**	**(4,977)**	**23**
Net financial debt carrying amount	**29,024**	**25,995**	**3,029**
Reversal of fair value measurement of derivatives and related financial assets/liabilities	*(696)*	*(725)*	*29*
Adjusted net financial debt	**28,328**	**25,270**	**3,058**
Breakdown as follows:			
Total adjusted gross financial debt	**32,003**	**29,432**	**2,571**
Total adjusted financial assets	**(3,675)**	**(4,162)**	**487**
(*) of which current portion of medium/long-term debt:			
Bonds	*1,025*	*2,918*	*(1,893)*
Amounts due to banks, other financial payables and liabilities	*925*	*1,477*	*(552)*
Current financial liabilities for lease contracts payable	*705*	*208*	*497*

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, in addition to the usual indicator (renamed “Net financial debt carrying amount”), the TIM Group reports a measure called “Adjusted net financial debt”, 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 of 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 of IFRS 13 – Fair Value Measurement) from the measurement of derivatives and related financial assets/liabilities.

Gross financial debt

Bonds
Bonds at June 30, 2019 were recorded for a total of 21,504 million euros (21,497 million euros at December 31, 2018). Repayments totaled a nominal 21,081 million euros (21,021 million euros at December 31, 2018).

Changes in bonds over the first half of 2019 are shown below:

(millions of original currency)	**Currency**	**Amount**	**Issue date**
New issues			
Telecom Italia S.p.A. 1,250 million euros 4.000% maturing 4/11/2024	Euro	1,250	1/11/2019
TIM S.A. 1,000 million reais 104.10% CDI maturing 7/15/2020	BRL	1,000	1/25/2019
Telecom Italia S.p.A. 1,000 million euros 2.750% maturing 4/15/2025	Euro	1,000	4/15/2019

(millions of original currency)	**Currency**	**Amount**	**Repayment date**
Repayments			
Telecom Italia S.p.A. 832 million euros 5.375% (1)	Euro	832	1/29/2019
Telecom Italia Capital S.A. 760 million US dollars 7.175% (2)	USD	760	6/18/2019
Telecom Italia S.p.A 850 million GBP 6.375%	GBP	850	6/24/2019

(1) Net of buy-backs totaling 418 million euros made by the company in 2015.
(2) Net of the securities bought back by TIM S.p.A. (240 million USD) on July 20, 2015.

With reference to Telecom Italia S.p.A. 2002-2022 bonds, reserved for subscription by employees of the Group, the nominal amount at June 30, 2019 was 201 million euros, down by 2 million euros compared to December 31, 2018 (203 million euros).

Revolving Credit Facility and Term Loan
The following table shows committed credit lines available at June 30, 2019:

(billions of euros)	**6/30/2019**		**12/31/2018**	
	Agreed	Drawn down	Agreed	Drawn down
Revolving Credit Facility – maturing January 2023	5.0	-	5.0	-
Total	**5.0**	**-**	**5.0**	**-**

At June 30, 2019, TIM had bilateral Term Loans for 1,750 million euros and overdraft facilities for 40 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) was 8.60 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, stood at approximately 4%, while it was about 4.3% considering application of the IFRS16 standard.
For details on the maturities of financial liabilities in terms of expected nominal repayment amounts, as contractually agreed, see the Note "Financial liabilities (non-current and current)" to the Half-year Condensed Consolidated Financial Statements at June 30, 2019 of the TIM Group.

Current financial assets and liquidity margin
The TIM Group's available liquidity margin amounted to 7,704 million euros, equal to the sum of:

- "Cash and cash equivalents" and "Current securities other than investments" totaling 2,704 million euros (3,043 million euros at December 31, 2018), also including 490 million euros of repurchase agreements falling due in August 2019;
- the Revolving Credit Facility totaled 5,000 million euros.

This margin is sufficient to cover Group financial liabilities falling due over the next 24-36 months.

In particular:
Cash and cash equivalents amounted to 1,700 million euros (1,917 million euros at December 31, 2018). The different technical forms of investing available cash 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 1,004 million euros (1,126 million euros at December 31, 2018): These forms of investment represent alternatives to the investment of liquidity with the aim of improving returns. They included a total of 567 million euros of Italian and European treasury bonds purchased by TIM S.p.A. (251 million euros), Telecom Italia Finance S.A. (311 million euros) and Inwit S.p.A. (5 million euros), as well as 315 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, and 120 million euros of investments in monetary funds by the Brazil Business Unit. 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.

In the second quarter of 2019, **reported adjusted net financial debt** decreased by 255 million euros compared to March 31, 2019 (28,583 million euros).

(millions of euros)	6/30/2019 (a)	3/31/2019 (b)	Change (a-b)
Net financial debt carrying amount	**29,024**	**29,293**	**(269)**
Reversal of fair value measurement of derivatives and related financial assets/liabilities	*(696)*	*(710)*	*14*
Adjusted net financial debt	**28,328**	**28,583**	**(255)**
Breakdown as follows:			
Total adjusted gross financial debt	**32,003**	**33,184**	**(1,181)**
Total adjusted financial assets	**(3,675)**	**(4,601)**	**926**

The **comparable adjusted net financial debt** in the second quarter of 2019 amounted to 24,731 million euros, down by 349 million euros compared to March 31, 2019 (25,080 million euros): Positive cash flow generation largely absorbed the payment of around 220 million euros of dividends.

CONSOLIDATED DATA – TABLES OF DETAIL

The separate consolidated income statements, consolidated statements of comprehensive income, consolidated statements of financial position, consolidated statements of cash flows and other information of the TIM Group follow.

Separate Consolidated Income Statements

(millions of euros)	1st Half 2019	1st Half 2019 comparable (a)	1st Half 2018 (b)	Changes (a-b) amount	%
Revenues	**8,994**	**8,994**	**9,411**	**(417)**	**(4.4)**
Other income	766	766	144	622	–
Total operating revenues and other income	**9,760**	**9,760**	**9,555**	**205**	**2.1**
Acquisition of goods and services	(3,198)	(3,524)	(3,980)	456	11.5
Employee benefits expenses	(1,502)	(1,502)	(1,526)	24	1.6
Other operating expenses	(871)	(871)	(661)	(210)	(31.8)
Change in inventories	(74)	(74)	35	(109)	–
Internally generated assets	276	276	310	(34)	(11.0)
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**4,391**	**4,065**	**3,733**	**332**	**8.9**
Depreciation and amortization	(2,496)	(2,186)	(2,122)	(64)	(3.0)
Gains/(losses) on disposals of non-current assets	(8)	(8)	3	(11)	–
Impairment reversals (losses) on non-current assets	–	–	–	–	–
Operating profit (loss) (EBIT)	**1,887**	**1,871**	**1,614**	**257**	**15.9**
Share of profits (losses) of associates and joint ventures accounted for using the equity method	(3)	(3)	(2)	(1)	–
Other income (expenses) from investments	2	2	10	(8)	–
Finance income	580	579	551	28	5.1
Finance expenses	(1,334)	(1,229)	(1,269)	40	3.2
Profit (loss) before tax from continuing operations	**1,132**	**1,220**	**904**	**316**	**35.0**
Income tax expense	(392)	(422)	(297)	(125)	(42.1)
Profit (loss) from continuing operations	**740**	**798**	**607**	**191**	**31.5**
Profit (loss) from Discontinued operations/Non-current assets held for sale	**–**	**–**	**–**	**–**	**–**
Profit (loss) for the period	**740**	**798**	**607**	**191**	**31.5**
Attributable to:					
Owners of the Parent	**551**	**592**	**532**	**60**	**11.3**
Non-controlling interests	189	206	75	131	–

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)		1st Half 2019	1st Half 2018
Profit (loss) for the period	**(a)**	**740**	**607**
Other components of the Consolidated Statement of Comprehensive Income			
Other components that will not be reclassified subsequently to Separate Consolidated Income Statement			
Financial assets measured at fair value through other comprehensive income:			
Profit (loss) from fair value adjustments		3	(3)
Income tax effect		–	–
	(b)	**3**	**(3)**
Remeasurements of employee defined benefit plans (IAS 19):			
Actuarial gains (losses)		(70)	7
Income tax effect		17	(3)
	(c)	**(53)**	**4**
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		–	–
Income tax effect		–	–
	(d)	**–**	**–**
Total other components that will not be reclassified subsequently to Separate Consolidated Income Statement	**(e=b+c+d)**	**(50)**	**1**
Other components that will be reclassified subsequently to Separate Consolidated Income Statement			
Financial assets measured at fair value through other comprehensive income:			
Profit (loss) from fair value adjustments		22	4
Loss (profit) transferred to Separate Consolidated Income Statement		(3)	14
Income tax effect		(1)	(8)
	(f)	**18**	**10**
Hedging instruments:			
Profit (loss) from fair value adjustments		99	(65)
Loss (profit) transferred to Separate Consolidated Income Statement		(92)	(77)
Income tax effect		(3)	33
	(g)	**4**	**(109)**
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		87	(610)
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement		–	–
Income tax effect		–	–
	(h)	**87**	**(610)**
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		–	–
Loss (profit) transferred to Separate Consolidated Income Statement		–	–
Income tax effect		–	–
	(i)	**–**	**–**
Total other components that will be reclassified subsequently to Separate Consolidated Income Statement	**(k=f+g+h+i)**	**109**	**(709)**
Total other components of the Consolidated Statement of Comprehensive Income	**(m=e+k)**	**59**	**(708)**
Total comprehensive income (loss) for the period	**(a+m)**	**799**	**(101)**
Attributable to:			
Owners of the Parent		**584**	**9**
Non-controlling interests		215	(110)

Consolidated Statements of Financial Position

(millions of euros)		6/30/2019 (a)	12/31/2018 (b)	Changes (a-b)
Assets				
Non-current assets				
Intangible assets				
Goodwill		26,784	26,769	15
Intangible assets with a finite useful life		8,006	8,889	(883)
		34,790	**35,658**	**(868)**
Tangible assets				
Property, plant and equipment owned		14,089	14,251	(162)
Assets held under finance leases		–	1,895	(1,895)
		14,089	**16,146**	**(2,057)**
Right of Use third-party assets		**5,803**		**5,803**
Other non-current assets				
Investments in associates and joint ventures accounted for using the equity method		12	16	(4)
Other investments		54	49	5
Non-current financial receivables for lease contract		60	54	6
Other non-current financial assets		2,030	1,540	490
Miscellaneous receivables and other non-current assets		2,944	2,291	653
Deferred tax assets		1,077	1,136	(59)
		6,177	**5,086**	**1,091**
Total Non-current assets	**(a)**	**60,859**	**56,890**	**3,969**
Current assets				
Inventories		316	389	(73)
Trade and miscellaneous receivables and other current assets		4,990	4,706	284
Current income tax receivables		83	251	(168)
Current financial assets				
Current financial receivables for lease contracts		*53*	*70*	*(17)*
Securities other than investments, other financial receivables and other current financial assets		*1,111*	*1,396*	*(285)*
Cash and cash equivalents		*1,700*	*1,917*	*(217)*
		2,864	3,383	(519)
Current assets sub-total		**8,253**	**8,729**	**(476)**
Discontinued operations/Non-current assets held for sale		**–**	**–**	**–**
Total Current assets	**(b)**	**8,253**	**8,729**	**(476)**
Total Assets	**(a+b)**	**69,112**	**65,619**	**3,493**

(millions of euros)		6/30/2019 (a)	12/31/2018 (b)	Changes (a-b)
Equity and Liabilities				
Equity				
Equity attributable to Owners of the Parent		19,949	19,528	421
Non-controlling interests		2,385	2,219	166
Total Equity	**(c)**	**22,334**	**21,747**	**587**
Non-current liabilities				
Non-current financial liabilities for financing contracts and others		25,679	23,319	2,360
Non-current financial liabilities for lease contracts		4,814	1,740	3,074
Employee benefits		1,417	1,567	(150)
Deferred tax liabilities		313	192	121
Provisions		993	876	117
Miscellaneous payables and other non-current liabilities		3,348	3,297	51
Total Non-current liabilities	**(d)**	**36,564**	**30,991**	**5,573**
Current liabilities				
Current financial liabilities for financing contracts and others		2,780	5,705	(2,925)
Current financial liabilities for lease contracts		705	208	497
Trade and miscellaneous payables and other current liabilities		6,647	6,901	(254)
Current income tax payables		82	67	15
Current liabilities sub-total		**10,214**	**12,881**	**(2,667)**
Liabilities directly associated with Discontinued operations/Non-current assets held for sale		**–**	**–**	**–**
Total Current Liabilities	**(e)**	**10,214**	**12,881**	**(2,667)**
Total Liabilities	**(f=d+e)**	**46,778**	**43,872**	**2,906**
Total Equity and Liabilities	**(c+f)**	**69,112**	**65,619**	**3,493**

Consolidated Statements of Cash Flows

(millions of euros)		1st Half 2019	1st Half 2018
Cash flows from operating activities:			
Profit (loss) from continuing operations		740	607
Adjustments for:			
Depreciation and amortization		2,496	2,122
Impairment losses (reversals) on non-current assets (including investments)		12	2
Net change in deferred tax assets and liabilities		193	269
Losses (gains) realized on disposals of non-current assets (including investments)		6	(3)
Share of losses (profits) of associates and joint ventures accounted for using the equity method		3	2
Change in provisions for employee benefits		(214)	(23)
Change in inventories		73	(31)
Change in trade receivables and net amounts due from customers on construction contracts		(138)	(74)
Change in trade payables		(327)	(368)
Net change in current income tax receivables/payables		172	(25)
Net change in miscellaneous receivables/payables and other assets/liabilities		123	100
Cash flows from (used in) operating activities	**(a)**	**3,139**	**2,578**
Cash flows from investing activities:			
Purchase of intangible assets, property, plant and equipment and rights of use third-party assets on a cash basis		(2,126)	(2,255)
Capital grants received		6	2
Acquisition of control of companies or other businesses, net of cash acquired		–	–
Acquisitions/disposals of other investments		(4)	(3)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)		131	34
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		–	–
Proceeds from sale/repayment of intangible, tangible and other non-current assets		6	12
Cash flows from (used in) investing activities	**(b)**	**(1,987)**	**(2,210)**
Cash flows from financing activities:			
Change in current financial liabilities and other		(367)	(209)
Proceeds from non-current financial liabilities (including current portion)		3,190	1,324
Repayments of non-current financial liabilities (including current portion)		(3,415)	(2,491)
Changes in hedging and non-hedging derivatives		(256)	121
Share capital proceeds/reimbursements (including subsidiaries)		5	11
Dividends paid		(246)	(222)
Changes in ownership interests in consolidated subsidiaries		–	2
Cash flows from (used in) financing activities	**(c)**	**(1,089)**	**(1,464)**
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	**(d)**	**–**	**–**
Aggregate cash flows	**(e=a+b+c+d)**	**63**	**(1,096)**
Net cash and cash equivalents at beginning of the period	**(f)**	**1,631**	**3,246**
Net foreign exchange differences on net cash and cash equivalents	(g)	5	(51)
Net cash and cash equivalents at end of the period	**(h=e+f+g)**	**1,699**	**2,099**

Purchase of intangible assets, property, plant and equipment and rights of use third-party assets

(millions of euros)	1st Half 2019	1st Half 2018
Purchase of intangible assets	(376)	(436)
Purchase of tangible assets (1)	(1,079)	(1,205)
Purchase of rights of use third-party assets	(318)	–
Total purchase of intangible assets, property, plant and equipment and rights of use third-party assets on an accrual basis	(1,773)	(1,641)
Change in amounts due for purchase of intangible assets, property, plant and equipment and rights of use third-party assets	(353)	(614)
Total purchase of intangible assets, property, plant and equipment and rights of use third-party assets on a cash basis	(2,126)	(2,255)

(1) In the first half of 2018 they include purchases of assets under financial lease.

Additional cash flow information

(millions of euros)	1st Half 2019	1st Half 2018
Income taxes (paid) received	(30)	(37)
Interest expense paid	(992)	(1,300)
Interest income received	282	633
Dividends received	–	1

Analysis of Net Cash and Cash Equivalents

(millions of euros)	1st Half 2019	1st Half 2018
Net cash and cash equivalents at beginning of the period		
Cash and cash equivalents – from continuing operations	1,917	3,575
Bank overdrafts repayable on demand – from continuing operations	(286)	(329)
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	–	–
	1,631	**3,246**
Net cash and cash equivalents at end of the period		
Cash and cash equivalents – from continuing operations	1,700	2,102
Bank overdrafts repayable on demand – from continuing operations	(1)	(3)
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	–	–
	1,699	**2,099**

The additional disclosures required by IAS 7 are provided in the Note “Net Financial Debt” to the TIM Group Half-year Condensed Consolidated Financial Statements at June 30, 2019.

OTHER INFORMATION

Average salaried workforce

(equivalent number)	1st Half 2019	1st Half 2018	Change
Average salaried workforce – Italy	43,145	46,617	(3,472)
Average salaried workforce – Outside Italy	9,198	9,372	(174)
Total average salaried workforce [(1)]	**52,343**	**55,989**	**(3,646)**

(1) Includes employees with temp work contracts: 3.5 average employees in Italy in the first half of 2019; zero employees in the first half of 2018.

Headcount at period end

(number)	6/30/2019	12/31/2018	Change
Headcount – Italy	47,665	48,005	(340)
Headcount – Outside Italy	9,651	9,896	(245)
Total headcount at period end [(1)]	**57,316**	**57,901**	**(585)**

(1) Includes employees with temp work contracts: 6 employees in Italy at 06/30/2019; zero employees at 12/31/2018.

Headcount at period end – Breakdown by Business Unit

(number)	6/30/2019	12/31/2018	Change
Domestic	47,891	48,200	(309)
Brazil	9,411	9,658	(247)
Other Operations	14	43	(29)
Total	**57,316**	**57,901**	**(585)**

AFTER LEASE INDICATORS

The TIM Group, in addition to the conventional financial performance measures established by the IFRS, uses certain alternative performance measures in order to present a better understanding of the trend of operations and financial condition. Specifically, following the adoption of IFRS 16, the TIM Group presents the following additional alternative performance indicators:

EBITDA ADJUSTED AFTER LEASE - TIM GROUP

(millions of euros)	1st Half 2019 comparable	1st Half 2018	Changes amount	%
ORGANIC EBITDA - excluding Non-recurring items	**3,733**	**3,823**	**(90)**	**(2.3)**
Amortization of assets under finance leasing	(93)	(110)	17	15.5
Finance expenses on liabilities for finance leasing	(80)	(97)	17	17.5
Exchange rate effect on amortization and finance expenses for liabilities under finance leasing		2	(2)	-
EBITDA adjusted After Lease (EBITDA-AL)	**3,560**	**3,618**	**(58)**	**(1.6)**

EBITDA ADJUSTED AFTER LEASE - DOMESTIC

(millions of euros)	1st Half 2019 comparable	1st Half 2018	Changes amount	%
ORGANIC EBITDA - excluding Non-recurring items	**3,027**	**3,160**	**(133)**	**(4.2)**
Amortization of assets under finance leasing	(87)	(102)	15	14.7
Finance expenses on liabilities for finance leasing	(52)	(69)	17	24.6
EBITDA adjusted After Lease (EBITDA-AL)	**2,888**	**2,989**	**(101)**	**(3.4)**

EBITDA ADJUSTED AFTER LEASE - BRAZIL

(millions of reais)	1st Half 2019 comparable	1st Half 2018	Changes amount	%
ORGANIC EBITDA - excluding Non-recurring items	**3,088**	**2,915**	**173**	**5.9**
Amortization of assets under finance leasing	(31)	(33)	2	6.1
Finance expenses on liabilities for finance leasing	(122)	(113)	(9)	(8.0)
EBITDA adjusted After Lease (EBITDA-AL)	**2,935**	**2,769**	**166**	**6.0**

ADJUSTED NET FINANCIAL DEBT AFTER LEASE - TIM GROUP

(millions of euros)	6/30/2019	12/31/2018	Change
Comparable adjusted net financial debt	**24,731**	**25,270**	**(539)**
Liabilities for finance leasing (IAS 17)	(1,913)	(1,948)	35
Adjusted net financial debt - After Lease	**22,818**	**23,322**	**(504)**

EVENTS SUBSEQUENT TO JUNE 30, 2019

For details of subsequent events see the Note "Events Subsequent to June 30, 2019" in the TIM Group Half-year Condensed Consolidated Financial Statements.

BUSINESS OUTLOOK FOR THE YEAR 2019

The guidance was confirmed and updated, compared to what was announced at the time of approval of the 2018 financial statements, to reflect the IFRS 9/15/16 accounting standards and the "After Lease":

- Organic Group Revenues from services are expected to drop slightly (low single-digit) in 2019 while growth (low single-digit) is expected in both 2020 and 2021.
- Organic Group EBITDA-AL is expected to fall slightly (low single-digit) in 2019 while slight growth (low single-digit) is expected in both 2020 and 2021.
- Slightly declining revenues from Domestic services (low single-digit) during the period with the aim of stabilizing them from 2020 (*).
- Organic domestic EBITDA in low single-digit/mid single digit decline is expected in 2019 and low single-digit growth for both 2020 and 2021.
- Revenues from services for TIM Brasil (net of the exchange factor) are forecast to grow by 3-5% in 2019 and mid single-digit growth in 2020 and 2021.
- EBITDA-AL in Brazil in mid/high single digit growth in 2019 is expected, with confirmation of a EBITDA margin target of at least 39% for 2020 (40% confirmed pre-IFRS 9/15/16).
- Domestic Capex is expected at roughly 2.9 billion euros per annum (3 billion confirmed pre-IFRS 9/15/16).
- Capex for TIM Brasil is expected at approximately 12 billion reais (12.5 billion pre-IFRS 9/15/16) accumulated over the span of the three-year plan.
- Accumulated Equity Free Cash Flow is forecast at around 3.5 billion euros in the period and will reasonably see further increases arising from non-organic actions currently not included in the plan, but in an advanced study stage.
- Reduced Group After Lease debt with the target about 20.5 billion euros in 2021 before the non-organic transactions (22 billion confirmed pre-IFRS 9/15/16).

(*) Not including the drop in revenues from the International Wholesale CGU for the reduction in some contract items with low or zero margins, without impacts on the EBITDA.

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 2019 could however be affected by risks and uncertainties caused by a multitude of factors, the majority of which are beyond the Group's control.
By way of example, but not limited to, reference is made to the change in the market context, the entry of new potential competitors in the fixed and mobile area, the start-up of proceedings by the Authorities and delays in implementing new strategies, with effects - at this time unforeseeable - in terms of strategic decisions and in terms of time development of the three-year targets previously announced that might entail, for some of them, a time progression different that the time initially forecast or the attainment of new and better-structured paths.
The main risks affecting the business activities of the TIM Group, which may impact, even significantly, the ability to achieve the set objectives are analytically presented below.

STRATEGIC RISKS

Risks related to macro-economic factors

The TIM Group's economic and financial situation depends on the influence of numerous macroeconomic factors such as economic growth, consumer confidence, interest rates and exchange rates in the markets in which it operates. In 2018, the economy of the euro area posted an unexpected slowdown that will continue throughout 2019. The slowdown in the Italian economy was more evident than in other European countries: GDP recorded two consecutive negative quarter-on-quarter changes in the second Half of the year. 2018 closed with an average growth of 0.8% in real terms, against a growth of 1.6% recorded in 2017, and growth for 2019 is expected at an even significantly lower rate compared to 2018 (+0,1).
The slowdown in Italian growth reflects the deceleration of world trade (as an effect of the negative shocks due to the continuing protectionist policies of the USA). Domestically, the production pace continues to show weakness associated, however, with improvements in the job market and in family purchasing power. Household and business confidence is still dropping.
In Brazil, the expected results may be significantly affected by the macroeconomic and political situation. After two years of negative GDP growth – one of the deepest and longest recessions in its history – Brazil returned to growth in 2017 (+1) and 2018 came to an end with 1.1% growth over the previous year. Banco Central do Brasil recently announced growth in GDP 2% lower for 2019. The elections which ended with the new president voted in with a considerable popular majority should help to attenuate the political uncertainty and boost the confidence of households and businesses, and in any case the approval of the most important reforms such as social security and tax reform are considered essential conditions for the economy to recover.

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 innovative products and services and on the capacity to move towards higher levels of convergence in service and expand it to the content offering, but also on the price competition in both traditional and other services. The use of new technologies (IoT) and new knowledge and customer management tools (Big Data) represent enabling factors in the mitigation of competition risks, however failure to exploit these opportunities could become an additional element of risk.
In the area of infrastructure competition, the growth of alternative operators could represent a threat for TIM, also beyond the Plan period.
Iliad launched its new mobile service at the end of May 2018 with the objective of capturing 10–15% of the market, adopting the same strategies it currently employs on the French market. In addition, Open Fiber and Infratel started up plans for the development of an UBB telecommunications network as an alternative to the TIM network, respectively in major Italian cities and in areas of market failure, opening up the possibility of a new wave of competition in those areas, with impacts for both the Wholesale and Retail segments.

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

OPERATIONAL RISKS

Operational risks inherent in our business relate, on the one hand, to failures in systems and/or network platforms, loss of critical or commercially sensitive data, possible inadequacies in internal processes, external factors, frauds, employee errors and errors in properly documenting transactions; and on the other, to the possibility of implementing strategies for value creation through the optimization of costs and capital expenditure, which in part could depend on factors beyond the control of the Company, such as the cooperation of external counterparties (suppliers, trade unions, industry associations) and laws and regulations.

Risks related to the development of fixed and mobile networks

To maintain and expand our customer portfolio in each of the markets in which the TIM Group operates, 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 terminations to protect the Company's revenues from erosion.
The maintenance and improvement of existing installations depend on the Group's ability to:

- deliver network development plans within the time-frames contemplated by business development plans and with the necessary level of effectiveness/efficiency;
- upgrade the capabilities of the networks to provide customers with services that are closer to their needs;
- 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 related to business continuity

The TIM Group's success depends heavily on the ability to ensure the continuous and uninterrupted delivery of the products and services it provides through the availability of processes and the relating supporting assets, which are sensitive to various internal and external threats. TIM has adopted a “Business Continuity Model System” framework in line with international standards, to analyze and prevent these risks.

Risks related to disputes and litigation

The TIM Group has to deal with disputes and litigation with tax authorities and government agencies, 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.

Risks of internal/external fraud

Technological progress means that increasingly sophisticated tools and techniques, which are quick acting and have a considerable economic impact are available for fraudulent activity.
“Conventional” phenomena such as subscription, interconnection, and commercial fraud currently generate the highest part of revenue loss and will continue to be significant in the near future, however new types of Internet-style fraud will gradually gain more ground (Internet spamming/phishing, service reselling, VoIP bypass, etc.). Furthermore, some specific types of provided services (e.g. *wholesale* interconnection, voice or data services) are potentially at risk of third party use for the construction of fictitious transaction schemes, tax avoidance offenses and/or international money laundering.

By way of example only, Fraud Management covers:

- traffic or marketing-related fraud;
- fraud connected with procurement processes and the supply of goods and services;
- computer fraud;
- fraud related to the use and disclosure of confidential information;
- tax and/or financial fraud;

which are:

- identified by specific controls during routine working activities, or reported from sources inside/outside the company;
- committed by entities outside the company, or by or with the assistance of employees (internal fraud).

The TIM Group has an established organizational model based on the governance of fraud and a separate operational governance system for managing and combating fraud.
The procedure to combat external fraud, drawing on company processes at risk of the offenses contemplated in Italian Legislative Decree 231/2001 being committed, sets out internal control mechanisms, including instructions on how employees and Company staff/partners (including suppliers) must behave (Prevention). In the Detection stage, potential cases of fraud are identified and after a preliminary check of the possible grounds the cases may be subject to Investigation and Tackling. To complete the fraud management end-to-end cycle, the results of actions taken are assessed with monitoring and any actions to improve the fraud management process are identified.
Likewise, internal fraud is managed in compliance with constraints in trade union agreements banning the remote control of employees' work, and involves monitoring and checking access to company systems only for operational purposes, and access to registration data only in the case of identified anomalies.

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.
The potential impact of Brexit will depend on the result of negotiations on the "divorce" agreement with the EU, which is even more uncertain, after the House of Commons voted against the British Prime Minister's Brexit plan in January 2019.
Brexit and possible future scenarios connected to the outcomes of negotiations could cause further instability on global financial markets in an international context that is already affected by the trade dispute between the US and China.
The potential effects on financial risks (interest rate, exchange rate and counterparty) of the Brexit are not considered significant for TIM and the Group, but might be for the business of some subsidiaries.
Moreover, the TIM Group financial risk management policies provide for full coverage of the exchange rate risk and minimization of exposure to interest rates and counterparty risk, and prove to also be effective in the event of Brexit.

REGULATORY AND COMPLIANCE RISKS

Regulatory risks

The electronic communications industry is highly regulated. As such, new decisions by the Communications Authority (AGCom) may lead to changes in the regulatory framework that may affect the expected results of the Group and the guidance announced to the market. In addition, the position held by TIM In the fixed-line markets and the structure of the mobile markets results in high levels of scrutiny from the Italian Antitrust Authority (AGCM) over competition in the sector.

The main elements that introduce uncertainty are:

- lack of predictability in start-up timing and consequent final decisions in new proceedings by AGCom and AGCM;
- AGCom decisions with retroactive effect (for example: the revision of prices applicable to past years and the effectiveness and actual implementation of repricing policies, also following administrative rulings);
- AGCom decisions that can influence the technological choices, with potential impact on the timing of return on infrastructure investment;
- any AGCM decisions that can limit TIM's competitive capacity (for example, in terms of minimum retail prices to guarantee replicability);
- any inadequacy in the implementation of processes and systems for the management of regulated services, identified by AGCom or AGCM.

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, regulations, new accounting standards and Authority orders), 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 and is monitored by the dedicated internal control system.
Compliance with Commission Regulation (EU) 2016/679 (General Data Protection Regulation, GDPR), directly applicable as from May 25, 2018 and enacted in Italy by Legislative Decree no. 101/2018 is particularly important. This Regulation has increased administrative fines considerably compared to the Data Protection Act previously in effect, and in some cases fines of up to 20 million euros may be administered, or in the case of companies, of up to 4% of their global annual turnover of the previous year, if this amount is higher than 20 million euros. Starting from the operating model already in use with pre-existing privacy regulations, the TIM Group has taken necessary action to comply with the GDPR.

MAIN CHANGES IN THE REGULATORY FRAMEWORK

DOMESTIC

In this section we report the main changes in the regulatory framework in the first half of 2019 in the Domestic region.
As regards the Antitrust proceedings (A514, I799, I820, PS11379 and IP312), as well as the proceedings regarding the 28-day invoicing, see the Note "Disputes and pending legal actions and other information" in the TIM Group Half-year Condensed Consolidated Financial Statements at June 30, 2019.

New European Electronic Communications Code

Directive (EU) 2018/1972, which establishes the new European Electronic Communications Code (Code), will apply to the member states following its adoption in the national legal systems, which must take place by December 21, 2020.
The Code revises and replaces the previous European regulatory framework made up of the Access Directive, Framework Directive, Authorisations Directive and Universal Service Directive.
The main innovations concern regulation of access/interconnection, management of the spectrum and obligations of the Universal Service.

Access and interconnection regulation

The new rules set out to stimulate very high capacity network investments while continuing to protect competition and the interests of the end users.
The Code identifies two regulatory models aimed at promoting efficient investments in the access networks:

- the "wholesale-only" model, based on which the National Regulatory Authority (NRA) can exempt operators with Significant Market Power (SMP) offering electronic communication services only in the wholesale markets from some obligations, including the cost orientation obligation, imposing on them only the non-discrimination and access obligations, and that of practicing fair and reasonable prices;

- the co-investment model, based on which the National Regulatory Authority (NRA) may exempt the Very High Capacity Networks – VHCN of the SMP operators from any obligation provided that they are built on the basis of a co-investment offer open to any subject and that access to the network is guaranteed at transparent and non-discriminatory conditions.

The Code also favors the obligation of access to the infrastructure over the other *ex ante* obligations and extends the possibility of imposing symmetric access obligations to the essential network infrastructure in addition to the first distribution/concentration point. Longer periods (five rather than three years) of market review are introduced to offer the operators increased certainties and the European Commission is expected to set an EU price cap for the mobile termination rate and for the fixed termination rate applicable to all operators active on the termination markets.

Spectrum management

The Code introduces new rules for developing mobile and 5G networks, including the minimum term of rights to use frequencies, equal to 15 years with extension of another 5, and the right for operators to install small cells on public infrastructure, such as electricity posts and traffic lights.

Universal Service obligations

The Code requires that all suppliers of broadband Internet access service and of the fixed station voice communication services be subject to an "economic accessibility" obligation for residential users (particularly low income or with special social needs). In any case, the member states have the right to set the universal service obligations (including coverage obligations, if necessary) for designated companies (as is currently the case). The member states can also choose the funding method: public and/or sectorial.

BEREC Regulation

Regulation 2018/1971 also came into force. It revises the rules of functioning of the Body of European Regulators for Electronic Communications (BEREC) and the tasks assigned to them. These particularly include:

- assisting and advising the Commission, upon its request, in connection with the formulation of legislative proposals in the field of electronic communications, including any proposal to amend the Regulation or the Code;
- formulating guidelines on implementing the Code (e.g. geographic mapping of the access networks, VHCN and co-investment, symmetric obligations);
- double-lock veto of the BEREC and the Commission on the decisions relating to the imposition of symmetric obligations in addition to the first distribution or concentration point and non-imposition of obligations when there are binding commitments to co-invest in VHCN (introduced in the Code).

The Regulation does not amend the Governance of the BEREC: the BEREC and the BEREC Office continue to exist, the latter in the role of EU agency with legal personality.

Intra-EU international communications regulation

The BEREC Regulation also introduces caps (maximum prices) for international intra-EU calls and SMSs for only the consumer customers, both fixed and mobile.
The caps for international intra-EU calls and SMSs are applied starting from May 15, 2019 for a 5-year duration, therefore until May 14, 2024:

- 19€cents/min (+VAT) for international intra-EU calls;
- 6€cents/SMS (+VAT) for international intra-EU SMSs.

Wholesale fixed-line markets

Fixed network access market analysis

The set of measures notified to the EU Commission on June 10, 2019 (after about 2.5 years since the procedure was started up) revises the obligations and economic terms and conditions of the wholesale access services for the period 2018-2021.
The main guidelines concern:

- confirmation of TIM as operator with significant market power (SMP) on the access market for all of Italy with the exclusion of Milan, where the regulation was repealed ex ante;
- elimination of the obligation to guide the cost of prices for the copper and fiber bitstream services and possibility to apply VULA prices lower than the average domestic amount in the 26 municipalities considered "contestable";
- wholesale subscription charges for copper and fiber for 2018 the same as 2017, unless the VULA FTTC fee is moderately reduced;
- gradual increase in the full unbundling price (ULL) and bitstream price on copper in the 2019-2021 period;
- sub loop unbundling (SLU) price stability in the 2019-2021 period;
- gradual decrease in fiber access prices (VULA FTTC and FTTH) and price differentiation, starting from 2021, of the bandwidth, depending on whether the access line is on a copper or NGA network;
- abrogation of current prior notification obligations for most of the offers, including the peak ones with speed higher than or equal to 100 Mbit/s and, in the other cases, reduction of the advance notic period from 30 to 20 business days;
- definition of the process and time lines for closing exchanges;
- possibility to use vectoring in FTTC cabinets where sub loop unbundling (SLU) is not used by alternative operators;
- elimination of current asymmetries in procedures to change operator on TIM network between processes to return to TIM and changing from TIM to alternative operators.

The publication of the final measure is expected by August 2019; the comments of the European Commission published on July 22 will not substantially change the guidelines of the measure as noted above, unless the 2021 date for VULA price flexibility in contestable municipalities is affected.

Infratel Tenders for the subsidizing of Ultra-broadband networks

At the end of December 2018, Open Fiber was also assigned the third and last tender to cover ultra-broadband "white areas" not covered by the plans of the private operators.
The relevant concession concerning the regions Calabria, Puglia and Sardinia was signed on April 2, 2019.
In order to get an updated picture of the coverage of the grey and black areas, on January 18, 2019 Infratel started a new consultation aimed at updating the ultra-broadband coverages of the areas declared black and gray following previous consultations
The results of the consultation were published on May 15, 2019 following a period of interaction with the operators involved. Infratel considers further technical analyses to be necessary, and will start up a technical committee with the operators in order to explore the technical developments of the FWA and VDSL solutions able to reach speeds over 100 Mbit/s.
This monitoring action will allow the Italian government to start up interventions to achieve a step change in the ultra-broadband coverages of the gray areas.
To avoid any overlapping with private interventions in progress on the one hand, and to guarantee the fullest coverage of the territory on the other, Infratel will request the operators to enter into a contract on the declared coverage commitments before every notification of public interventions.
At the meeting of the Ultra-Broadband Committee (COBUL) of July 17, 2019, the Government approved the launch of the second phase of the Ultra-Broadband Plan (BUL) to take action in the country's gray areas and support demand for ultrafast services through connectivity vouchers. The details of the planned activities will be identified by a specific technical committee with a view to engagement with the European Commission.

Wholesale mobile network markets

Mobile termination market analysis

On January 22, 2019, AGCom published its final decision on mobile network termination market analysis (resolution 599/18/CONS). Specifically, AGCom established symmetric rates for all MNO and full MVNO operators for the period 2018-2021 (0.98 cents of euro in 2018, 0.90 cents of euro in 2019, 0.76 cents of euro in 2020, 0.67 cents of euro in 2021) and to confirm that there is no termination price control for calls originating outside the European Economic Area (EEA); however, SMP operators cannot adopt termination rates that are higher than those applied to Italian operators by operators in non-EEA countries where rates are regulated.

Retail fixed-line markets

Universal Service

Net cost

Following ruling no. 4616/2015 published on October 2, 2015, with which the Council of State canceled AGCom decision no. 1/08/CIR on the retroactive application of the new methodological criteria for calculating the net cost of the universal service (USO) for the years 2004 -2007, in 2017 the Authority started renewal of the net cost of years 2006-2007 (resolution no. 145/17/CONS) and for years 2004-2005 (resolution 207/17/CONS). With resolution no. 62/19/CIR published on May 7, 2019, the Authority submitted its net cost assessment for all years from 2004 to 2007 that would lead to a total supplementary amount of 73.2 million euros (of which about 40% borne by the alternative operators) to public consultation. Publication of the final decision of the Authority is expected by the end of August 2019.
With regard to the past disputes, the Council of State with its ruling no. 3388/15 published on July 7, 2015 canceled AGCom resolutions nos. 106-109/11/CIR in the part in which they extended the obligation to contribute to the costs arising from the supply of the net cost for the years 1999-2000 and 2001-2003 to the mobile operators. In July 2018, the Regional Administrative Court rejected the additional appeals presented by Vodafone for execution of Council of State decision no. 3388/15 with rulings nos. 6458-59-61-63, confirming the obligation for AGCom to renew the above-mentioned proceedings. Start-up of the renewal proceedings for the years 1999-2000 and 2001-2003 by the Authority is expected by August.
Vodafone appealed the aforesaid rulings of the Regional Administrative Court before the Council of State. The appeals were discussed on November 8, 2018. The proceedings are not yet concluded.
As regards the quality targets of the universal service, with resolution no. 103/19/CONS (published on May 2, 2019) AGCom sanctioned TIM for the amount of 58,000 euros due to non-compliance in 2017 with the targets relating to "Average time for the operator to answer incoming calls".
This non-compliance derives from the 17" overrun compared to the target set by AGCom (final 87" vs. target of 70"). On June 18, 2019 TIM lodged an appeal with the Regional Administrative Court of Lazio for cancellation of resolution no. 103/19/CONS for failure to meet the necessary formal requisites, since both the maximum deadline of 90 days set for the check (between when AGCom became aware of the non-compliance and when it sent TIM the notification of penalty) and the maximum deadline of 150 days set for the proceeding (between notification of the charge and publication of resolution no. 103/19/CONS) had been passed.

Voluntary withdrawal guidelines

With resolution no. 487/18/CONS the Authority regulated the methods with which the operators have to manage the procedures for divesting and transferring the user in subscription contracts.
TIM appealed the resolution regarding the provisions restricting the right to fully recover costs in the case of withdrawal (promotional discounts, product installments). We are waiting for the hearing to be set, presumably by the end of 2019.

Freedom to choose modem

With resolution no. 348/18/CONS, the Authority sanctioned the principle of freedom to choose the modem by the user to access Internet.
TIM appealed the resolution for the transitory measures regarding customers that have an Internet offer with a mandatory modem combined against payment (sale and rent) in the months prior to the coming into force of Resolution no. 348/18/CONS (December 1, 2018). Following the ruling of the Council of State of late 2018 that suspended the transitory measures while waiting for the hearing at the Regional Administrative Court of Lazio to be set, and that asked to anticipate the hearing set for October, the Regional Administrative Court of Lazio confirmed the public hearing previously set for October 23, 2019 on January 29.

Authority fees

AGCom contribution fee

In March 2019, TIM conditionally paid an amount of 18.3 million euros for the 2019 AGCom contribution fee. The amount was calculated by applying a rate of 1.3 per thousand to the revenues posted in the Company's 2017 Financial Statements, as required by the guidelines set out in AGCom Decision 527/18/CONS.

Privacy and personal data protection

General Data Protection Regulation (GDPR) and Italian Legislative Decree 101/2018

On May 25, 2018, the General Data Protection Regulation (Regulation (EU) No. 2016/679 – "GDPR") came into force.
Furthermore, on September 19, 2018 Italian Legislative Decree no. 101 of August 10, 2018 came into force. It adapted the Data Protection Code (Italian Legislative Decree no. 196 of June 30, 2003) to the provisions of the GDPR - EU Regulation 2016/679.
In order to guarantee compliance of personal data processing with the GDPR, TIM carried out the interventions set out in the adaptation plan.

The major adaptations are:

- appointment of the *Data Protection Officer* and activation of the relevant contact points available to the people affected for questions concerning the processing of their personal data;
- revision of the policy "System of rules for applying data protection legislation in the Telecom Italia Group" was completed in 2018 in order to adapt it to the provisions of the GDPR at TIM and at the Group companies, and revision of this same policy as a consequence of the entry into force of Italian Legislative Decree no. 101 of August 10, 2018 will be completed by September 2019;
- updating the texts of the many personal data processing reports given to the different types of interested parties (e.g. customers, employees, visitors) by TIM and by the other Group companies.

A specific training project was then defined to raise awareness in the various company functions and to explain the policies and procedures issued to apply the personal data processing legislation. This training will be provided in 2019.

Extension of Golden Power to the 5G technology services

Italian Law Decree no. 22 of March 25, 2019 and Italian Law Decree no. 64 of July 11

Italian Law Decree no. 22 of March 25, 2019 amends Italian Law Decree no. 21 of March 15, 2012 converted, with amendments by Italian Law no. 56 of May 11, 2012 and classifies the development of the 5G as a strategic activity pertaining to defense and national security, such as to require stricter controls.

Particularly subject to special powers are:

a) the execution of contracts or agreements covering the acquisition of goods or services relating to the design, execution, maintenance and management of the 5G services networks;
b) the acquisition of high technological intensity components used for execution or management;

c) the elements indicating the presence of vulnerability factors that might jeopardize the integrity and security of the networks and of the data transiting on them.

Specifically, the execution of contracts and the acquisition of high intensity components by subjects outside the European Union entail the obligation to notify the Prime Minister's Office in order that the veto power can be promptly exercised.

Failure to comply with the notification obligation results in a pecuniary administrative sanction equal to double the amount of the operation and however no less than 1 percent of the revenues made in the last year.

The law decree also provides for adoption of a Prime Minister (DPCM) decree in order to identify measures for simplifying notification methods.

To this regard, on June 27, 2019 the Italian government started a public consultation functional for adoption of the DPCM in order to gather contributions regarding the following topics from the interested parties:

a) identification of the simplified notification methods that may be differentiated (e.g. based on the activity carried out, on the services offered or on the type of infrastructure involved);
b) definition of simplified procedures and terms for the investigation in connection with specific circumstances.

The contributions must be sent by July 19, 2019.

Italian Law Decree no. 64 was published on July 11, 2019. It introduces further amendments to the provisions of Italian Law Decree no. 21 of March 15, 2012 converted by Italian Law no. 56 of May 11, 2012 with amendments.

Specifically on the subject of 5G, the new decree introduces the obligation to notify the Prime Minister's Office full disclosure within ten days from conclusion of a contract or agreement covering the purchase of goods or services relating to the design, building, maintenance and management of the 5G networks or the acquisition of high technological intensity components functional for the aforesaid building or management when executed with subjects outside of the European Union in order to allow any veto power to be exercised or the imposition of specific instructions or conditions.

The Prime Minister announces any veto or imposition of specific instructions or conditions within 45 days from the notification.

BRAZIL

Revision of the model for the provision of telecommunications services

In April 2016, the working group composed of the Ministry of Science, Technology, Innovation and Communications (MCTIC) and Anatel published its final report with a "diagnosis" on the telecommunications industry and proposed guidelines for the revision of the Brazilian regulatory model. A bill (PLC 79/2016) was then presented to the National Congress of Brazil to propose amendments to the General Telecommunications Law; Although the bill was passed by both chambers of Congress, the opposition challenged the legislative procedure followed in the Supreme Court, where the bill remained blocked for months. At the beginning of October 2017, the bill PLC 79/2016 was referred back to the Senate and remain there awaiting to be voted. Its approval is expected to be held over the course of 2019.

In October and November 2017, the Ministry of Science, Technology, Innovation and Communications (MCTIC) held a public consultation to review the general telecommunications policy; the public consultation process proposed the setting of guidelines and objectives for the provision of telecommunications services, for the technological development of digital services and broadband infrastructure, and for the spread of "smart cities". The Public Consultation was memorialized in Decree 9612/2018 ("Connectivity Plan") and established a series of guidelines for execution of terms of conduct adjustment, onerous granting of spectrum authorization and regulatory acts in general which includes: (i) expansion of high capacity telecommunications transport networks; (ii) increased coverage of mobile broadband access networks; and (iii) broadening the coverage of fixed broadband access network in areas with no internet access offer through this type of infrastructure. It also establishes that the network implemented from the commitments will be subject to sharing from its entry into operation, except when there is appropriate competition in the respective relevant market.

In relation to the deadlines for the upgrading of pipelines not compliant with current regulations, authorizations for user licenses to radio frequencies, and the introduction of other statutory provisions generally, planned investments (as identified by Anatel and approved by the MCTIC) will focus primarily on the expansion of mobile and fixed-line broadband networks and on specific areas of the country. TLC networks built under the investment plan will have shared access.

Revision of Competition Rules

In November 2012, the Brazilian regulator Anatel introduced instruments for the market analysis, the identification of operators with significant market power (SMP) and the consequent imposition of ex-ante obligations (Plano Geral de Metas de Competição – PGMC).

Anatel has established a number of asymmetrical obligations on all markets for operators with a Significant Market Power (SMP).

In July 2018, Anatel published the new PGMC revising some points and defining two new markets: (i) interconnection for mobile services; and (ii) high capacity data transmission.
TIM Brasil has been identified as the SMP operator on the: (i) mobile network terminations; (ii) national roaming; and (iii) high capacity data transport (in five municipalities).
The measures adopted for the SMP operator on these markets include:

- a reduction in mobile termination rates based on a price cap system and partially maintaining a Bill & Keep mechanism until the next review of the PGMC;
- the obligation for non-SMP operators to offer national roaming services.

The obligation for vertically integrated landline operators with an SMP to access the copper network (e.g.: leased lines, bitstream and full unbundling) was maintained.
With the new PGMC, alternative operators may not apply asymmetrical interconnection rates above 20% the rate applied by incumbent operators. Since 2016, fixed interconnection rates have been based on a cost-oriented approach.

700 MHz and Analog TV switch off

In September 2014, TIM won the tender for the award of the 700 MHz (4G/LTE) band frequencies, for a price of 1.7 billion reais, and with additional commitments 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 700 MHz band through the switch off of analog TV, the redistribution of channels and the clean-up of interference. To that end, the first payment (370 million reais) was made in April 2015 and another two payments (for a total of 860 million reais) were both made in January 2017, while the final installment (142 million reais) was duly paid in January 2018.
In June 2019, the spectrum was freed up for mobile operations in all of the Brazilian municipalities. Currently about 3,012 cities and all Brazilian capitals have already 4G mobile service operation in the 700 MHz range, and 1,379 cities had the analog TV shut down.

"Marco Civil da Internet" and Network Neutrality

The "Marco Civil da Internet" (MCI), approved in April 2014 by Brazilian Law No. 12965/2014, defined network neutrality as the "duty to treat different data packages in the same way, without distinction based on content, origin and destination, service, terminal or application". On May 11, 2016, Brazilian Presidential Decree No. 8771/2016 was published, which regulates exceptions to the principle of net neutrality, set out in article 9 of the mentioned law.
In August 2017, the oversight board ("GS") of the Administrative Council for Economic Defense (CADE) handed down a decision in favor of Brazil's mobile TLC providers, which excluded the imposition of fines in relation to a preliminary investigation into alleged unfair competition in "zero rating" offers and promotions on Internet data consumption. The oversight board heard the depositions of various parties, including the Ministry of Science, Technology, Innovation and Communications (MCTIC) and Anatel, and concluded that Internet business models should not be banned ex-ante, but instead should be monitored comprehensively to prevent any unfair competition outcomes.

Strategic Digital Transformation and the Internet of Things

Between December 15, 2016 and February 5, 2017, the MCTIC conducted a public consultation process to discuss the public procedure for solutions enabling Machine to Machine (M2M) and Internet of Things (IoT) services for the Brazilian market. The final consultation report was published in November, with the objective of addressing regulatory and tax matters, as well as aspects of public procedure, investment, and education issues.
In August and September 2017, the MCTIC conducted a public consultation process on Digital Transformation Strategy (E-Digital), with the aim of widening discussion and creating strategies for the digitization of the Brazilian economy. An E-Digital Decree (9319/2018) has now been published, identifying around 100 strategic actions aimed at boosting competition and on-line productivity levels in the country, while raising connectivity and digital inclusion levels. The actions seek to address the main strategic issues for the digital economy, including connectivity infrastructure, the use and protection of data, IoT, and cyber-security.
In July 2018, Anatel also requested funding for a Public Consultation on future IoT regulation and a reduction in entry barriers to expand IoT. The main issues addressed by Anatel were: (i) the need for a license; (ii) use of the spectrum; (iii) quality and consumer protection; (iv) taxes. The Public Consultation is expected to be held in the second Half of 2019.
In June 2019, the Decree on the National Plan for Internet of Things (Decree 9854/2019) was published in order to regulate and encourage this technology in Brazil. It refers to IoT as "the infrastructure that integrates the provision of value-added services with physical or virtual connection capabilities of things with devices based on existing information and communication technologies and their evolution, with interoperability". The decree lists the following subjects as required to further support National Plan for Internet of Things: (i) science, technology and innovation; (ii) international insertion; (iii) vocational education and training; iv) connectivity and interoperability infrastructure; (v) regulation, security and privacy; (iv) economic viability.

Data protection

On August 14, 2018, the Brazilian President promulgated the General Data Protection Law (Law 13709/2018). The new law, as promulgated by the President, is closer to the GDPR, including significant extra-territorial application and considerable fines of up to 2% of the Company's global turnover of the previous financial year.

In December, 2018, Provisional Measure 869/2018 passed by the former Brazilian president amended Law 13709 to create the National Data Protection Authority (ANPD), within the structure of the Presidency of the Republic, which implies in a larger control by the State and to, among other topics, extend to 24 months the entry into force of the Law (August 2020), by which date all legal entities will be required to adapt their data processing activities to these new rules.

In July 2019, Provisional Measure 869/2018 was converted into law 13853, keeping the ANPD, as a federal public administration body, within the structure of the Presidency of the Republic.

CORPORATE BOARDS AT JUNE 30, 2019

BOARD OF DIRECTORS

The Ordinary Shareholders' meeting of TIM, held on May 4, 2018, appointed a new Board of 15 Directors for a three-year term of office (up to the approval of the financial statements at December 31, 2020). At its first meeting on May 7, 2018, the Board of Directors appointed Fulvio Conti as its Chairman, and Amos Genish as Chief Executive Officer of the Company.
At the Board of Directors’ meeting held on July 24, 2018, the director Dante Roscini was appointed Lead Independent Director, tasked with supporting the chairman (an independent) in coordinating the board’s work, and with the powers and responsibilities identified in the Borsa Italiana Corporate Governance Code.
The Board of Directors, in the meeting of November 13, 2018, withdrew the majority decision taken and with immediate effect revoked all powers granted to the Board Director Amos Genish; in compliance with the succession plan for executive directors adopted by TIM, the powers removed from the Board Director Amos Genish were temporarily assigned to the Chairman of the Board of Directors.
Subsequently, on November 18, 2018, the Board of Directors of TIM approved the recommendation of the Appointments and Remuneration Committee and appointed Luigi Gubitosi as Chief Executive Officer and General Manager, granting him executive powers.
On February 21, 2019, the Board of Directors resolved to supersede exclusion from the scope of delegation of the Chief Executive Officer Luigi Gubitosi powers assigned in November 2018 to the Head of Security as he is Delegated Security Officer pursuant to the Golden Power regulation.

The Company's delegation structure therefore provides for:

- to the Chairman, the powers and responsibilities contemplated by law, the Articles of Association and corporate governance arrangements;
- to the Chief Executive Officer, all powers necessary to perform acts pertinent to the Company’s business, except for the powers reserved by law and the Articles of Association to the Board of Directors.

On June 27, 2019, the Board of Directors accepted the resignation of Amos Genish as Director and replaced him by unanimously co-opting Franck Cadoret.
The Board of Directors of the Company, at June 30, 2019, was therefore composed as follows:

Chairman	Fulvio Conti (independent)
Chief Executive Officer and General Manager	Luigi Gubitosi
Directors	Alfredo Altavilla (independent) Paola Bonomo (independent) Franck Cadoret Giuseppina Capaldo (independent) Maria Elena Cappello (independent) Massimo Ferrari (independent) Paola Giannotti de Ponti (independent) Marella Moretti (independent) Lucia Morselli (independent) Dante Roscini (Lead Independent Director) Arnaud Roy de Puyfontaine Rocco Sabelli (independent) Michele Valensise (independent)
Secretary to the Board	Agostino Nuzzolo

The following board committees were in place at June 30, 2019:

- **Control and Risk Committee:** composed of the Directors: Paola Giannotti de Ponti (Chairman), Massimo Ferrari, Marella Moretti, Lucia Morselli and Michele Valensise;
- **Nomination and Remuneration Committee**: composed of the Directors: Alfredo Altavilla (Chairman), Paola Bonomo, Giuseppina Capaldo, Rocco Sabelli, and Michele Valensise;
- **Related Parties Committee:** composed of the Directors: Lucia Morselli (Chairwoman), Giuseppina Capaldo, Maria Elena Cappello, Marella Moretti, and Dante Roscini;
- **Strategy Committee:** composed of the Chairman of the Board of Directors Fulvio Conti, the CEO Luigi Gubitosi, and the Board Directors Arnaud Roy de Puyfontaine, Massimo Ferrari, and Rocco Sabelli.

BOARD OF STATUTORY AUDITORS

The Ordinary Shareholders' Meeting of April 24, 2018 appointed the Company's Board of Statutory Auditors for a term of office that will end with the approval of the 2020 financial statements.
The Board of Statutory Auditors of the Company is now composed as follows:

Chairman	Roberto Capone
Acting Auditors	Giulia De Martino
	Anna Doro
	Marco Fazzini
	Francesco Schiavone Panni
Alternate Auditors	Andrea Balelli
	Antonia Coppola
	Franco Dalla Sega
	Laura Fiordelisi

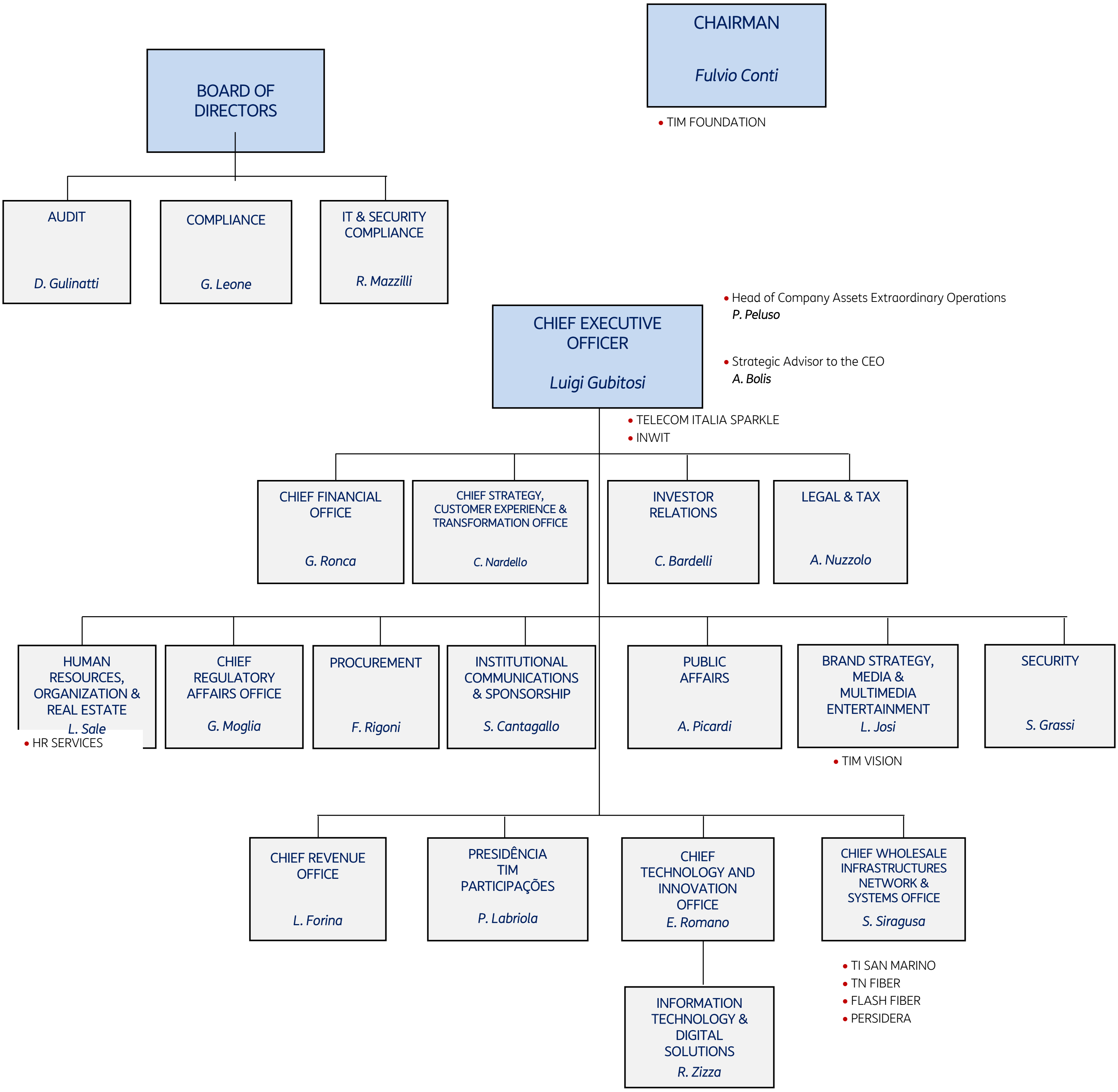
INDEPENDENT AUDITORS

The engagement for the independent auditing of the financial statements of TIM S.p.A. for the nine-year period 2019-2027 was awarded to EY S.p.A. by the shareholders' meeting of March 29, 2019.

MANAGER RESPONSIBLE FOR PREPARING THE CORPORATE FINANCIAL REPORTS

At the meeting of May 20, 2019, the Board of Directors appointed Giovanni Ronca (Head of the Group Chief Financial Office Function) as the manager responsible for preparing the financial reports of TIM S.p.A.

MACRO-ORGANIZATION CHART AT JUNE 30, 2019



INFORMATION FOR INVESTORS

TIM S.p.A. SHARE CAPITAL AT JUNE 30, 2019

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 June 2019 average prices)	9,806 million euros

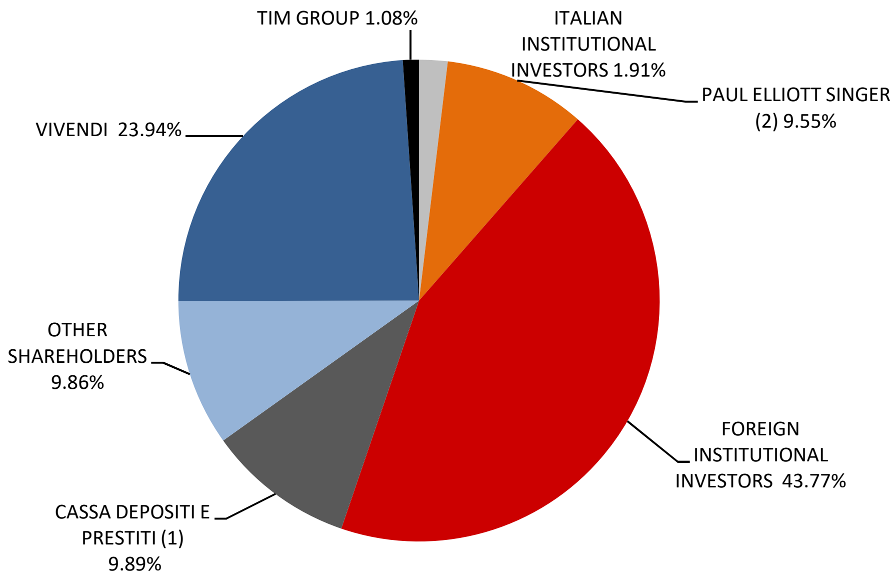
On May 25, 2016, the Shareholders' Meeting approved amendments to the company name, introducing the name "TIM S.p.A." as an alternative to "Telecom Italia S.p.A.".
TIM S.p.A. ordinary and savings shares, as well as the ordinary shares of INWIT S.p.A. are listed on the Italian stock exchange (FTSE index), whereas the ordinary shares of Tim Participações S.A. are listed in Brazil (BOVESPA index).

	TIM-Telecom Italia		**INWIT**	**Tim Participações**
code	ordinary shares	savings shares		
Stock exchange	IT0003497168	IT0003497176	IT0005090300	BRTIMPACNOR1
Bloomberg	TIT IM	TITR IM	INW IM	TIMP3 BZ
Reuters	TLIT.MI	TLITn.MI	INWT.MI	TIMP3.SA

As at June 30, 2019, 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..
TIM S.p.A. announced its intention to start proceedings to delist its ordinary and savings American Depositary Shares on the NYSE on June 14, 2019.
As a result, on June 25, 2019 TIM filed the required documentation (Form 25) with the U.S. Securities and Exchange Commission (SEC) with resulting effectiveness of the delisting 10 days later; therefore, the ordinary and savings shares of TIM S.p.A. were listed on the NYSE until July 5, 2019.
On July 9, 2019, TIM filed Form 15F to request the SEC to deregister all classes of its financial instruments registered up until today, including the bonds registered in the USA that were issued by the full subsidiary Telecom Italia Capital S.A. and guaranteed by TIM. With the deregistration (whose effectiveness is expected after 90 days go by), TIM will request termination of the disclosure obligations pursuant to the U.S. Securities Exchange Act of 1934.
The operation will have no consequences on the listing and trading of TIM ordinary and savings shares at Borsa Italiana.
The decision to delist on the NYSE served to meet the goals of simplifying and save on costs, without prejudice to the high standards of corporate governance, a solid internal control system and transparent economic and financial disclosure (including publication of the translation of financial statements, press releases and other regulated disclosure material on the website www.telecomitalia.com).

SHAREHOLDERS

Composition of Telecom Italia S.p.A. shareholders at June 30, 2019 according to the Shareholders Book, supplemented by communications received and other available sources of information (ordinary shares):



(1) Evidence of the ownership interests disclosed for the TIM shareholders' meeting on March 29, 2019.
(2) Paul E. Singer is a General Partner of Elliott Capital Advisors LP. This is interest held indirectly through the subsidiaries Elliott International LP, Elliott Associates LP and The Liverpool Limited Partnership. At the Shareholders' Meeting of March 29, 2019, Elliott International LP, Elliott Associates LP and The Liverpool Limited Partnership represented 8.81% of the ordinary share capital.

MAJOR HOLDINGS IN SHARE CAPITAL

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 are as follows:

1) Outcomes of communications as per Article 120 of Legislative Decree 58 of February 24, 1998

Holder	Type of ownership	Percentage of ownership
Vivendi S.A.	Direct	23.94%
Paul E. Singer (*)	Indirect	9.55%
Cassa Depositi e Prestiti S.p.A.(**)	Direct	5.03%
Canada Pension Plan Investment Board (***)	Direct/Indirect	3.13%

(*) Paul E. Singer is a General Partner of Elliott Capital Advisors LP. His interest, referring to January 31, 2019, is held indirectly through the subsidiaries Elliott International LP, Elliott Associates LP and The Liverpool Limited Partnership.

(**) Ownership interest at February 18, 2019.

(***) The disclosure made as required by the law, referring to January 21, 2019, states that the indirect ownership interest is 0.03% and is held through the subsidiary CPPIB Map Cayman SPC.

2) Other available sources of information

- On the evidence of the ownership interest disclosures made to the shareholders' meeting of TIM on March 29, 2019, the shareholding of Cassa Depositi e Prestiti S.p.A. has risen to 9.89% of the ordinary share capital;
- At the Shareholders' Meeting of TIM of March 29, 2019, Elliott International LP, Elliott Associates LP and The Liverpool Limited Partnership represented a total of 8.81% of the ordinary share capital;
- Canada Pension Plan Investment Board directly represented 3.21% of the ordinary share capital at the Shareholders' Meeting of TIM of March 29, 2019; Together with the indirect ownership interest disclosed according to the law, total direct and indirect ownership is 3.24% of the ordinary share capital.

COMMON REPRESENTATIVES

- The special meeting of the savings shareholders held on May 24, 2019 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, 2021.
- 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.

RATING AT JUNE 30, 2019

At June 30, 2019, the three rating agencies – Standard & Poor's, Moody's and Fitch Ratings – rated TIM as follows:

	Rating	Outlook
STANDARD & POOR'S	BB+	Stable
MOODY'S	Ba1	Stable
FITCH RATINGS	BB+	Stable

On July 10, 2019 the rating agency Moody's confirmed TIM's rating level Ba1 and changed the outlook from "Stable" to "Negative".

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.

RELATED-PARTY TRANSACTIONS

In accordance with Article 5, paragraph 8 of Consob Regulation 17221 of March 12, 2010 concerning "related party transactions" and the subsequent Consob Resolution 17389 of June 23, 2010, no significant transactions were entered into in the first half of 2019 as defined by Article 4, paragraph 1, letter a) of the aforementioned regulation which had a major impact on the financial position or on the results of the TIM Group for the first half of 2019.

Furthermore, there were no changes or developments regarding the related party transactions described in the 2018 Report on Operations which had a significant effect on the financial position or on the results of the TIM Group in the first half of 2019.

Related-party transactions, when not dictated by specific laws, were conducted at arm's length; They were performed in compliance with the internal procedure, which sets forth rules designed to ensure the transparency and fairness of the transactions in accordance with Consob Regulation 17221/2010. The current procedure is available on the website www.telecomitalia.com, under the Group section/Governance System channel.

The information on related parties required by Consob Communication DEM/6064293 of July 28, 2006 is presented in the financial statements and in the Note "Related Party Transactions" to the Half-year Condensed Consolidated Financial Statements at June 30, 2019 of the TIM Group.

ALTERNATIVE PERFORMANCE MEASURES

In this Half-year Financial Report at June 30, 2019 of the TIM Group, in addition to the conventional financial performance measures established by IFRS, certain alternative performance measures are presented for the purposes of enabling a better understanding of the performance of operations and the financial position of the TIM Group. Such measures, which are presented in the periodical financial reports (annual and interim), should, however, not be considered as a substitute for those required by IFRS.

Specifically, following the adoption of IFRS 16, the TIM Group uses the following additional alternative performance indicators:

- **EBITDA adjusted After Lease ("EBITDA-AL")**, calculated by adjusting the Organic EBITDA net of the non-recurring items, amounts connected with the accounting treatment of the finance leasing contracts according to IAS 17 (applied until year-end 2018) and according to IFRS 16 (applied starting from 2019). 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;
- **Adjusted net financial debt After Lease,** calculated by excluding the liabilities connected with the accounting treatment of the finance leasing contracts from the adjusted net financial debt according to IAS 17 (applied until year-end 2018) and according to IFRS 16 (applied starting from 2019). TIM believes that the Adjusted net financial debt After Lease represents an indicator of the ability to meet its financial obligations.

The other 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 before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets	

- **Organic change and impact of the non-recurring items on 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, the exchange differences and the non-recurring events and transactions. TIM believes that this method of presentation provides a more complete and effective interpretation of the Group's operating performance (as a whole and with reference to the Business Units); it is therefore also used in the presentations to analysts and investors. This Interim Management Report provides a reconciliation between the "accounting or reported" figures and the "organic excluding the non-recurring component" ones.

- **EBITDA margin and EBIT margin:** TIM believes that these margins represent some useful indicator of the ability of the Group (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 into EBITDA and EBIT, respectively. 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 the Net Financial Debt represents an accurate indicator of its 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 a table showing the amounts taken from the statements of financial position and used to calculate the Net Financial Debt of the Group.

In order to better represent the actual change in Net Financial Debt, in addition to the usual measure (named "Net financial debt carrying amount"), the "Adjusted net financial debt" is also shown, which excludes effects that are purely accounting in nature resulting from the fair value measurement of derivatives and related financial liabilities/assets.

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 liabilities/assets**
E=(C + D)	**Adjusted net financial debt**

INNOVATION, RESEARCH AND DEVELOPMENT

The new TIM industrial plan places modernization, simplification and artificial intelligence at the core of Group investments; TIM is building a completely new and automated 5G network, continuing with the disposal and consolidation of redundant assets (e.g. data centers and exchanges). The innovation, research and development activities are functional for achieving these goals.

TIM's commitment to innovation

Both technological and business-based innovation are confirmed in the first six months of 2019 as the central element to the response to change in the technological, market and competitive context. In line with this, the Group has taken action in several ways:

- inaugurating a new method for structuring innovation projects that, by passing the organizational restrictions, is broken down into 6 cross-functional innovation programs[1] on the key aspects of the development of the fixed and mobile network towards future 5G standards and ultrabroadband, and issues concerning service platforms and new operations systems, to which resources belonging to the entire innovation structure contribute, based on their areas of expertise.
- by confirming the drive towards “Open Innovation” with the aim of maximizing the benefits deriving from the integration of innovative contributions generated internally also with external sources of innovative ideas. Rationalization of the JOLs[2] was started, and two new labs were inaugurated, which join those of Milan, Bologna, Rome and Catania:
  - Innovation Lab of Naples built in partnership with Cisco Italia and the Federico II University. The objective of the new facility, whose strength will be the Innovation Hub, is to speed up the digital transformation process of South Italy by selecting and developing new emerging innovative ideas, projects and solutions that will supplement the entrepreneurial network dedicated to the country's technological innovation, also making use of the collaboration of Campania NewSteel, particularly for building acceleration paths and for activating "dissemination" actions aimed at strengthening the startup ecosystem.
  - Innovation Lab of Rome, the first dedicated to 5G with the first 5G NR-compatible smartphones that will be marketed in the upcoming months, together with solutions and services of the new ultrafast network. The new 5G TIM Innovation Hub of Rome is an area that sets out to attract the entire ecosystem of businesses, start-ups, R&D centers and other players interested in digital evolution, offering itself as the reference of excellence in Italy for the development and testing of innovative 5G technology-based services and solutions.
- by interacting with the start-up world in order to catalyze the latter's capacity for innovation through the TIM #Wcap acceleration program and the investments in equity through TIM Venture.

The commitment of TIM to accompany the country down the path of technological and digital innovation was recognized at the national level with the awarding of the "Award of Awards for Innovation 2018" by the President of the Senate. The award was given precisely due to the building of the “Innovation Hubs”, testing centers where start-ups and small firms have technological platforms and assets at their disposal to use to design and test innovative solutions, working side by side with large companies, universities, research institutes and incubators in order to seize opportunities for economic and social growth that will be significantly sped up thanks to 5G and to TIM's ultrabroadband networks.

Network innovation and evolution towards 5G: collaborations

Technological investments also contribute to the creation of new markets: TIM collaborates with telecommunications operators and suppliers of network solutions around the world in order to develop the smart infrastructure on which the global economy of the future will be based.

Cisco and TIM have reinforced their partnership with the launch of “Software Defined - Wide Area Network” solutions for the management of company networks, offering Italian businesses increasingly reliable, flexible and secure services, able to meet the most relevant business needs and extension of the TIM Safe Web cybersecurity platform to TIM's mobile business customers.

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[1] The research aspects covered by the cross program concern: hybrid access solutions, cloud ready and automated network infrastructure, cloud native network applications and intelligence, artificial intelligence center of excellence, innovation ecosystem and platform, infrastructure-intensive internet of everything (IoE) innovation.

[2] Joint Open Labs, collaboration models representing actual research labs located at the universities involved, dedicated to developing activities.

Thanks to this partnership, TIM customers will be able to choose the services best suited to their needs. Both solutions for simple IT environments, able to totally manage a wired and wireless local network (LAN), geographical network (WAN) and security with protection against threats, and solutions for more complex IT environments that offer enhanced personalization and evolved traffic routing functions, in addition to security with protection against threats, segmentation and optimization of connectivity with multicloud environments.

In the first half of the year TIM and **Corning** Incorporated signed a collaboration agreement for the purpose of developing new services and new applications for the next generation networks. The two groups will particularly focus on evolution of the infrastructure and broadband network platforms, with the goal of better meeting the requirements set by IoT and 5G, which are both trends enjoying strong growth.

TIM signed a memorandum of understanding with **Fujitsu** Italia aimed at setting up a joint "think table", with focus on the innovation of the networks and the development of added value services, fully exploiting the functions of 5G and of technologies such as blockchain and quantum-inspired computing. The aim of the partnership is to start up a new technological association that allows next generation networking solutions based on emerging technologies to be explored. In this context, with a "co-creation" approach Fujitsu and TIM will work side by side to exploit the potentials offered by the 5G networks to the utmost and to speed up digital transformation in strategic sectors such as automotive, utilities, finance and manufacturing.

The Memorandum of Understanding with the **Liguria Region**, Municipality of Genoa, Liguria Digitale**, Ericsson** and TIM entered into its operational stage for the "Digital Lab 5G". One of its key aims is to make new applications for innovative services dedicated to citizens, businesses and public administration available through the 5G network.
This territory monitoring solution can be personalized to better meet the various requirements: In addition to protecting the territory, the Cloud robotics infrastructure platform of TIM - connected to the 5G network - can allow new solutions for public safety, for monitoring critical infrastructures and, in perspective, also for transporting essential drugs, organs for transplants or first aid devices (defibrillators, etc.) to be developed. Olivetti, center of excellence of the TIM Group for IoT and Big Data technologies, is contributing to the project by fielding its expertise in analysis and design of predictive scenarios.

In April, TIM switched on the 5G at the **Fiumicino airport**, the first Italian airport to be equipped with this new technology. The new demonstration area set up by TIM, AdR and Ericsson was inaugurated at Fiumicino. There arriving and transitting passengers can get a preview of the new technology and several services that mark the future of mobile communications. The innovative service of virtual guided tours, one of the key tourist applications tied to 5G, can be tried out at the 5G stand.

Lastly, in June the "TIM 5G Inside Out" project developed in collaboration with **Talent Garden**[3] with the aim of awakening awareness of the market to the opportunities 5G offers in Italy and to create a community that operates in key technological innovation sectors, such as Industry 4.0, Mobility and Smart Cit, infrastructure and logistics, entertainment and tourism.

In the first half of 2019, the Turin 5G project underwent consolidation of the testing of the previous years with the progressive activation of the first 5G nodes on the 3.6 GHz frequencies. In June in particular renewal of the MoU with the **Municipality of Turin** was consolidated in order to allow the lucrative strategic collaboration in the commercial 5G service field diffusion stage to continue. The main testing activities in progress regard the Smart Roads project, in which TIM conducts a work group (with partners Italdesign, Daimler, Luxoft, 5T, Fondazione Links, Polytechnic University of Turin) to build connected car scenarios oriented toward road safety and accident prevention, and the Torino City Lab project, in which TIM is the technological enabler of the outdoor Doralab (unicum at national level), in which the city, in collaboration with ENAC, allows companies to test innovative drone-based applications.

The operational activities for technological development and 5G trials, as well as development of innovative solutions linked to Artificial Intelligence and Edge Computing, are accompanied by structured technical communication ranging from publishing to promotion with events of a scientific scope. In particular, during the first six months of 2019 many initiatives were dedicated to 5G, such as the "Genova 5G" event with live remote-controlled drone flight for environmental monitoring demos, and the conclusion of the European Community-funded project "5G MoNArch", with the general public touring some baroque halls of Palazzo Madama in Turin in virtual reality.

[3] Talent Garden is the largest physical platform in Europe for networking and digital innovation training. Today it numbers 23 campuses in 8 countries. It hosts over 3,500 innovators, including freelancers, start-ups, agencies, entrepreneurs, investors, students and companies.

Innovation and research with the universities

After meeting in May at the TIM Open Labs, the labs in Turin where research and innovation have been developed for over 50 years by creating and assessing new communication systems and services, the Board of Directors confirmed the importance of research for TIM and reiterated its intention to strengthen the activities of TIM Open Labs. For this purpose it was decided to enter into a stronger relationship with the major universities and research centers in the country, also by funding 30 research doctorates in the technological field over the next 3 years.

At the foundation of TIM's R&D, which employs approximately 70 TIM engineers, 80 university researchers focused on specific activities and that involves an economic commitment topping one million euros, we find three-year agreements with Italian universities such as:

- POLITO on the theme of AI and ML (Artificial Intelligence and Machine Learning); 20 research projects for a total amount of over 700,000 euros are in the definition stage.
- Academic partnership defined within the scope of the MISE Bari-Matera 5G project, which involved TIM together with CNR, UNIBARI, POLIBARI, UNIBASILICATA, SSSA of PISA, and UNISALENTO, broaches topics concerning full 5G coverage of the cities, expected by the end of 2019 with 10 application areas. Coverage of the entire metropolitan perimeter of the 2 cities is planned in 2021[4] for an economic commitment of about 500,000 euros planned for 2019.
- the agreements with UNICATANIA and with UNITO are in the definition stage, with which training programmes and internships will be implemented in addition to the development of research topics of mutual interest.

At the international level, TIM is member of the MIT ILP program[5] to update activities and scenarios of more innovative trends within the scope of digital services and their enabling technologies, such as Big Data and AI. Additional collaborations are initiated through European and national research programs such as Horizon2020 and EIT [6].

RESEARCH AND DEVELOPMENT IN BRAZIL

The Innovation & Technology function, which reports to the CTIO of TIM Participações, is responsible for the research and development activities. The main areas of focus include: identifying technological innovation for the network and the evolutionary needs for new technologies and devices, setting architectural guidelines, and the development of strategic partnerships, so as to exploit new business models and guarantee the evolution of the network infrastructure in line with the business strategy.

5G in Brazil

During 2018, Architecture & Innovation Technology concluded the interference test in Guaratiba-RJ in the 3.5 GHz band, the basic 5G band. The goal was to demonstrate that the two bands can harmoniously coexist and that there are no restrictions for using 3.5 GHz in Brazil. The tests concluded that by using an adequate filter, co-existence is possible in every scenario. An auction for the 2.3 and 3.5 GHz band is expected in 2019. Anatel established the rules for using the latter during the first half of the year.
For this purpose TIM Participações has already identified three cities - Florianópolis, Santa Rita do Sapucaí and Campina Grande - to test 5G technology in order to develop new products and services enabled for the new technology.

[4] http://www.barimatera5g.it
[5] Industry Liaison Program
[6] European Institute of Innovation and Technology

TIM GROUP HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2019

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

(millions of euros)	note	6/30/2019	of which related parties	12/31/2018	of which related parties
Non-current assets					
Intangible assets					
Goodwill	4)	26,784		26,769	
Intangible assets with a finite useful life	5)	8,006		8,889	
		34,790		**35,658**	
Tangible assets	6)				
Property, plant and equipment owned		14,089		14,251	
Assets held under finance leases	2)	–		1,895	
		14,089		**16,146**	
Right of use third-party assets	2) 7)	**5,803**			
Other non-current assets					
Investments in associates and joint ventures accounted for using the equity method		12		16	
Other investments		54		49	
Non-current financial receivables for lease contract	9)	60		54	
Other non-current financial assets	9)	2,030		1,540	
Miscellaneous receivables and other non-current assets	10)	2,944		2,291	
Deferred tax assets		1,077		1,136	
		6,177		**5,086**	
Total Non-current assets	**(a)**	**60,859**		**56,890**	
Current assets					
Inventories		316		389	
Trade and miscellaneous receivables and other current assets	11)	4,990	*23*	4,706	*22*
Current income tax receivables		83		251	
Current financial assets	9)				
Current financial receivables for lease contracts		53		70	
Securities other than investments, other financial receivables and other current financial assets		1,111		1,396	
Cash and cash equivalents		1,700		1,917	
		2,864		3,383	
Current assets sub-total		**8,253**		**8,729**	
Discontinued operations/Non-current assets held for sale		**–**		**–**	
Total Current assets	**(b)**	**8,253**		**8,729**	
Total Assets	**(a+b)**	**69,112**		**65,619**	

Equity and Liabilities

(millions of euros)		note	6/30/2019	of which related parties	12/31/2018	of which related parties
Equity		12)				
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			6,268		5,847	
Equity attributable to Owners of the Parent			**19,949**		**19,528**	
Non-controlling interests			2,385		2,219	
Total Equity	**(c)**		**22,334**		**21,747**	
Non-current liabilities						
Non-current financial liabilities for financing contracts and others		13)	25,679		23,319	
Non-current financial liabilities for lease contracts		13)	4,814		1,740	
Employee benefits		17)	1,417		1,567	
Deferred tax liabilities			313		192	
Provisions		18)	993		876	
Miscellaneous payables and other non-current liabilities		19)	3,348	*1*	3,297	*1*
Total Non-current liabilities	**(d)**		**36,564**		**30,991**	
Current liabilities						
Current financial liabilities for financing contracts and others		13)	2,780		5,705	
Current financial liabilities for lease contracts		13)	705		208	
Trade and miscellaneous payables and other current liabilities		20)	6,647	*67*	6,901	*73*
Current income tax payables			82		67	
Current liabilities sub-total			**10,214**		**12,881**	
Liabilities directly associated with Discontinued operations/Non-current assets held for sale			**–**		**–**	
Total Current Liabilities	**(e)**		**10,214**		**12,881**	
Total Liabilities	**(f=d+e)**		**46,778**		**43,872**	
Total Equity and Liabilities	**(c+f)**		**69,112**		**65,619**	

SEPARATE CONSOLIDATED INCOME STATEMENTS

(millions of euros)	note	1st Half 2019	of which with related parties	1st Half 2018	of which with related parties
Revenues		**8,994**	*1*	**9,411**	*3*
Other income		766		144	
Total operating revenues and other income		**9,760**		**9,555**	
Acquisition of goods and services		(3,198)	*(79)*	(3,980)	*(87)*
Employee benefits expenses		(1,502)	*(49)*	(1,526)	*(45)*
Other operating expenses		(871)		(661)	
Change in inventories		(74)		35	
Internally generated assets		276		310	
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		**4,391**		**3,733**	
of which: impact of non-recurring items	28)	*332*		*(121)*	
Depreciation and amortization		(2,496)		(2,122)	
Gains/(losses) on disposals of non-current assets		(8)		3	
Impairment reversals (losses) on non-current assets		–		–	
Operating profit (loss) (EBIT)		**1,887**		**1,614**	
of which: impact of non-recurring items	28)	*332*		*(121)*	
Share of profits (losses) of associates and joint ventures accounted for using the equity method		(3)		(2)	
Other income (expenses) from investments		2		10	
Finance income		580	–	551	*8*
Finance expenses		(1,334)	–	(1,269)	*(8)*
Profit (loss) before tax from continuing operations		**1,132**		**904**	
of which: impact of non-recurring items	28)	*302*		*(126)*	
Income tax expense		(392)		(297)	
Profit (loss) from continuing operations		**740**		**607**	
Profit (loss) from Discontinued operations/Non-current assets held for sale		**–**		**–**	
Profit (loss) for the period	23)	**740**		**607**	
of which: impact of non-recurring items	28)	*183*		*(118)*	
Attributable to:					
Owners of the Parent		**551**		**532**	
Non-controlling interests		189		75	

(euros)		1st Half 2019	1st Half 2018
Earnings per share:	24)		
Basic and Diluted Earnings Per Share (EPS)			
Ordinary Share		0.02	0.02
Savings Share		0.03	0.03
of which:			
from Continuing operations attributable to Owners of the Parent			
Ordinary Share		0.02	0.02
Savings Share		0.03	0.03

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Note 12

(millions of euros)		1st Half 2019	1st Half 2018
Profit (loss) for the period	**(a)**	**740**	**607**
Other components of the Consolidated Statement of Comprehensive Income			
Other components that will not be reclassified subsequently to Separate Consolidated Income Statement			
Financial assets measured at fair value through other comprehensive income:			
Profit (loss) from fair value adjustments		3	(3)
Income tax effect		–	–
	(b)	**3**	**(3)**
Remeasurements of employee defined benefit plans (IAS 19):			
Actuarial gains (losses)		(70)	7
Income tax effect		17	(3)
	(c)	**(53)**	**4**
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		–	–
Income tax effect		–	–
	(d)	**–**	**–**
Total other components that will not be reclassified subsequently to Separate Consolidated Income Statement	**(e=b+c+d)**	**(50)**	**1**
Other components that will be reclassified subsequently to Separate Consolidated Income Statement			
Financial assets measured at fair value through other comprehensive income:			
Profit (loss) from fair value adjustments		22	4
Loss (profit) transferred to Separate Consolidated Income Statement		(3)	14
Income tax effect		(1)	(8)
	(f)	**18**	**10**
Hedging instruments:			
Profit (loss) from fair value adjustments		99	(65)
Loss (profit) transferred to Separate Consolidated Income Statement		(92)	(77)
Income tax effect		(3)	33
	(g)	**4**	**(109)**
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		87	(610)
Loss (profit) on translating foreign operations transferred to Separate Consolidated Income Statement		–	–
Income tax effect		–	–
	(h)	**87**	**(610)**
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		–	–
Loss (profit) transferred to Separate Consolidated Income Statement		–	–
Income tax effect		–	–
	(i)	**–**	**–**
Total other components that will be reclassified subsequently to Separate Consolidated Income Statement	**(k=f+g+h+i)**	**109**	**(709)**
Total other components of the Consolidated Statement of Comprehensive Income	**(m=e+k)**	**59**	**(708)**
Total comprehensive income (loss) for the period	**(a+m)**	**799**	**(101)**
Attributable to:			
Owners of the Parent		**584**	**9**
Non-controlling interests		215	(110)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Changes from January 1, 2018 to June 30, 2018

(millions of euros)	Equity attributable to Owners of the Parent											
	Share capital	Additional paid-in capital	Reserve for financial assets measured at fair value through other comprehensive income	Reserve for hedging instruments	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other comprehensive income (loss) 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, 2017	**11,587**	**2,094**	**51**	**(582)**	**(955)**	**(104)**	**–**	**9,383**	**21,474**	**2,221**	**23,695**
Changes in equity during the period:											
Dividends approved								(166)	**(166)**	(67)	**(233)**
Total comprehensive income (loss) for the period			7	(109)	(425)	4		532	**9**	(110)	**(101)**
Other changes								1	**1**	12	**13**
Balance at June 30, 2018	**11,587**	**2,094**	**58**	**(691)**	**(1,380)**	**(100)**	**–**	**9,750**	**21,318**	**2,056**	**23,374**

Changes from January 1, 2019 to June 30, 2019 Note 12

(millions of euros)	Equity attributable to Owners of the Parent										
	Share capital	Additional paid-in capital	Reserve for financial assets measured at fair value through other comprehensive income	Reserve for hedging instruments	Reserve for exchange differences on translating foreign operations	Reserve for remeasurements of employee defined benefit plans (IAS 19)	Share of other comprehensive income (loss) 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, 2018	**11,587**	**2,094**	**30**	**(563)**	**(1,340)**	**(90)**	**–**	**7,810**	**19,528**	**2,219**	**21,747**
IFRS 16 adoption								–	**–**	–	**–**
Adjusted Balance at December 31, 2018	**11,587**	**2,094**	**30**	**(563)**	**(1,340)**	**(90)**	**–**	**7,810**	**19,528**	**2,219**	**21,747**
Changes in equity during the period:											
Dividends approved								(166)	**(166)**	(55)	**(221)**
Total comprehensive income (loss) for the period			21	4	61	(53)		551	**584**	215	**799**
Issue of equity instruments								2	**2**		**2**
Other changes								1	**1**	6	**7**
Balance at June 30, 2019	**11,587**	**2,094**	**51**	**(559)**	**(1,279)**	**(143)**	**–**	**8,198**	**19,949**	**2,385**	**22,334**

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of euros)	note	1st Half 2019	1st Half 2018
Cash flows from operating activities:			
Profit (loss) from continuing operations		740	607
Adjustments for:			
Depreciation and amortization		2,496	2,122
Impairment losses (reversals) on non-current assets (including investments)		12	2
Net change in deferred tax assets and liabilities		193	269
Losses (gains) realized on disposals of non-current assets (including investments)		6	(3)
Share of losses (profits) of associates and joint ventures accounted for using the equity method		3	2
Change in provisions for employee benefits		(214)	(23)
Change in inventories		73	(31)
Change in trade receivables and net amounts due from customers on construction contracts		(138)	(74)
Change in trade payables		(327)	(368)
Net change in current income tax receivables/payables		172	(25)
Net change in miscellaneous receivables/payables and other assets/liabilities		123	100
Cash flows from (used in) operating activities	**(a)**	**3,139**	**2,578**
Cash flows from investing activities:			
Purchase of intangible assets, property, plant and equipment and rights of use third-party assets on a cash basis		(2,126)	(2,255)
Capital grants received		6	2
Acquisition of control of companies or other businesses, net of cash acquired		–	–
Acquisitions/disposals of other investments		(4)	(3)
Change in financial receivables and other financial assets (excluding hedging and non-hedging derivatives under financial assets)		131	34
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		–	–
Proceeds from sale/repayment of intangible, tangible and other non-current assets		6	12
Cash flows from (used in) investing activities	**(b)**	**(1,987)**	**(2,210)**
Cash flows from financing activities:			
Change in current financial liabilities and other		(367)	(209)
Proceeds from non-current financial liabilities (including current portion)		3,190	1,324
Repayments of non-current financial liabilities (including current portion)		(3,415)	(2,491)
Changes in hedging and non-hedging derivatives		(256)	121
Share capital proceeds/reimbursements (including subsidiaries)		5	11
Dividends paid		(246)	(222)
Changes in ownership interests in consolidated subsidiaries		–	2
Cash flows from (used in) financing activities	**(c)**	**(1,089)**	**(1,464)**
Cash flows from (used in) Discontinued operations/Non-current assets held for sale	**(d)**	**–**	**–**
Aggregate cash flows	**(e=a+b+c+d)**	**63**	**(1,096)**
Net cash and cash equivalents at beginning of the period	**(f)**	**1,631**	**3,246**
Net foreign exchange differences on net cash and cash equivalents	(g)	5	(51)
Net cash and cash equivalents at end of the period	**(h=e+f+g)**	**1,699**	**2,099**

Purchase of intangible assets, property, plant and equipment and rights of use third-party assets

(millions of euros)		1st Half 2019	1st Half 2018
Purchase of intangible assets (1)	(5)	(376)	(436)
Purchase of tangible assets (1) (2)	(6)	(1,079)	(1,205)
Purchase of rights of use third-party assets (1)	(7)	(318)	–
Total purchase of intangible assets, property, plant and equipment and rights of use third-party assets on an accrual basis		(1,773)	(1,641)
Change in amounts due for purchase of intangible assets, property, plant and equipment and rights of use third-party assets		(353)	(614)
Total purchase of intangible assets, property, plant and equipment and rights of use third-party assets on a cash basis		(2,126)	(2,255)
(1) of which related parties:			
Purchase of intangible assets, property, plant and equipment and rights of use third-party assets on an accrual basis		–	1

(2) In the first half of 2018 they include purchases of assets under financial lease.

Additional cash flow information

(millions of euros)	1st Half 2019	1st Half 2018
Income taxes (paid) received	(30)	(37)
Interest expense paid	(992)	(1,300)
Interest income received	282	633
Dividends received	–	1

Analysis of Net Cash and Cash Equivalents

(millions of euros)	1st Half 2019	1st Half 2018
Net cash and cash equivalents at beginning of the period		
Cash and cash equivalents – from continuing operations	1,917	3,575
Bank overdrafts repayable on demand – from continuing operations	(286)	(329)
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	–	–
	1,631	**3,246**
Net cash and cash equivalents at end of the period		
Cash and cash equivalents – from continuing operations	1,700	2,102
Bank overdrafts repayable on demand – from continuing operations	(1)	(3)
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	–	–
	1,699	**2,099**

The additional disclosures required by IAS 7 are provided in the Note “Net Financial Debt” to these Half-year Condensed Consolidated Financial Statements.

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.
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 Half-year Condensed Consolidated Financial Statements at June 30, 2019 have been prepared on a going concern basis (further details are provided in 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 laws and regulations in force in Italy.
The TIM Group Half-year Condensed Consolidated Financial Statements at June 30, 2019 have been prepared in compliance with IAS 34 (Interim Reports) and, as permitted by that standard, do not include all the information required in the annual consolidated financial statements; accordingly, these financial statements should be read together with the 2018 TIM Group Consolidated Financial Statements.
Also note that in the first half of 2019, the Group applied accounting standards consistent with those of the previous year, except for the adoption of the new accounting standards IFRIC 23 (Uncertainty over income tax treatments) which did not result in impacts, as well as IFRS 16 (Leasing) applied starting from January 1, 2019, whose effects are explained in the *paragraph "Adoption of the new IFRS 16 (Leasing) standard"* of the Note *"Accounting standards"* to which the reader is referred for further details.
For the purposes of comparison, the consolidated statements of financial position at December 31, 2018 and the separate consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of cash flows, as well as the consolidated statements of changes in equity for the first half of 2018 are presented.
The TIM Group Half-year Condensed Consolidated Financial Statements at June 30, 2019 are presented in euro (rounded to the nearest million unless otherwise indicated).
Publication of the TIM Group Half-year Condensed Consolidated Financial Statements at June 30, 2019 was approved by resolution of the Board of Directors' meeting held on August 1, 2019.
The Half-year Condensed Consolidated Financial Statements at June 30, 2019 is subject to a limited Audit Review.

FINANCIAL STATEMENT FORMATS

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

- the **Consolidated statements of financial position** have been prepared by classifying assets and liabilities according to the "current and non-current" criterion;
- the **Separate consolidated income statements** have been prepared by classifying operating expenses by nature of expense as this form of presentation is considered more appropriate and representative of the specific business of the Group, conforms to internal reporting and is in line with the TIM Group's industrial sector.
  In addition to EBIT or Operating profit (loss), the separate consolidated income statements include the alternative performance measure of EBITDA or Operating profit (loss) before depreciation and amortization, Capital gains (losses) and Impairment reversals (losses) on non-current assets.

  In particular, besides EBIT, EBITDA 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). EBIT and EBITDA 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 before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets	

- the **Consolidated statements of comprehensive income** include the profit or loss for the period as shown in the separate consolidated income statements and all other non-owner changes in equity;
- the **Consolidated statements of cash flows** have been prepared by presenting cash flows from operating activities according to the "indirect method", as permitted by IAS 7 (Statement of Cash Flows).

Furthermore, as required by Consob Resolution 15519 of July 27, 2006, in the separate consolidated income statements, income and expenses relating to transactions which by nature do not occur during normal operation (non-recurring transactions) have been specifically identified and their impacts on the main intermediate levels have been shown separately, when they are significant. Specifically, non-recurring income/(expenses) include, for instance: income/expenses arising from the sale of properties, plant and equipment, business segments and investments; expenses stemming from company reorganization and streamlining processes and projects, also in connection with corporate transactions (mergers, spin-offs, etc.); expenses resulting from litigation and regulatory fines and related liabilities; other provisions and related reversals; costs for the settlement of disputes; items related to adjustments relative to previous years; and impairment losses (write-downs) on goodwill and/or other intangible and tangible assets.
Also in reference to the above Consob Resolution, the amounts relating to balances or transactions with related parties have been shown separately in the consolidated financial statements.

SEGMENT REPORTING

An operating segment is a component of an entity:

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

In particular, the operating segments of the TIM Group are organized according to geographic location (Domestic and Brazil) for the telecommunications business.

The term "operating segment" is considered synonymous with "Business Unit".

The operating segments of the TIM Group are as follows:

- **Domestic**: includes operations in Italy for voice and data services on fixed and mobile networks for end customers (retail) and other operators (wholesale), the operations of the Telecom Italia Sparkle group (International wholesale), which, at international level (Europe, the Mediterranean and South America), develops fiber optic networks for wholesale customers, the operations of Olivetti (products and services for Information Technology), as well as INWIT S.p.A. (a company operating in the electronic communications infrastructure sector, and in particular the infrastructure for hosting radio transmission equipment for mobile telephone networks, both for TIM and other operators) and the units supporting the Domestic sector.
  See the section "Financial and Operating Highlights of the Business Units of the TIM Group – Domestic Business Unit" of the Report on Operations for more details;
- **Brazil**: includes mobile and fixed telecommunications operations in Brazil (TIM S.A.);
- **Other Operations**: include finance companies and other minor companies not strictly related to the core business of the TIM Group.

NOTE 2
ACCOUNTING POLICIES

GOING CONCERN

The Half-year Condensed Consolidated Financial Statements at June 30, 2019 have been prepared on a going concern basis as there is the reasonable expectation that TIM will continue its operational activities in the foreseeable future (and in any event for a time horizon of at least twelve months).
In particular, the following factors have been taken into consideration:

- the main risks and uncertainties (that are for the most part of an external nature) to which the Group and the various activities of the TIM Group are exposed:
  - changes in the general macroeconomic situation in the Italian, European and Brazilian markets, as well as the volatility of financial markets in the Eurozone also as a result of the “Brexit” referendum in the United Kingdom;
  - variations in business conditions, also related to competition;
  - changes to laws and regulations (price and rate variations);
  - outcomes of legal disputes and proceedings with regulatory authorities, competitors and other parties;
  - financial risks (interest rate and/or exchange rate trends, changes in the Group's credit rating by rating agencies);
- the equity and debt capital mix considered optimal and the policy for the remuneration of equity, as described in the Annual Consolidated Financial Report at December 31, 2018 in the Note “Equity”, under the section “Share Capital Information”;
- the policy for financial risk management (market risk, credit risk and liquidity risk), as described in the Note “Financial Risk Management” in the Annual Consolidated Financial Statements at December 31, 2018.

Based on these factors, the Management believes that, at the present time, there are no elements of uncertainty regarding the Group’s ability to continue as a going concern.

ACCOUNTING POLICIES AND PRINCIPLES OF CONSOLIDATION

The accounting policies and consolidation principles adopted in the preparation of the Half-year Condensed Consolidated Financial Statements at June 30, 2019 are the same as those adopted in the Annual Consolidated Financial Statements at December 31, 2018, to which reference should be made, with the exception of:

- the new standards and interpretations adopted by the Group commencing as of January 1, 2019, as described further on;
- changes required because of the nature of interim financial reporting.

Furthermore, in the Half-year Condensed Consolidated Financial Statements at June 30, 2019, income taxes for the period of the individual consolidated companies have been calculated according to the best possible estimate based on available information and on a reasonable forecast of performance up to the end of the tax period. Conventionally, the income tax liabilities (current and deferred) on the profit for the interim period of the individual consolidated companies are recorded net of advances and tax receivables (excluding receivables for which refunds have been requested) as well as deferred tax assets, under "Deferred tax liabilities"; if the balance between deferred tax assets and deferred tax liabilities is an asset it is conventionally recognized in "Deferred tax assets".

USE OF ESTIMATES

The preparation of the Half-year Condensed Consolidated Financial Statements at June 30, 2019 and the related disclosure in conformity with IFRS required management to make estimates and assumptions based in part on subjective judgments, past experience and assumptions considered reasonable and realistic in relation to the information known at the time of the estimate. Such estimates have an effect on the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the amount of revenues and costs during the period. Actual results could differ, even significantly, from those estimates owing to possible changes in the factors considered in the determination of such estimates. Estimates are reviewed periodically.
With regard to the most important accounting estimates, please refer to those illustrated in the Annual Consolidated Financial Statements at December 31, 2018.

Company management had to have recourse to the following additional accounting estimates concerning determination of the term of the leases with renewal option following adoption of IFRS 16.
The Group defines the term of the lease as the non-erasable period of the contract, also considering the periods covered by an option to extend the lease if the management is reasonably certain to exercise that option.
Specifically, company management considers all significant factors creating an economic incentive for exercising the renewal option when assessing the reasonable certainty to exercise the renewal option.

NEW STANDARDS AND INTERPRETATIONS ENDORSED BY THE EU AND IN FORCE FROM 2019

As required by IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the following is a brief description of the IFRS in force commencing as of January 1, 2019.
The effects of the application of IFRS 16 (Leasing) are, starting from 1 January 1, 2019, instead reported in the following paragraph “Adoption of the new IFRS 16 standard”.

Amendments to IFRS 9 (Financial Instruments): items with advance payment and with negative compensation

Some limited amendments to IFRS 9 (Financial Instruments) were adopted at European Union level on March 22, 2018 by Commission Regulation (EU) 2018/498.
The amendments in question allow the entity to measure "prepayable with negative compensation" financial assets (e.g. debt instruments where the borrower is allowed to repay early for an amount that may be less than the residual debt including interest due) at the amortized cost or fair value recognized through other comprehensive income rather than at the fair value recognized in profit/loss for the year.
The adoption of the amendments had no impact on the Half-year Condensed Consolidated Financial Statements at June 30, 2019.

IFRIC 23 – Uncertainty over income tax treatments

IFRS 23 (Uncertainty over income tax treatments) was adopted at the European Union level on October 23, 2018 by Commission Regulation (EU) 2018/1595. This interpretation governs how to take into account the uncertainty in accounting for income taxes. In this regard, IAS 12 - Income taxes specifies how to account for current and deferred taxes but not how to represent the effects of uncertainty.
For example, there may be doubts:

- on how to apply tax legislation for particular transactions or circumstances, or
- if the tax authorities will accept the treatment chosen/applied by the entity. If the entity believes that it is improbable that the applied tax treatment will be accepted, then it must make recourse to estimates (most probable value or expected value) for the determination of the tax treatment (taxable profits, tax base, tax losses not used, unused tax credits, tax rates, etc.). The decision must be based on the method that best assesses the outcome of the uncertainty.

The adoption of said interpretation had no impact on the Half-year Condensed Consolidated Financial Statements at June 30, 2019.

Amendments to IAS 28 (Investments in Associates and Joint Ventures): long-term interests in Investments in associates and joint ventures

Some limited amendments to IAS 28 (Investments in Associates and Joint Ventures) were adopted at the European Union level on February 8, 2019 by Commission Regulation (EU) 2019/237.
IFRS 9 excludes investments in associates and joint ventures that are recognized in accordance with IAS 28. As a result, the entity applies IFRS 9 to other financial instruments held with associates and joint ventures including long-term interests (e.g. financial receivables), to which the equity method is not applied, but which, essentially are part of the net investment in related and joint ventures.
The adoption of the amendments had no impact on the Half-year Condensed Consolidated Financial Statements at June 30, 2019.

Amendments to IAS 19 - Employee Benefits: plan amendment, curtailment or settlement

Some limited amendments to IFRS 19 (Employee Benefits) were adopted at the European Union level on March 13, 2019 by Commission Regulation (EU) 2019/402. These amendments refer to changes, reductions or settlement of defined benefit plans.

In the event of a plan change, reduction or extinction, the changes require an entity to use the updated assumptions of this re-assessment to determine the cost of the current service cost and the net interest for the remaining reporting period after the plan change.

The adoption of the amendments had no impact on the Half-year Condensed Consolidated Financial Statements at June 30, 2019.

Improvements to the IFRS (2015–2017 cycle)

Some improvements to IFRS 2015 - 2017 cycle were adopted at the European Union level on March 14, 2019 by Commission Regulation (EU) 2019/412. In particular, the following is noted:

- Amendments to IFRS 3 *Business combinations* and to IFRS 11 *Joint control agreements*: the amendments to IFRS 3 clarify that when an entity, which is already part of a joint operation, gains control of this asset which constitutes a business, the entity must re-measure the equity previously held in the joint control asset at fair value. the amendments to IFRS 11 clarify that when an entity, which is already part of a joint operation, gains control of this asset which constitutes a business, the entity must re-measure the equity previously held in the joint control asset at fair value.

- Amendments to IAS 12 *Income Taxes*: the amendments clarify that an entity must recognize taxes on dividends in the separate income statement, or in other comprehensive income or equity in relation to the accounting methods of the transaction/event that determined the distributable profits that generated dividends.

- Amendments to IAS 23 *Finance expenses*: the amendments clarify that if any specific financing remains in place after the related asset is ready for the intended use or sale, this financing becomes part of the funds that an entity uses when calculating the capitalization rate on loans in general.

The adoption of the amendments had no impact on the Half-year Condensed Consolidated Financial Statements at June 30, 2019.

ADOPTION OF THE NEW IFRS 16 (LEASES) STANDARD

This section provides an overview of the main elements of IFRS 16 (Leases) and reports the impact of the application of the standards starting from January 1, 2019.

IFRS 16 (Leases) was adopted at the European Union level on October 31, 2017 by Commission Regulation (EU) 2017/1986.

IFRS 16 replaces IAS 17 (Leases) and relative interpretations (IFRIC 4 Determining whether an Arrangement Contains a Lease; SIC 15 Operating Leases – Incentives; SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease).

As allowed by the accounting standard, the TIM Group has applied the modified retrospective method with the recognition of the cumulative effect of the first-time application of the standard as an adjustment to the opening balance of equity for the period when the standard is adopted, without restating prior periods.

On the basis of the provisions of IFRS 16, lease agreements (that are not service contracts) are represented in accounting by recognizing a financial liability in the statements of financial position, represented by the current value of future subscription charges, against recognition under assets of the Right of Use. This liability is later adjusted along the term of the lease to reflect payment of interest on the payable and repayment of the principal; the right of use is amortized along the term of the lease. Compared to the previous accounting method based on IAS 17, which required recognition of operating expenses for non-finance leases, adoption of IFRS 16 led to lower operating costs and greater amortization and borrowing costs; furthermore, unlike what the previous standard required, lessors are not longer required to distinguish between finance leases and operating leases.

As of the transition date (January 1, 2019), the TIM Group applied a modified retrospective method by recognizing, for leases previously classified under IAS 17 as operating leases, a financial liability for lease agreements and the corresponding value of the user rights, measured on the basis of the remaining lease payments at the transition date.

Those agreements within the TIM Group that fall within the scope of application of IFRS 16 mainly refer to:

- Land and buildings for office and industrial use,
- infrastructure sites for the mobile telephony network and
- network infrastructure (when not services).

With reference to the options and exemptions provided for by IFRS 16, the TIM Group adopted the following choices:

- IFRS 16 was not usually applied to intangible assets or to short-term (i.e. less than 12 months) contracts with low unit value;
- user rights and financial liabilities relating to lease agreements were classified on specific line items in the statements of financial position;

- any service contract component included in the lease payments was generally excluded from the IFRS 16 scope;
- contracts with similar characteristics were assessed using a single discount rate;
- lease agreements previously considered finance leasing pursuant to IAS 17 retained the previously recognized values, in full continuity with the past.

Application of the new standard was not completed and may be subject to amendments until when the 2019 consolidated financial statements of the TIM Group are published. In particular, some inquiries are still in progress regarding the accounting treatment of certain non-recoverable indirect taxes in Brazil, currently included in the value highlighted during first-time adoption.
The impacts during transition are not indicative of future developments since the choices of allocating capital might change with resulting economic and financial repercussions on recognition in the financial statements.

IMPACTS CAUSED BY THE ADOPTION OF IFRS 16

Impacts on the consolidated statements of financial position at 1/1/2019 (transition date)

For the TIM Group, adoption of IFRS 16 entailed higher non-current assets due to the recognition of the "Right of Use" as a balancing entry to the higher financial liabilities recognized. In detail, the impacts of the transition on the main line items of the consolidated statements of financial position are shown below.

(millions of euros)	12/31/2018	Reclassifications (*)	IFRS 16 impacts (**)	1/1/2019 restated
Assets				
Non-current assets				
Intangible assets	35,658	(445)	–	35,213
Tangible assets	16,146	(1,923)	–	14,223
Right of use third-party assets	–	2,368	3,503	5,871
Other non-current assets				
Non-current financial receivables for lease contract	54	–	6	60
Miscellaneous receivables and other non-current assets	2,291	–	–	2,291
Deferred tax assets	1,136	–	–	1,136
Current assets				
Trade and miscellaneous receivables and other current assets	4,706	–	(29)	4,677
Current financial receivables for lease contracts	70	–	4	74
Total Assets	**65,619**	**–**	**3,484**	**69,103**
Equity and Liabilities				
Equity				
Equity attributable to Owners of the Parent	19,528	–	–	19,528
Non-controlling interests	2,219	–	–	2,219
Total Equity	**21,747**	**–**	**–**	**21,747**
Non-current liabilities				
Non-current financial liabilities for lease contracts payable	1,740	–	3,021	4,761
Deferred tax liabilities	192	–	–	192
Current liabilities				
Current financial liabilities for lease contracts payable	208	–	542	750
Trade and miscellaneous payables and other current liabilities	6,901	–	(79)	6,822
Total Equity and Liabilities	**65,619**	**–**	**3,484**	**69,103**

(*) The column includes reclassification of Rights of use third-party assets (2,368 million euros) of: a) Indefeasible Right of Use – IRU (412 million euros) previously recognised as intangible assets; b) rights of use infrastructure in Brazil – "LT Amazonas" (33 million euros) previously recognized as intangible assets; c) assets held under finance leases (1,895 million euros), previously recognized as tangible assets; d) improvements to third-party assets (28 million euros) previously recognized as tangible assets.
(**) The column includes recognition of the rights of use third-party assets of the related financial debt and related items consequent to IFRS 16.

The amount of net financial Liabilities (Assets) recognized for Leases at January 1, 2019 is the following:

(millions of euros)

Financial liabilities for lease contracts payable, non-current and current, in effect on December 31, 2018 (2018 financial statements)	1,948
Other financial liabilities recognized for leases at January 1, 2019	3,563
Total financial liabilities at January 1, 2019	**5,511**
Financial assets for lease contracts receivable, non-current and current, in effect on December 31, 2018 (2018 Financial Statements)	(124)
Other financial asset recognized for leases at January 1, 2019	(10)
Total financial assets at January 1, 2019	**(134)**
Net financial Liabilities (Assets) for leases at January 1, 2019	**5,377**

Adjusted net financial debt

(millions of euros)

Adjusted net financial debt at December 31, 2018	**25,270**
Other financial liabilities recognized for leases at January 1, 2019	3,563
Other financial asset recognized for leases at January 1, 2019	(10)
Adjusted net financial debt at January 1, 2019	**28,823**

The other financial liabilities recognized for leases at January 1, 2019 (3,563 million euros) mainly include:

- the land component on real estate leases (of which 543 million euros relating to the Parent in the area of the Domestic Business Unit and 124 million euros relating to the Brazil Business Unit);
- real estate contracts (of which 326 million euros relating to the Parent in the area of the Domestic Business and 85 million euros relating to the Brazil Business Unit);
- co-siting liability contracts (of which 455 million euros relating to the Parent in the area of the Domestic Business and 592 million euros relating to the Brazil Business Unit);

in addition to the non-revocable contracts included in the consolidated financial statements as at December 31, 2018 (495 million euros at nominal value).

The average discount rate applied to the lease liabilities recognized in the statements of financial position at the initial application date (January 1, 2019) was 5.6%.

Impact on the main separate consolidated income statement line items and on the consolidated statements of financial position of the first half of 2019

The breakdown of the impact of IFRS 16 on key consolidated income statement figures for the first half of 2019 compared with the comparable first half of 2019 is shown below.

(millions of euros)		1st Half 2019 comparable (*) (a)	IFRS 16 impact (b)	1st Half 2019 (a+b)
Total operating revenues and other income		**9,760**	**–**	**9,760**
Operating expenses	(1)	(5,695)	326	(5,369)
EBITDA		**4,065**	**326**	**4,391**
Amortization of assets under finance leasing	(2)	(93)	(310)	(403)
EBIT		**1,871**	**16**	**1,887**
Finance expenses on liabilities for finance leasing	(3)	(80)	(105)	(185)
Profit (loss) before tax from continuing operations		**1,220**	**(88)**	**1,132**
Income tax expense	(4)	(422)	30	(392)
Profit (loss) for the period		**798**	**(58)**	**740**
Attributable to:				
Owners of the Parent		**592**	**(41)**	**551**
Non-controlling interests		206	(17)	189

(*) In the comparable first half of 2019, the signed lease contracts starting from January 1, 2019 are always classified as operating leases for IAS 17 purposes.

The different nature, qualification and classification of the expenses, with recognition of the "Amortization of user rights for the asset" and of "Financial expense for interest connected with user rights" in place of "Lease and rental costs - payments for operating leases" as per IAS 17, led to a resulting positive impact on EBITDA equal to 326 million euros.

Application of IFRS 16 to lease contracts particularly caused:

(1) reduction of **Operating expenses** for the different accounting treatment of the rentals relating to the lease contracts of land, building for office and industrial use, infrastructure sites for the mobile telephony network and network infrastructure (when not classifiable as services);

(2) the increase in **Amortization** of the user rights consequent to recognition of higher non-current assets ("Right of Use") amortized for the term of the contract;

(3) the increase in **Financial expense for interest connected with user rights** consequent to the recognition of higher financial liabilities;

(4) the change in **Income tax expense** that shows the income tax effect of the changes illustrated above.

The impact from adopting the new accounting standard (IFRS 16) on the **Basic and diluted earnings per ordinary and savings share** of the first half of 2019 is null.

The impact on the main economic indicators arising from application of IFRS 16 on the single operating segments was the following:

(millions of euros)	1st Half 2019				
	Domestic	Brazil	Other Operations	Adjustments and eliminations	Consolidated Total
Revenues	–	–	–	–	–
EBITDA	180	146	–	–	326
EBIT	17	(1)	–	–	16

The breakdown of the impact of IFRS 16 on the main consolidated statements of financial position figures at June 30, 2019 is shown below.

(millions of euros)	6/30/2019 comparable (a)	IFRS 16 impact (b)	6/30/2019 (c=a+b)
Assets			
Non-current assets			
Intangible assets	34,790	–	34,790
Tangible assets	14,089	–	14,089
Right of use third-party assets	2,328	3,475	5,803
Other non-current assets	6,169	8	6,177
Total Non-current assets	**57,376**	**3,483**	**60,859**
Current assets	**8,285**	**(32)**	**8,253**
Total Assets	**65,661**	**3,451**	**69,112**
Equity and Liabilities			
Equity			
Equity attributable to Owners of the Parent	19,983	(34)	19,949
Non-controlling interests	2,400	(15)	2,385
Total Equity	**22,383**	**(49)**	**22,334**
Non-current liabilities	**33,511**	**3,053**	**36,564**
Current liabilities	**9,767**	**447**	**10,214**
Total Liabilities	**43,278**	**3,500**	**46,778**
Total Equity and Liabilities	**65,661**	**3,451**	**69,112**

The breakdown of the impact of IFRS 16 on consolidated net financial debt is shown below.

Adjusted net financial debt

(millions of euros)	6/30/2019
Comparable adjusted net financial debt	**24,731**
Additional financial liabilities recognized in application of IFRS 16	3,606
Additional financial assets recognized in application of IFRS 16	(9)
Adjusted net financial debt	**28,328**

NEW STANDARDS AND INTERPRETATIONS ISSUED BY IASB BUT NOT YET APPLICABLE

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

	Mandatory application starting from
New Standards and Interpretations not yet endorsed by the EU	
Amendments to IFRS 3 (Business combinations):	1/1/2020
Amendments to IAS 1 and IAS 8 (Definition of Materiality):	1/1/2020
Amendments to References to the Conceptual Framework in IFRS Standards	1/1/2020
IFRS 17 (Insurance contracts)	1/1/2021

The potential impacts on the consolidated financial statements from application of these standards and interpretations are currently being assessed.

NOTE 3
SCOPE OF CONSOLIDATION

The changes in the scope of consolidation at June 30, 2019 compared to December 31, 2018 are listed below.

Subsidiaries merged within the scope of consolidation:

Company		Business Unit	Month
Merger:			
OLIVETTI SCUOLA DIGITALE S.r.l.	Merged into Olivetti S.p.A.	Domestic	June 2019
ADVANCED CARING CENTER S.r.l.	Merged into Telecontact Center S.p.A.	Domestic	January 2019

In addition to that noted above, the changes in the scope of consolidation at June 30, 2019 compared to June 30, 2018 are listed below:

Subsidiaries merged within the scope of consolidation:

Company		Business Unit	Month
Merger:			
TIM CELULAR S.A.	Merged into TIM S.A.	Brazil	October 2018

The breakdown by number of subsidiaries and associates of the TIM Group is as follows:

	6/30/2019		
Companies:	**Italy**	**Outside Italy**	**Total**
subsidiaries consolidated line-by-line	19	42	61
associates accounted for using the equity method	16		16
Total companies	**35**	**42**	**77**

	12/31/2018		
Companies:	**Italy**	**Outside Italy**	**Total**
subsidiaries consolidated line-by-line	21	42	63
joint ventures accounted for using the equity method	1		1
associates accounted for using the equity method	16		16
Total companies	**38**	**42**	**80**

	6/30/2018		
Companies:	**Italy**	**Outside Italy**	**Total**
subsidiaries consolidated line-by-line	21	44	65
joint ventures accounted for using the equity method	1		1
associates accounted for using the equity method	17		17
Total companies	**39**	**44**	**83**

NOTE 4
GOODWILL

This item shows the following breakdown and changes in the first half of 2019:

(millions of euros)	12/31/2018	Reclassifications	Increase	Decrease	Impairments	Exchange differences	6/30/2019
Domestic	**25,899**						**25,899**
Core Domestic	25,627						25,627
International Wholesale	272						272
Brazil	**870**					15	**885**
Other Operations	–						–
Total	**26,769**	–	–	–	–	**15**	**26,784**

Goodwill for the Brazil Cash Generating Unit increased over the first half of 2019 due to exchange rate differences.

<u>Half-year Financial Report at June 30, 2019</u>

For the purposes of this Half-year Financial Report, the Impairment Test Procedure used for the 2018 Financial Statements was applied. This Procedure, as required by the Bank of Italy/CONSOB/ISVAP Document No. 4 of March 3, 2010, was updated (on an annual basis), and approved by the Board of Directors at the end of 2018, autonomously and in advance of the approval of the 2018 annual financial report. Furthermore, in relation to the use of planning information and periodic checks and assessments connected to the Goodwill Impairment Test process, it should be noted that in the first part of the current year the Organizational Procedure that regulates the review of the TIM Group planning process was revised and updated, including the Industrial Plan, the Budget and the related Forecasts. The procedure has been finalized, the approval process was completed at the start of August 2019.

In accordance with IAS 36, goodwill is not subject to amortization, but is tested for impairment annually when preparing the company's separate and consolidated financial statements. Furthermore, if specific events or circumstances occur ("trigger events") that could lead to a presumption that goodwill has suffered a reduction in value, impairment testing is also carried out when preparing interim financial statements. In order to identify Cash Generating Units – CGUs that may have been impaired, the following factors were considered:

a) market prices:
   - in relation to TIM S.p.A. the market capitalization at June 30, 2019, structurally lower than net assets, is in line with the impairment test data of the 2018 financial statements;
   - in relation to the Brazilian subsidiary, market capitalization at June 30, 2019 recorded a slight decrease compared to December 2018, showing in any event an implicit value higher than the book value and consequently the absence of elements indicating impairment;

b) significant deviations between actual data and forecast data in terms of industrial and operational management indicators and consequent impacts on revisited Forecasts:
   - in relation to the Core Domestic CGU the operating results for the first six months of 2019 were higher than forecasts for the same period;
   - in relation to the Forecast for 2019, it was submitted for presentation to the Board of Directors on August 1, 2019 and reports expected results substantially in line with the 2019 - 2021 Business Plan, used as the information base for the Impairment test carried out for the purposes of the 2018 Financial Statements;
   - in relation to the International Wholesale CGU, the business transformation process, already described in the 2018 Financial Statements, produced an EBITDA higher than the budget for the period due to the focus on higher margin business;

c) consensus forecasts (summarized as the 75th Ebitda-Capex percentile) of external financial analysts on the future results of the TIM Group:
   - the forecasts updated to July 4, 2019, show a downturn compared to the forecasts by the same analysts in December 2018, while still remaining higher than the Average Representation Plan - ARP set out by the management during the impairment test carried out for the purposes

of the 2018 Financial Statements;

d) market interest rates:
   - in relation to the Core Domestic CGU, the recoverable value of which is calculated using methods based on the present value of future cash flows, during the first half of 2019 there was a downturn in the cost of capital, mainly due to the reduction in the Risk free rate. This reduction estimated at around 0.4 b.p. would have a positive impact on the headroom (difference between the enterprise value and carrying amount) of the CGU itself of approximately +3 billion euros. It should be noted that the carrying amount and the recoverable value were aligned in the 2018 financial statements, with the carrying out of the goodwill impairment loss;

e) significant changes, with a negative effect for the Group, in the technological, market, economic or regulatory area in which the entity operates or in the market to which an activity is related:
   - the Company, in carrying out the annual impairment test of the Core Domestic CGU, for the purposes of the Financial Statements as at December 31, 2018, set out, with the support of an industry expert, an Average Representative Plan (ARP) which reflected certain risk areas in the Domestic market (Industrial risks); to date, it is not considered that factors resulting in the need to update the analysis have intervened.

Following the aforementioned analyzes, the Company did not highlight any factors that could lead to the presumption of impaired assets (or CGUs) compared to that assessed in December 2018; as required by IAS 36 and company procedure, a new recoverable value was therefore not calculated for the individual CGUs in the half-year financial report.

<u>Half-Year Financial Report at June 30, 2018</u>

Reference is made to the Request for information received from Consob(Ref. 0419172/19 of 07/18/2019), pursuant to Art. 114, paragraph 5, of Legislative Decree 58/98, which refers to the Board of Statutory Auditors report to the TIM S.p.A. Shareholders' Meeting, prepared pursuant to Art. 153 of Legislative Decree No. 58/1998 on March 8, 2019, as well as the fact that in the aforementioned Report to the Shareholders' Meeting, the Board of Statutory Auditors noted "*some irregularities found [..] made the subject of communication [...] pursuant to Art. 149 of the Consolidated Law on Finance - TUF*" and highlighted that, following checks carried out, "*the existence and availability of a substantially complete set of 2018 forecast data already in early July 2018, was confirmed and that the same data was contained in a document called the "Preliminary Forecast*" and considered that "*the aforementioned Preliminary Forecast highlighted a significant deviation from the 2018 budget, which is substantially the same as that which was then reported by the CEO to the Directors in the meeting of September 24, 2018*". In addition, the Board highlighted that "*also the clarification given to the members of the CRC and the expert, Mr Lorenzo Pozza, that the forecast for the Domestic Business Unit at the end of the year was a lower organic EBITDA of 300 million euros compared to budget forecasts, did not seem exhaustive as it did not report the entire deviation contained in the Preliminary Forecast, which reported an amount of 385 million euros*" and that "*the said Preliminary Forecast, regardless of the possible implications that the knowledge of its existence and its use could or could not have had on the results of the impairment test carried out on the 2018 half-yearly report, was not shared - on the basis of partially contradictory arguments and that do not appear completely convincing - with the structures appointed for their assessment (CRC, expert in charge of verifying the impairment test operations and Board of Directors) for the consequent resolutions*"..

With reference to the Impairment Test Process of the Core Domestic Cash Generating Unit carried out for the purposes of the Half-Year Financial Report at June 30, 2018, the following is highlighted:

- in July 2018 a preliminary Forecast was available for the entire 2018 year; the final Forecast was formalized and presented to the Board of Directors in September 2018;
- this preliminary Forecast showed a deviation in the EBITDA from the Domestic Business Unit, compared to the 2018-2020 DigiTIM Plan, negative for 300 million euros, or 385 million euros gross of recovery actions;
- the Company, in carrying out the annual impairment test of the Core Domestic CGU, for the purposes of the Financial Statements at December 31, 2017, had set out, with the support of the experts, an Average Representative Plan (ARP) which, starting from the 2018 - 2020 DigiTIM Plan, reflected some risk areas, including: the ultra-broadband market, both at retail and wholesale level, the mobile market, the content market, the evolution of regulatory scenarios and the capex performance.

Therefore, for the purposes of the impairment test at June 30, 2018, as there was no updated three-year plan, and given that the DigiTIM plan had been approved for just under three months, the Company developed a series of sensitivity analyzes aimed at appreciating the effects on the recoverable value of the Core Domestic

CGU of the projection of the expected EBITDA change, assuming for 2018 a difference of 300 million euros and preparing, for subsequent years, sensitivity scenarios with annual reductions in EBITDA of the Average Representative Plan (ARP) between 1% and 4% (see Note "Goodwill" of the condensed consolidated half-year financial statements as at June 30, 2018 of the TIM Group).

In the sensitivity scenarios, the recoverable value of the Core Domestic CGU remained higher than the corresponding carrying amount, although registering significant reductions, even up to the potential complete absorption of the existing headroom between the recoverable value and the carrying amount of the CGU. In particular, in the most prudential scenario (-4% vs. ARP) an average deviation of the EBITDA values of approximately -400 million euros and of -490 million euros in the terminal value was assumed. Therefore, It was a more conservative scenario compared with the evidence of the preliminary forecast which, as mentioned, showed a deviation of -385 million euros before the identified recovery actions. In this sensitivity scenario, the difference between the enterprise value and the carrying amount would have been negative for only - 65 million euros, a non-material amount if considered in relation to the total carrying amount, of which it represented 0.14%.

In relation to the deviation between the aforementioned preliminary Forecast and the Budget (first year of the 2018 - 2020 DigiTIM Plan) and to the assessments on the projection of the deviation in future years, the following is noted:

- the estimated recovery actions were credible and realistic, evidence confirmed by their progressive implementation from July 2018, although with different timing, methods and amounts compared to the forecasts;
- the difference in the final EBITDA for the first six months of 2018, compared to the budget forecast for the same period, was equal to only -50 million euros, certainly worthy of attention, but not material or such as to justify a critical assessment of the progress scheduled for the second half of 2018;
- the deviations recorded in the first half of the year reflected areas of risk partially reflected in the ARP and, therefore, not cumulative. On the other hand, other items, whose impact was underestimated in the first year of the ARP, were linked to internal company policy choices or related to decisions by external authorities, of a contingent nature whose "perpetuity" projection was unrealistic, as it assumed the management's inability to remedy unexpected items. In particular, among the reasons for the negative difference between the final EBITDA of the first half of 2018 and the EBITDA foreseen in the budget for the period (-50 million euros) it is necessary to remember the general worsening of the trends connected, at least in part to: effects of the change of invoicing from 28 to 30 days, with a consequent increase in churn and then credit risk; impacts resulting from the decision to liberalize modems, as well as some operational delays on cost containment projects (insourcing plan and savings on purchases). These negative components were, at least in part, offset by new commercial proposals, a reduction in the variable component of labor costs and other efficiencies achieved in general costs and administrative expenses.

It being understood that the critical issues that emerged in the first half of 2018 largely derived not so much from unforeseen industrial/competitive scenarios, but from lower efficiencies or higher costs, in relation to the EBITDA risks on the annual data, we point out that:

- with reference to infrastructure competition in ultra-broadband, competitive pressure was leading to an erosion of wholesale revenues, however, not exceeding that envisaged in the Plan;
- with reference to fixed retail side competition, there was a negative downturn of revenues greater than that incorporated in the Plan for 2018, but lower than envisaged in the average representative scenario;
- with reference to the mobile sector competition, there was a first effect due to the growth of ILIAD to an extent resulting in a reduction in revenues, however, in line with that already provided for in the Plan.

In summary, the deterioration in Domestic EBITDA of -300 million euros was due to market risks, some of which were undoubtedly included in the ARP prepared for the purposes of the 2017 Financial Statements and partly due to other factors not incorporated in the ARP not related to industrial/competitive scenarios but essentially operational inefficiencies. Therefore, projecting these inefficiencies in "perpetuity" would have meant underpinning a total inability of the management to react to internal problems and to face the higher costs estimated for the 2018 financial year.

In light of the above, it was considered that excluding, tout court, the effects of the recovery actions identified and shared by the management at the time, deriving from operational and managerial business as usual decisions from the estimated Impairment Test of the Interim Financial Report at June 30, 2018 was not appropriate.

The Company, in carrying out the impairment test process for the purposes of the Half-year Financial Report as at June 30, 2018, therefore assessed:

- the reasonableness of the assumptions underlying future cash flow projections by examining the causes of the differences between past cash flow projections and present cash flows as well as ensuring that the assumptions on which the cash flow projections on that date were based were consistent with effective past results (IAS 36 paragraphs 33 and 34);
- that the information was based on reasonable and demonstrable assumptions and expressed the best estimate made by the management on the set of economic conditions relating to the remaining useful life of the asset (IAS 36 paragraph 38);
- that the future financial flows did not include effects deriving from actions to improve or optimize the return on the asset, valuing for the purposes of the impairment test only actions to recover the margins deriving from purely operational and managerial management decisions of business as usual (IAS 36 paragraphs 33, 44 and 48).

NOTE 5
INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

Assets held under finance leases decreased by 883 million euros compared to December 31, 2018. The breakdown and movements are as follows.

(millions of euros)	12/31/2018	Reclassifications IFRS 16	Capital expenditures	Depreciation and amortization	Impairment (losses) / reversals	Disposals	Exchange differences	Capitalized borrowing costs	Other changes	6/30/2019
Industrial patents and intellectual property rights	**2,095**		193	(592)			14		367	**2,077**
Concessions, licenses, trademarks and similar rights	**3,261**	(445)	8	(232)			10		2,126	**4,728**
Other intangible assets	**33**								(30)	**3**
Work in progress and advance payments	**3,500**		200	(1)		(1)	11	8	(2,519)	**1,198**
Total	**8,889**	**(445)**	**401**	**(825)**	**–**	**(1)**	**35**	**8**	**(56)**	**8,006**

The "IFRS 16 Reclassifications" refer to the Indefeasible Rights of Use - IRU relating to the companies of the Telecom Italia Sparkle group - International Wholesale, to TIM S.p.A. and to the Brazil Business Unit (412 million euros) as well as infrastructure use rights in Brazil - "LT Amazonas" (33 million euros).
Following the adoption of IFRS 16, these rights of use have been reclassified under the item "Rights of use third party assets".
Additions in the first half of 2019 included 121 million euros of internally generated assets (139 million euros in the first half of 2018).

Industrial patents and intellectual property rights at June 30, 2019 essentially consisted of software applications purchased outright and user license rights, relating to TIM S.p.A. (1,250 million euros) and the Brazil Business Unit (765 million euros).

Concessions, licenses, trademarks and similar rights at June 30, 2019 mainly referred to:

- the remaining cost of telephone licenses and similar rights (3,569 million euros for TIM S.p.A., 993 million euros for the Brazil Business Unit). The other changes mainly relate to the transfer of rights of use of frequencies in the 3600-3800 MHz and 26.5-27.5 GHz bands, acquired in 2018 by TIM S.p.A., to be used for 5G mobile telecommunications services in Italy (1,719 million euros) and rights of use relating to the 700 MHz frequencies in Brazil (425 million euros); also include the -25 million euros effect of the re-measurement of the value of certain licenses in Brazil following Resolution 695/18 of Anatel;
- TV frequencies of the company Persidera in the Core Domestic segment (100 million euros).

Work in progress and advance payments mainly included:

- the amount of the user rights to frequencies 694-790 MHz, 3600-3800 MHz and 26.5-27.5 GHz bands but not yet in operation, equal to 680 million euros, which will be reserved for 5G mobile telecommunications services In Italy, acquired in 2018 for the total amount of 2,399 million euros (net of the 8 million euros discount applied to the award proportionate to the population in the areas affected by the testing), due to the participation of TIM S.p.A. in the auction for their award by the Ministry of Economic Development. The user rights were formally awarded on October 9, 2018, with the rights to 3600–3800 MHz and 26.5–27.5 GHz frequencies made available on a definitive basis in January 2019; the user rights to 694–790 MHz frequencies will be made available in July 2022. The awarded rights will be paid in six annual installments, the first of which was paid at the end of October 2018 for the amount of 477 million euros;
- the amount of the user rights for the 700 MHz frequencies, equal to 54 million euros, acquired in 2014 by the Tim Brasil group for a total of 2.9 billion reais (equal to around 1 billion euros), but not yet in operation. The finance expenses directly attributable to the purchase of these rights have been capitalized since 2014. In the first half of 2019, the capitalized finance expenses totaled 8 million euros, at an annual interest rate of 7.50%; expenses capitalized were deducted directly in the income statement from "Finance expenses".

The other changes include mainly the transfers of the rights of use of frequencies for mobile telephone services in Italy and Brazil.

NOTE 6
TANGIBLE ASSETS

PROPERTY, PLANT AND EQUIPMENT OWNED

Assets held under finance leases decreased by 162 million euros compared to December 31, 2018. The breakdown and movements are as follows.

(millions of euros)	12/31/2018	IFRS 16 reclassifications	Capital expenditures	Depreciation and amortization	Impairment (losses) / reversals	Disposals	Exchange differences	Other changes	6/30/2019
Land	**250**		1					3	**254**
Buildings (civil and industrial)	**588**		3	(19)				12	**584**
Plant and equipment	**12,096**	(1)	651	(1,136)		(15)	34	480	**12,109**
Manufacturing and distribution equipment	**31**		1	(6)				(1)	**25**
Other	**358**	(27)	27	(72)		(2)	2	49	**335**
Construction in progress and advance payments	**928**		396			(1)	4	(545)	**782**
Total	**14,251**	**(28)**	**1,079**	**(1,233)**	**–**	**(18)**	**40**	**(2)**	**14,089**

“IFRS 16 reclassifications” relate to improvements to third-party assets that were reclassified under the item "Rights of use third-party assets" following adoption of IFRS 16.

Additions in the first half of 2019 included 155 million euros of internally generated assets (171 million euros in the first half of 2018).

Land comprises both built-up land and available land and is not subject to depreciation. The figure at June 30, 2019 referred primarily to TIM S.p.A. (210 million euros).

Buildings (civil and industrial) almost exclusively includes buildings for industrial use hosting telephone exchanges, or for office use and light constructions. The figure for June 30, 2019 referred primarily to TIM S.p.A. (551 million euros).

Plant and equipment includes the technological infrastructure used for the functioning of voice and data telephone traffic. The figure at June 30, 2019 was attributable to TIM S.p.A. for the most part (8,966 million euros) and the Brazil Business Unit (2,056 million euros).

Manufacturing and distribution equipment consists of instruments and equipment used for the operation and maintenance of plant and equipment and refers mainly to TIM S.p.A.

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

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

ASSETS HELD UNDER FINANCE LEASES

These amounted to 1,895 million euros at December 31, 2018.
This figure was reclassified under the new item "Rights of use third-party assets" following adoption of IFRS 16, starting from January 1, 2019. Please refer to the relevant note for further details.

NOTE 7
RIGHTS OF USE THIRD-PARTY ASSETS

After IFRS 16 (Leasing) was adopted, the TIM Group decided to classify rights of use third-party assets under a specific item of the statements of financial position.

The changes in rights of use third-party assets during the first half of 2019 are as follows:

(millions of euros)	12/31/2018	IFRS 16 reclassifications	IFRS 16 adoption	Capital expenditures	Increases in finance leasing contracts	Depreciation and amortization	Disposals	Exchange differences	Other changes	6/30/2019
Property	–	1,408	2,388	15	152	(261)	(3)	7	52	**3,758**
Plant and equipment	–	747	1,082	8	132	(154)	(1)	18	18	**1,850**
Other	–	149	33	–	8	(23)	(1)		(2)	**164**
Construction in progress and advance payments	–	64	–	3					(36)	**31**
Total	–	**2,368**	**3,503**	**26**	**292**	**(438)**	**(5)**	**25**	**32**	**5,803**

The column IFRS 16 reclassifications refers to:

- Indefeasible Rights of Use - IRU (412 million euros) relating to the companies of the Telecom Italia Sparkle group - International Wholesale, to TIM S.p.A. and to the Brazil Business Unit previously registered in intangible assets;
- other rights of use infrastructure in Brazil – "LT Amazonas" (33 million euros) previously recognized as intangible assets;
- assets held under finance leases (1,895 million euros), previously recognized as tangible assets;
- improvements to third-party assets (28 million euros) previously recognized as tangible assets.

Additions mainly refer to TIM S.p.A. and to improvements and incremental expenses incurred with respect to third-party movable or immovable property used on the basis of financial leasing contracts as well as the acquisition of transmission capacity in IRUs.

Increases in finance lease contracts include the higher value of rights of use recorded following new rental lease agreements, increases in lease payments and renegotiation of existing contracts. In this regard, it should be noted that the adoption of the new IFRS 16 (Leases) on January 1, 2019 lease agreements (that are not service contracts) are represented in accounting by recognizing a financial liability in the statements of financial position, represented by the current value of future rent charges, against recognition under assets of the right of use of the leased asset.
These increases are related in particular to the Brazil Business Unit and TIM S.p.A. and total 292 million euros, including approximately 274 million euros for greater rights of use for lease agreements under IFRS 16 and for the remaining 18 million euros for greater rights of use for agreements already in place as of December 31, 2018 and previously recognized as finance leases pursuant to IAS 17.

The item **Property (civil and industrial)** includes buildings under financial leases and related building adaptations essentially referring to the Domestic Business Unit (3,315 million euros) and the Brazil Business Unit (443 million euros).

The item **Plant and equipment** mainly includes the rights of use on the infrastructures for telecommunications services. These refer to the Domestic Business Unit (1,042 million euros) and the Brazil Business Unit (808 million euros). Included here, among others, the recognition of the value of the telecommunications towers sold by the Tim Brasil group to American Tower do Brasil and subsequently repurchased in the form of finance lease.

The item **Other** mainly comprises the finance leases on autovehicles.

NOTE 8
INVESTMENTS

Investments in associates and joint ventures accounted for using the equity method are reported below in detail.

(millions of euros)	6/30/2019	12/31/2018
Tiglio I	1	5
NordCom	5	5
W.A.Y.	3	3
Other	3	3
Total Associates	**12**	**16**
Alfiere	–	–
Total Joint Ventures	**–**	**–**
Total investments accounted for using the equity method	**12**	**16**

It is reported that the sale of 4,625 ordinary shares to CDP Immobiliare S.r.L. of Alfiere S.p.A. held by TIM S.p.A., equal to 50% of the share capital, was finalized on June 24, 2019.

The list of **investments accounted for using the equity method** is presented in the Note "List of companies of the TIM Group".

Other investments refer to the following:

(millions of euros)	6/30/2019	12/31/2018
Assicurazioni Generali	3	3
Fin.Priv.	19	16
Northgate Comms Tech Innovations Partners L.P.	18	16
Other	14	14
Total	**54**	**49**

It should be noted that the investment in Assicurazioni Generali was sold on July 19, 2019.

As permitted by IFRS 9, TIM measures all Other Investments at fair value through other comprehensive income (FVTOCI).

NOTE 9
FINANCIAL ASSETS (NON-CURRENT AND CURRENT)

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

(millions of euros)		6/30/2019	12/31/2018
Other non-current financial assets			
Securities other than investments		–	–
Receivables from employees		43	43
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature		1,981	1,490
Non-hedging derivatives		6	7
Other financial receivables		–	–
		2,030	**1,540**
Financial receivables for lease contracts		**60**	**54**
Total non-current financial assets	**(a)**	**2,090**	**1,594**
Securities other than investments, other financial receivables and other current financial assets			
Securities other than investments			
Measured at amortized cost (AC)		–	–
Measured at fair value through other comprehensive income (FVTOCI)		883	945
Measured at fair value through profit or loss (FVTPL)		121	181
		1,004	**1,126**
Financial receivables and other current financial assets			
Liquid assets with banks, financial institutions and post offices (with maturity over 3 months)		–	–
Receivables from employees		14	14
Hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature		84	242
Non-hedging derivatives		7	12
Other short-term financial receivables		2	2
		107	**270**
	(b)	**1,111**	**1,396**
Financial receivables for lease contracts	**(c)**	**53**	**70**
Cash and cash equivalents	**(d)**	**1,700**	**1,917**
Total current financial assets	**e=(b+c+d)**	**2,864**	**3,383**
Financial assets relating to Discontinued operations/Non-current assets held for sale	**(f)**	**–**	**–**
Total non-current and current financial assets	**g=(a+e+f)**	**4,954**	**4,977**

Financial receivables for lease contracts refer to:

- finance leases on user rights and equipment;
- the portion of rental contracts, with the rendering of accessory services;
- Teleleasing lease contracts entered into directly with customers in previous years and for which TIM is the guarantor.

It should be noted that at June 30, 2019, 9 million euros was classified according to the IFRS 16 accounting standard.

Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature mainly refer to the mark-to-market spot valuation component of the hedging derivatives, whereas **hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature** refer to accrued income on such derivative contracts.

The **Non-hedging derivatives** consist of the mark-to-market component of the non-hedging derivatives of the Brazil Business Unit.
Further details are provided in the Note "Derivatives".

Securities other than investments included in current financial assets relate to:

- 883 million euros of listed securities, of which 567 million euros of Italian and European treasury bonds purchased by TIM S.p.A. (251 million euros), Telecom Italia Finance S.A. (311 million euros) and INWIT S.p.A. (5 million euros), as well as 315 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. Under IFRS 9 and consistent with the Business model, such securities are classified as financial assets measured at fair value through other comprehensive income (FVTOCI). 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, in replacement of the previous policies in force;
- 120 million euros of investments in monetary funds by the Brazil Business Unit, which, under IFRS 9, are classified as financial assets measured at fair value through profit or loss (FVTPL).

Further details are provided in the Note "Accounting policies”.

Cash and cash equivalents fell by 217 million euros compared to December 31, 2018. The figure breaks down as follows:

(millions of euros)	6/30/2019	12/31/2018
Liquid assets with banks, financial institutions and post offices	1,559	1,694
Checks, cash and other receivables and deposits for cash flexibility	–	1
Securities other than investments (due within 3 months)	141	222
Total	**1,700**	**1,917**

The different technical forms of investing available cash at June 30, 2019 had the following characteristics:

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

Securities other than investments (due within 3 months) included 140 million euros (221 million euros at December 31, 2018) of Brazilian bank certificates of deposit (Certificado de Depósito Bancário) held by the Brazil Business Unit with premier local banking and financial institutions.

NOTE 10
MISCELLANEOUS RECEIVABLES AND OTHER NON-CURRENT ASSETS

Provisions increased by 653 million euros compared to December 31, 2018. The figure breaks down as follows:

(millions of euros)		6/30/2019	12/31/2018
Miscellaneous receivables (non-current)	**(a)**	**1,321**	**697**
Other non-current assets			
Deferred contract costs		1,576	1,531
Other cost deferrals		47	63
	(b)	**1,623**	**1,594**
Total	**(a+b)**	**2,944**	**2,291**

Miscellaneous receivables (non-current) amounted to 1,321 million euros (697 million euros at December 31, 2018) and mainly refer to the Brazil Business Unit (1,271 million euros; 646 million euros at December 31, 2018). They relate to receivables for court deposits of 294 million euros (307 million euros at December 31, 2018) and to income tax receivables of 89 million euros (88 million euros at December 31, 2018). Furthermore, they included the posting of higher tax credits by the Brazil Business Unit following the favorable result of the tax disputes concerning the inclusion of the ICMS indirect tax in the basis of calculation of the taxes on PIS and COFINS revenues.
Please refer to the "Disputes and pending legal actions, other information, commitments and guarantees" note for further details.

Other non-current assets amounted to 1,623 million euros (1,594 million euros at December 31, 2018). They mainly break down as follows:

- **Deferred contract costs**, mainly relating to the deferment of costs for activation and acquisition of new contracts with customers. These costs (incremental costs of obtaining a contract and costs to fulfill a contract; for example, the activation costs for TLC services and the costs for sales network commissions) are deferred and recognized in the income statement (reversal) based on the expected term of the contractual relationship with the retail customers (on average, 3 years for the mobile business and 7 years for the fixed business) and the average frequency of technical interventions for each Wholesale line (approximately 7 years).
  The evidence at June 30, 2019 of the total deferred contractual costs (non-current and current) is shown below:

(millions of euros)	6/30/2019
Deferred contract costs	
Non-current deferred contract costs	1,576
Current deferred contract costs	610
Total	**2,186**

  The deferred contract costs of TIM S.p.A. amounted to 2,324 million euros (gross of intragroup eliminations), of which 2,098 million euros relates to fixed business and 226 million euros to mobile business. These costs will be recognized in the income statement of future financial years of the Parent Company and in particular for around 570 million euros in 2020, based on the amount as at June 30, 2019 without taking into account future deferrals. The 2,324 million euros of TIM S.p.A.'s deferred contract costs detailed by type are:

(millions of euros)	6/30/2019
Deferred contract costs	
Contract acquisition costs (mainly Sales network costs)	1,283
Contract performance costs (TLC service activation costs)	1,041
Total	**2,324**

- **Other cost deferrals** of 47 million euros were attributable mainly to the companies of the Domestic Business Unit.

NOTE 11
TRADE AND MISCELLANEOUS RECEIVABLES AND OTHER CURRENT ASSETS

Rose by 284 million euros compared to December 31, 2018. The item breaks down as follows:

(millions of euros)		6/30/2019	12/31/2018
Amounts due on construction contracts	**(a)**	**81**	**55**
Trade receivables			
Receivables from customers		2,594	2,290
Receivables from other telecommunications operators		864	1,037
	(b)	**3,458**	**3,327**
Miscellaneous receivables (current)			
Other receivables	**(c)**	**412**	**424**
Other current assets			
Contract assets		36	46
Deferred contract costs		610	634
Other cost deferrals		393	220
	(d)	**1,039**	**900**
Total	**(a+b+c+d)**	**4,990**	**4,706**

Trade receivables amounted to 3,458 million euros (3,327 million euros at December 31, 2018) and are stated net of the provision for bad debts of 789 million euros (769 million euros at December 31, 2018); They included 35 million euros (39 million euros at December 31, 2018) of medium/long-term receivables, principally in respect of agreements for the sale of Indefeasible Rights of Use (IRU).
Trade receivables mainly related to TIM S.p.A. (2,380 million euros) and to the Brazil Business Unit (716 million euros).

Miscellaneous receivables (current) refer to other receivables amounting to 412 million euros (424 million euros at December 31, 2018) and were net of a provision for bad debts of 51 million euros (52 million euros at December 31, 2018). Details are as follows:

(millions of euros)	6/30/2019	12/31/2018
Advances to suppliers	20	24
Receivables from employees	15	11
Tax receivables	114	87
Receivables for grants from the government and public entities	69	91
Sundry receivables	194	211
Total	**412**	**424**

Among the others, tax credits of 102 million euros relating to the Brazil Business Unit mainly connected with indirect local taxes and 12 million euros relating to the Domestic Business Unit partly represented by credits resulting from tax returns, tax credits and the VAT receivable on the purchase of vehicles and related accessories for which refunds were requested under Italian Decree Law 258/2006 converted with amendments by Italian Law 278/2006.
Receivables for grants from the government and public entities (69 million euros) referred mainly to the Ultra-Broadband-UBB and Broadband-BB projects. The grants are recognized to the income statement when the related plants become ready for use.
Sundry receivables mainly included:

- receivables for with-recourse assignments to factoring companies due to TIM S.p.A. (44 million euros);
- receivables from social security and assistance agencies due to TIM S.p.A. (21 million euros);
- miscellaneous receivables due to TIM S.p.A. from other licensed TLC operators (35 million euros).

Other current assets included:

- **Contract assets:** the item reflects the effect of early recognition of revenues for those contracts having performance obligations with different recognition time schedules (such as bundled goods and services) in which the goods recognized "at point in time" are sold at a discounted price or for those contracts that include a discount for a time period under the minimum contractual term. Contract Asset at June 30, 2019 amounted to 36 million euros (46 million euro at December 31, 2018) and are net of 3 million euros of the relevant provision for bad debts. The drop recorded in the first half of 2019 is mainly attributable to changes in the contractual obligations of the new commercial fixed telephony offers; consequently, the increase in value of the Contract Assets due to new contracts did not offset the natural reduction effect of release to the income statement.
- **Deferred contract costs** amounted to 610 million euros (634 million euros at December 31, 2018) and mainly relate to the deferment of costs for activation and acquisition of new contracts with customers. Further details are provided in the Note "Miscellaneous receivables and other non-current assets".

- **Other cost deferrals** mainly relating to:
  - to the Parent, primarily for deferred costs connected with rent payments and other costs for use of third-party assets (104 million euros), insurance premiums (15 million euros), indirect taxes and duties (11 million euros), contributions to the authorities for the exercise of telecommunications activities (10 million euros) and maintenance fees (7 million euros);
  - to the Brazil Business Unit, essentially for the deferral of the charge related to the grant for the exercise of telecommunications activities (FISTEL) of approximately 94 million euros, partly related to marketing activities (around 20 million euros) and insurance premiums (around 6 million euros).

NOTE 12
EQUITY

Equity consisted of:

(millions of euros)	6/30/2019	12/31/2018
Equity attributable to Owners of the Parent	19,949	19,528
Non-controlling interests	2,385	2,219
Total	**22,334**	**21,747**

The composition of **Equity attributable to Owners of the Parent** is provided below:

(millions of euros)		6/30/2019		12/31/2018
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		6,268		5,847
Reserve for financial assets measured at fair value through other comprehensive income	51		30	
Reserve for cash flow hedges	(559)		(563)	
Reserve for exchange differences on translating foreign operations	(1,279)		(1,340)	
Reserve for remeasurements of employee defined benefit plans (IAS 19)	(143)		(90)	
Share of other profits (losses) of associates and joint ventures accounted for using the equity method	–		–	
Sundry reserves and retained earnings (accumulated losses), including profit (loss) for the period	8,198		7,810	
Total		**19,949**		**19,528**

Based on the resolution of the Shareholders' Meeting of March 29, 2019, the loss for the year 2018 as results from the financial statements of the Parent TIM S.p.A. was hedged using retained earnings (1,841 million euros) and reserves (13 million euros).
With a withdrawal of 166 million euros from retained earnings, savings shareholders were recognized a preferred dividend of 0.0275 euros for each savings share, gross of withholdings required by law.

Movements in the first six months of 2019 in **Share Capital**, amounting to 11,587 million euros, net of treasury shares of 90 million euro, are shown in the tables below:

Reconciliation between the number of shares outstanding at December 31, 2018 and June 30, 2019

(number of shares)		at 12/31/2018	Share issues	at 6/30/2019	% of share capital
Ordinary shares issued	(a)	15,203,122,583	–	15,203,122,583	71.61%
less: treasury shares	(b)	(163,754,388)	–	(163,754,388)	
Ordinary shares outstanding	(c)	15,039,368,195	–	15,039,368,195	
Savings shares issued and outstanding	(d)	6,027,791,699	–	6,027,791,699	28.39%
Total TIM S.p.A. shares issued	**(a+d)**	**21,230,914,282**	**–**	**21,230,914,282**	**100.00%**
Total TIM S.p.A. shares outstanding	**(c+d)**	**21,067,159,894**	**–**	**21,067,159,894**	

Reconciliation between the value of shares outstanding at December 31, 2018 and June 30, 2019

(millions of euros)		Share capital at 12/31/2018	Change in share capital	Share capital at 6/30/2019
Ordinary shares issued	(a)	8,362	–	**8,362**
less: treasury shares	(b)	(90)	–	**(90)**
Ordinary shares outstanding	(c)	8,272	–	**8,272**
Savings shares issued and outstanding	(d)	3,315	–	**3,315**
Total TIM S.p.A. share capital issued	**(a+d)**	**11,677**	**–**	**11,677**
Total TIM S.p.A. share capital outstanding	**(c+d)**	**11,587**	**–**	**11,587**

POTENTIAL FUTURE CHANGES IN SHARE CAPITAL

Details of " Potential future changes in share capital" are presented in the Note "Earnings per share".

NOTE 13
FINANCIAL LIABILITIES (NON-CURRENT AND CURRENT)

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

(millions of euros)		6/30/2019	12/31/2018
Non-current financial liabilities for loan agreements and others			
Financial payables (medium/long-term):			
Bonds		18,570	16,686
Convertible bonds		1,909	1,893
Amounts due to banks		3,287	3,160
Other financial payables		160	155
		23,926	**21,894**
Other financial liabilities (medium/long-term):			
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature		1,751	1,423
Non-hedging derivatives		2	2
Other liabilities		–	–
		1,753	**1,425**
	(a)	**25,679**	**23,319**
Finance lease liabilities (medium/long-term)	**(b)**	**4,814**	**1,740**
Total non-current financial liabilities	**c=(a+b)**	**30,493**	**25,059**
Current financial liabilities for loan agreements and others			
Financial payables (short-term):			
Bonds		1,019	2,912
Convertible bonds		6	6
Amounts due to banks		1,575	2,385
Other financial payables		105	64
		2,705	**5,367**
Other financial liabilities (short-term):			
Hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature		74	338
Non-hedging derivatives		1	–
Other liabilities		–	–
		75	**338**
	(d)	**2,780**	**5,705**
Finance lease liabilities (short-term)	**(e)**	**705**	**208**
Total current financial liabilities	**f=(d+e)**	**3,485**	**5,913**
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	**(g)**	**–**	**–**
Total Financial liabilities (Gross financial debt)	**h=(c+f+g)**	**33,978**	**30,972**

The figures in the following tables as at June 30, 2019, take into account the introduction of the IFRS16 accounting standard.

Gross financial debt according to the original currency of the transaction is as follows:

	6/30/2019		12/31/2018	
	(millions of foreign currency)	(millions of euros)	(millions of foreign currency)	(millions of euros)
USD	5,742	5,046	6,450	5,633
GBP	378	422	1,267	1,416
BRL	9,126	2,093	2,609	588
JPY	20,028	163	20,033	159
ILS	59	14	–	–
EURO		26,240		23,176
Total		**33,978**		**30,972**

For the exchange rates used for the conversion of amounts in foreign currency, see the Note "Other information". The breakdown of gross financial debt by effective interest-rate bands applicable to the original currency is provided below, excluding the effect of any derivative hedging instruments:

(millions of euros)	6/30/2019	12/31/2018
Up to 2.5%	5,286	5,173
From 2.5% to 5%	14,252	10,534
From 5% to 7.5%	8,001	10,130
From 7.5% to 10%	2,224	2,209
Over 10%	1,705	443
Accruals/deferrals, MTM and derivatives	2,510	2,483
Total	**33,978**	**30,972**

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

(millions of euros)	6/30/2019	12/31/2018
Up to 2.5%	12,844	12,667
From 2.5% to 5%	11,583	7,881
From 5% to 7.5%	3,983	6,155
From 7.5% to 10%	1,264	1,343
Over 10%	1,794	443
Accruals/deferrals, MTM and derivatives	2,510	2,483
Total	**33,978**	**30,972**

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

Details of the maturities of financial liabilities – at nominal repayment amount:

	maturing by 6/30 of the year:						
(millions of euros)	2020	2021	2022	2023	2024	After 2024	Total
Convertible bonds	720	1,340	3,085	1,418	4,318	10,200	21,081
Loans and other financial liabilities	845	563	1,464	776	181	229	4,058
Finance lease liabilities	672	620	523	479	445	2,747	5,486
Total	**2,237**	**2,523**	**5,072**	**2,673**	**4,944**	**13,176**	**30,625**
Current financial liabilities	829	–	–	–	–	–	829
Total	**3,066**	**2,523**	**5,072**	**2,673**	**4,944**	**13,176**	**31,454**

The main components of financial liabilities are commented below.

Bonds are broken down as follows:

(millions of euros)	6/30/2019	12/31/2018
Non-current portion	18,570	16,686
Current portion	1,019	2,912
Total carrying amount	**19,589**	**19,598**
Fair value adjustment and measurements at amortized cost	(508)	(577)
Total nominal repayment amount	**19,081**	**19,021**

The **convertible bonds** consist of the unsecured equity-linked bond for 2,000 million euros, with a coupon of 1.125%, issued by TIM S.p.A., convertible into newly-issued ordinary shares, maturing in 2022. This item was broken down as follows:

(millions of euros)	6/30/2019	12/31/2018
Non-current portion	1,909	1,893
Current portion	6	6
Total carrying amount	**1,915**	**1,899**
Fair value adjustment and measurements at amortized cost	85	101
Total nominal repayment amount	**2,000**	**2,000**

The nominal repayment amount of bonds and convertible bonds totaled 21,081 million euros, up by 60 million euros compared to December 31, 2018 (21,021 million euros) as a result of new issues, repayments and the exchange effect in the first half of 2019.

The following table lists the bonds issued by companies of the TIM Group, by issuing company, expressed at the nominal repayment amount, net of bond repurchases, and also at market value:

Currency	Amount (millions)	Nominal repayment amount (millions of euros)	Coupon	Issue date	Maturity date	Issue price (%)	Market price at 6/30/19 (%)	Market value at 6/30/19 (millions of euros)
Bonds issued by TIM S.p.A.								
Euro	719.4	719.4	4.000%	12/21/12	1/21/20	99.184	102.313	736
Euro	547.5	547.5	4.875%	9/25/13	9/25/20	98.966	106.067	581
Euro	563.6	563.6	4.500%	1/23/14	1/25/21	99.447	106.792	602
Euro	(b) 201.4	201.4	6 month Euribor (base 365)	1/1/02	1/1/22	100	100	201
Euro	883.9	883.9	5.250%	2/10/10	2/10/22	99.295	111.966	990
Euro	(c) 2,000	2,000	1.125%	3/26/15	3/26/22	100	98.751	1,975
Euro	1,000	1,000	3.250%	1/16/15	1/16/23	99.446	105.775	1,058
GBP	375	418.3	5.875%	5/19/06	5/19/23	99.622	108.874	455
Euro	1,000	1,000	2.500%	1/19/17	7/19/23	99.288	103.218	1,032
Euro	750	750	3.625%	1/20/16	1/19/24	99.632	106.152	796
Euro	1,250	1,250	4.000%	1/11/19	4/11/24	99.436	108.178	1,352
USD	1,500	1,318.1	5.303%	5/30/14	5/30/24	100	103.892	1,369
Euro	1,000	1,000	2.750%	4/15/19	4/15/25	99.320	101.194	1,012
Euro	1,000	1,000	3.000%	9/30/16	9/30/25	99.806	103.710	1,037
Euro	750	750	2.875%	6/28/18	1/28/26	100	101.670	763
Euro	1,000	1,000	3.625%	5/25/16	5/25/26	100	105.789	1,058
Euro	1,250	1,250	2.375%	10/12/17	10/12/27	99.185	96.663	1,208
Euro	670	670	5.250%	3/17/05	3/17/55	99.667	106.141	711
Subtotal		16,322						16,936
Bonds issued by Telecom Italia Finance S.A. and guaranteed by TIM S.p.A.								
Euro	1,015	1,015	7.750%	1/24/03	1/24/33	(a) 109.646	137.524	1,396
Subtotal		1,015						1,396
Bonds issued by Telecom Italia Capital S.A. and guaranteed by TIM S.p.A.								
USD	1,000	878.7	6.375%	10/29/03	11/15/33	99.558	103.942	913
USD	1,000	878.7	6.000%	10/6/04	9/30/34	99.081	101.834	895
USD	1,000	878.7	7.200%	7/18/06	7/18/36	99.440	110.482	971
USD	1,000	878.7	7.721%	6/4/08	6/4/38	100	113.118	994
Subtotal		3,515						3,773
Bonds issued by TIM S.A. and guaranteed by TIM Participaçoes S.A.								
BRL	1,000	229.3	104.10% CDI	1/25/19	7/15/20	100	100	229
Subtotal		229						229
Total		21,081						22,334

(a) Weighted average issue price for bonds issued with more than one tranche.
(b) Reserved for employees.
(c) Bond convertible into newly-issued TIM S.p.A. ordinary shares.

The regulations and the Offering Circulars relating to the bonds of the TIM Group are available on the corporate website www.telecomitalia.com.

The following table lists the changes in bonds during the first half of 2019:

New issues

(millions of original currency)	Currency	Amount	Issue date
Telecom Italia S.p.A. 1,250 million euros 4.000% maturing 4/11/2024	Euro	1,250	1/11/2019
TIM S.A. 1,000 million reais 104.10% CDI maturing 7/15/2020	BRL	1,000	1/25/2019
Telecom Italia S.p.A. 1,000 million euros 2.750% maturing 4/15/2025	Euro	1,000	4/15/2019

Repayments

(millions of original currency)	Currency	Amount	Repayment date
Telecom Italia S.p.A. 832 million euros 5.375% (1)	Euro	832	1/29/2019
Telecom Italia Capital S.A. 760 million USD 7.175% (2)	USD	760	6/18/2019
Telecom Italia S.p.A 850 million GBP 6.375%	GBP	850	6/24/2019

(1) Net of buy-backs totaling 418 million euros made by the company in 2015.
(2) Net of the securities bought back by TIM S.p.A. (240 million USD) on July 20, 2015.

Medium/long-term amounts due to banks of 3,287 million euros (3,160 million euros at December 31, 2018) increased by 127 million euros. Short-term amounts due to banks totaled 1,575 million euros (2,385 million euros at December 31, 2018) and included 847 million euros of the current portion of medium/long-term amounts due to banks. Also note that Telecom Italia Finance S.A. has repurchase agreements on government and corporate bonds for 490 million euros maturing by August 2019.
Medium/long-term other financial payables totaled 160 million euros (155 million euros at December 31, 2018) and refer to the Telecom Italia Finance S.A. loan for JPY 20,000 million, maturing in 2029. Short-term other financial payables amounted to 105 million euros (64 million euros at December 31, 2018) and included 2 million euros of the current portion of medium/long-term other financial payables.
Medium/long-term **finance lease liabilities** amounted to 4,814 million euros (1,740 million euros at December 31, 2018). Short-term finance lease liabilities amounted to 705 million euros (208 million euros at December 31, 2018) and referred to the current portion of medium/long-term finance lease liabilities. Starting from January 1, 2019, the new accounting standard IFRS 16 was introduced (for more details, see the Note "Accounting policies"), whose application led to the recognition of a higher debt for financial leases of 3,606 millions of euros at June 30, 2019 out of a total of 5,519 million euros. The difference (1,913 million euros) essentially refers to property leases accounted for according to the financial method established by IAS 17.
With reference to the liabilities for financial leases recognized following the adoption of IFRS 16, in the first half of 2019, the following is noted:

(millions of euros)	1st Half 2019
Principal reimbursements	259
Cash out Interest portion	89
Total	**348**

Hedging derivatives relating to items classified as non-current liabilities of a financial nature amounted to 1,751 million euros (1,423 million euros at December 31, 2018). Hedging derivatives relating to items classified as current liabilities of a financial nature totaled 74 million euros (338 million euros at December 31, 2018).
Non-hedging derivatives classified as non-current liabilities of a financial nature totaled 2 million euros (2 million euros at December 31, 2018). Non-hedging derivatives classified as current liabilities of a financial nature totaled 1 million euros (zero million euros at December 31, 2018). These also include the measurement of derivatives which, although put into place for hedging purposes, do not possess the formal requisites to be considered as such under IFRS.

COVENANTS AND NEGATIVE PLEDGES IN PLACE AT JUNE 30, 2019

Bonds issued by the TIM Group do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interest, etc.) or clauses that result in the automatic early redemption of the bonds in relation to events other than the insolvency of the TIM Group[1]; furthermore, the repayment of the bonds and the payment of interest are not covered by specific guarantees nor are there commitments provided relative to the assumption of future guarantees, except for the full and unconditional guarantees provided by TIM S.p.A. for the bonds issued by Telecom Italia Finance S.A. and Telecom Italia Capital S.A..
Since the bonds were placed principally with institutional investors in major world capital markets (Euromarket and the U.S.A.), the terms which regulate the bonds are in line with market practice for similar transactions effected on these same markets. Consequently, they carry negative pledges, such as, for example, the commitment not to pledge the company's assets as collateral for loans.

With reference to the loans received by TIM S.p.A. from the European Investment Bank ("EIB"), as at June 30, 2019, the total nominal amount of outstanding loans amounted to 950 million euros, of which 800 million euros at direct risk and 150 million euros secured.
EIB loans not secured by bank guarantees for a nominal amount equal to 800 million euros are subject to the following covenants:

- in the event the company becomes the target of a merger, demerger or contribution of a business segment outside the Group, or sells, disposes of or transfers assets or business segments (except in certain cases, expressly provided for), it shall immediately inform the EIB which shall have the right to ask for guarantees to be provided or changes to be made to the loan contract, or, only for certain loan contracts, the EIB shall have the option to demand the immediate repayment of the loan (should the merger, demerger or contribution of a business segment outside the Group compromise the Project execution or cause a prejudice to EIB in its capacity as creditor);
- with the 500 million euros loan, signed on December 14, 2015, TIM undertook to ensure that, for the entire duration of the loan, the total financial debt of the Group companies other than TIM S.p.A. – except for the cases when that debt is fully and irrevocably secured by TIM S.p.A. – is lower than 35% (thirty-five percent) of the Group's total financial debt.

In all EIB loans, both secured by guarantees issued by banks or subject to EIB approval and at direct risk, some covenants are envisaged:

- "Inclusion clause", under which, in the event TIM commits to uphold financial covenants in other loan contracts (and even more restrictive clauses for 2014 and 2015 direct risk loans, including, for instance, cross default clauses and commitments restricting the sale of goods) that are not present in or are stricter than those granted to the EIB, the EIB will have the right – if, in its reasonable opinion, it considers that such changes may have a negative impact on TIM's financial capacity – to request the provision of guarantees or an amendment of the loan contract in order to establish an equivalent provision in favor of the EIB;
- "Network Event", under which, in the event of the disposal of the entire fixed network or of a substantial part of it (in any case, more than half in quantitative terms) to third parties not controlled by the Company, or in the event of disposal of the controlling interest in the company in which the network or a substantial part of it has previously been transferred, TIM must immediately inform the EIB, which may then opt to demand collateral or an amendment of the loan contract or choose an alternative solution.

The loan agreements of TIM S.p.A. do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interests, etc.) which would oblige the Company to repay the outstanding loan if the covenants are not observed.
The loan agreements contain the usual other types of covenants, including the commitment not to pledge the Company's assets as collateral for loans (negative pledge) and the commitment not to change the business purpose or sell the assets of the Company unless specific conditions exist (e.g. the sale takes place at fair market value). Covenants with basically the same content are also found in export credit loan agreements.

In the Loan Agreements and the Bonds, TIM is required to provide notification of change of control. Identification of the occurrence of a change of control and the applicable consequences – including, at the discretion of the investors, the establishment of guarantees or the early repayment of the amount paid in cash or as shares and the cancellation of the commitment in the absence of agreements to the contrary – are specifically covered in the individual agreements.
In addition, the outstanding loans generally contain a commitment by TIM, whose breach is an Event of Default, not to implement mergers, demergers or transfers of business, involving entities outside the Group. Such an Event of Default may entail, upon request of the Lender, the early redemption of the drawn amounts and/or the annulment of the undrawn commitment.

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[1] A change of control event can result in the early repayment of the convertible bond of TIM S.p.A., as further detailed below.

In the documentation of the loans granted to certain companies of the Tim Brasil group, the companies must generally respect certain financial ratios (e.g. capitalization ratios, ratios for servicing debt and debt ratios) as well as the usual other covenants, under pain of a request for the early repayment of the loan.

Finally, as at June 30, 2019, no covenant, negative pledge or other clause relating to the aforementioned debt position had in any way been breached or violated.

REVOLVING CREDIT FACILITY

The following table shows committed credit lines available at June 30, 2019:

(billions of euros)	6/30/2019		12/31/2018	
	Agreed	Drawn down	Agreed	Drawn down
Revolving Credit Facility – maturing January 2023	5.0	-	5.0	-
Total	**5.0**	**-**	**5.0**	**-**

At June 30, 2019, TIM had bilateral Term Loans for 1,750 million euros with various banking counterparties and overdraft facilities for 40 million euros, not drawn down for the full amount.

TIM‘S RATING AT JUNE 30, 2019

At June 30, 2019, the three rating agencies – Standard & Poor's, Moody's and Fitch Ratings – rated TIM as follows:

	Rating	Outlook
STANDARD & POOR'S	BB+	Stable
MOODY'S	Ba1	Stable
FITCH RATINGS	BB+	Stable

On July 10, 2019 the rating agency Moody’s confirmed TIM's rating level Ba1 and changed the outlook from "Stable" to "Negative".

NOTE 14
NET FINANCIAL DEBT

The following table shows the net financial debt at June 30, 2019 and at December 31, 2018, calculated in accordance with the criteria indicated in the "Recommendations for the Consistent Implementation of the European Commission Regulation on Prospectuses", issued on February 10, 2005 by the European Securities & Markets Authority (ESMA), and adopted by Consob.
For the purpose of determining such figure, the amount of financial liabilities has been adjusted by the effect of the relative hedging derivatives recorded in assets and the receivables arising from financial subleasing.
This table also shows the reconciliation of the net financial debt determined according to the criteria indicated by the ESMA and net financial debt calculated according to the criteria of the TIM Group.

(millions of euros)		6/30/2019	12/31/2018
Non-current financial liabilities		**30,493**	**25,059**
Current financial liabilities		**3,485**	**5,913**
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale		**–**	**–**
Total gross financial debt	**(a)**	**33,978**	**30,972**
Non-current financial assets (°)			
Non-current financial receivables for lease contract		(60)	(54)
Non-current hedging derivatives		(1,981)	(1,490)
	(b)	**(2,041)**	**(1,544)**
Current financial assets			
Securities other than investments		(1,004)	(1,126)
Current financial receivables for lease contracts		(53)	(70)
Financial receivables and other current financial assets		(107)	(270)
Cash and cash equivalents		(1,700)	(1,917)
Financial assets relating to Discontinued operations/Non-current assets held for sale		–	–
	(c)	**(2,864)**	**(3,383)**
Net financial debt as per Consob communication DEM/6064293/2006 (ESMA)	**(d=a+b+c)**	**29,073**	**26,045**
Non-current financial assets (°)			
Securities other than investments		–	–
Other financial receivables and other non-current financial assets		(49)	(50)
	(e)	**(49)**	**(50)**
Net financial debt (*)	**(f=d+e)**	**29,024**	**25,995**
Reversal of fair value measurement of derivatives and related financial assets/liabilities	(g)	(696)	(725)
Adjusted net financial debt	**(f+g)**	**28,328**	**25,270**

(°) At June 30, 2019 and at December 31, 2018, "non-current financial assets" (b+e) amounted to 2,090 million euros and 1,594 million euros, respectively.
(*) As regards the effects of related party transactions on Net Financial Debt, reference should be made to the specific table included in the Note "Related party transactions ".

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

Additional cash flow information required by IAS 7

(millions of euros)		12/31/2018	Cash movements		Non-cash movements			6/30/2019
			Receipts and/or issues	Payments and/or reimbursements	Differences exchange rates	Fair value changes	Other changes and reclassifications	
Financial payables (medium/long-term):								
Bonds		19,598	2,480	(2,463)	44	112	(182)	19,589
Convertible bonds		1,899					16	1,915
Amounts due to banks		4,297	438	(619)	6		12	4,134
Other financial payables		157			4		2	163
	(a)	**25,951**	**2,918**	**(3,082)**	**54**	**112**	**(152)**	**25,801**
of which short-term		*4,057*						*1,875*
Finance lease liabilities (medium/long-term):		**1,948**	**271**	**(340)**	**1**		**3,639**	**5,519**
	(b)	**1,948**	**271**	**(340)**	**1**	**–**	**3,639**	**5,519**
of which short-term		*208*						*705*
Other financial liabilities (medium/long-term):								
Hedging derivative liabilities relating to hedged items classified as non-current assets/liabilities of a financial nature		1,761			(268)	323	9	1,825
Non-hedging derivative liabilities		2					1	3
Other liabilities		–						–
	(c)	**1,763**	**–**	**–**	**(268)**	**323**	**10**	**1,828**
of which short-term		*338*						*75*
Financial payables (short-term):								
Amounts due to banks		1,248					(520)	728
Other financial payables		62					40	102
	(d)	**1,310**	**–**	**–**	**–**	**–**	**(480)**	**830**
Total Financial liabilities (Gross financial debt)								
	(e=a+b+c+d)	**30,972**	**3,189**	**(3,422)**	**(213)**	**435**	**3,017**	**33,978**
Hedging derivative receivables relating to hedged items classified as current and non-current assets/liabilities of a financial nature	**(f)**	1,732			(88)	466	(45)	2,065
Non-hedging derivative receivables	**(g)**	19			(4)	(2)		13
Total	**(h=e-f-g)**	**29,221**	**3,189**	**(3,422)**	**(121)**	**(29)**	**3,062**	**31,900**

Additional Cash Flow information

The value of the paid and collected interest expense reported in the Statements of Cash Flows takes into account the movements relating to transactions in CCIRS derivatives to hedge underlying assets in both the assets component (collections) and the liabilities component (payments) without netting the positions.

(millions of euros)	1st Half 2019	1st Half 2018
Interest expense paid	(992)	(1,300)
Interest income received	282	633
Net total	**(710)**	**(667)**

To consider the components of CCIRS derivatives as a single transaction, a representation is given with interest flows in and out shown net. This approach gives the following results:

(millions of euros)	1st Half 2019	1st Half 2018
Interest expense paid	(711)	(723)
Interest income received	1	56
Net total	**(710)**	**(667)**

NOTE 15
DERIVATIVES

The hedge accounting rules provided by IAS 39 continued to be applied in the first half for derivatives.

Derivative financial instruments are used by the TIM Group to hedge its exposure to foreign exchange rate risk, to manage interest rate risk and to diversify the parameters of debt so that costs and volatility can be reduced to within predetermined operational limits.
Derivative financial instruments in place at June 30, 2019 are principally used to manage debt positions. They include interest rate swaps (IRSs) to reduce interest rate exposure on fixed-rate and variable-rate bank loans and bonds, as well as cross currency and interest rate swaps (CCIRSs), currency forwards and foreign exchange options to convert the loans/receivables secured in currencies different from the functional currencies of the various Group companies.
IRS transactions, provide for or may entail, at specified maturity dates, the exchange of flows of interest, calculated on the notional amount, at the agreed fixed or variable rates.
The same also applies to CCIRS transactions which, in addition to the settlement of periodic interest flows, may provide for the exchange of principal, in the respective currencies of denomination, at maturity and possibly spot.

The following tables break down the financial derivatives by type of risk for each kind of hedging, separating financial assets and liabilities. For CCIRS, the notional amount refers to the contractual value in euros, for IRS in a currency other than the euro, the value is indicated at the market exchange rate.

Type (millions of euros)	**Hedged risk**	**Notional amount at 6/30/2019**	**Notional amount at 12/31/2018**	**Spot (*) Mark-to-Market (Clean Price) at 6/30/2019**	**Spot Mark-to-Market* (Clean Price) at 12/31/2018**
Interest rate swaps	Interest rate risk	4,334	4,334	182	52
Cross Currency and Interest Rate Swaps	Interest rate risk and currency exchange rate risk	-	-	-	-
Total Fair Value Hedge Derivatives		**4,334**	**4,334**	**182**	**52**
Interest rate swaps	Interest rate risk	5,012	4,992	272	182
Cross Currency and Interest Rate Swaps	Interest rate risk and currency exchange rate risk	5,042	6,804	(260)	(365)
Total Cash Flow Hedge Derivatives		**10,054**	**11,796**	**12**	**(183)**
Total Non-Hedge Accounting Derivatives		**140**	**223**	**9**	**17**
Total TIM Group derivatives		**14,528**	**16,353**	**203**	**(114)**

** Spot Mark-to-market above represents the market measurement of the derivative net of the accrued portion of the flow in progress.*

NOTE 16
SUPPLEMENTARY DISCLOSURES ON FINANCIAL INSTRUMENTS

MEASUREMENT AT FAIR VALUE

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

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

The tables below provide additional information on the financial instruments, including a table relating to the hierarchy level for each class of financial asset/liability measured at fair value at June 30, 2019.

Key for IFRS 9 categories

	Acronym
Financial assets measured at:	
Amortized cost	AC
Fair value through other comprehensive income	FVTOCI
Fair value through profit or loss	FVTPL
Financial liabilities measured at:	
Amortized cost	AC
Fair value through profit or loss	FVTPL
Hedging Derivatives	HD
Not applicable	n.a.

Fair value hierarchy level for each class of financial asset/liability at 6/30/2019

(millions of euros)	IFRS 9 categories	Note	Carrying amount in financial statements at 6/30/2019	Hierarchy Levels		
				Level 1 (*)	Level 2 (*)	Level 3 (*)
ASSETS						
Non-current assets						
Other investments	FVTOCI	8)	54	3	19	32
Securities, financial receivables and other non-current financial assets						
of which securities	FVTOCI	9)	-			
of which hedging derivatives	HD	9)	1,981		1,981	
of which non-hedging derivatives	FVTPL	9)	6		6	
(a)			**2,041**	**3**	**2,006**	**32**
Current assets						
Securities						
Measured at fair value through other comprehensive income (FVTOCI)	FVTOCI	9)	883	883		
Measured at fair value through profit or loss (FVTPL)	FVTPL	9)	121	121		
Financial receivables and other current financial assets						
of which hedging derivatives	HD	9)	84		84	
of which non-hedging derivatives	FVTPL	9)	7		7	
(b)			**1,095**	**1,004**	**91**	
Total (a+b)			**3,136**	**1,007**	**2,097**	**32**
LIABILITIES						
Non-current liabilities						
of which hedging derivatives	HD	13)	1,751		1,751	
of which non-hedging derivatives	FVTPL	13)	2		2	
(c)			**1,753**		**1,753**	
Current liabilities						
of which hedging derivatives	HD	13)	74		74	
of which non-hedging derivatives	FVTPL	13)	1		1	
(d)			**75**		**75**	
Total (c+d)			**1,828**		**1,828**	

(*) Level 1: quoted prices in active markets.
Level 2: prices calculated using observable market inputs.
Level 3: prices calculated using inputs that are not based on observable market data.

The other investments measured at fair value through other comprehensive income included in Level 3 at June 30, 2019 consisted primarily of the investment held in Northgate Telecom Innovations Partners L.P..

NOTE 17
EMPLOYEE BENEFITS

Employee benefits fell by 137 million euros compared to December 31, 2018. The figure breaks down as follows:

(millions of euros)		12/31/2018	Increases/ Present value	Decrease	Exchange differences and other changes	6/30/2019
Provision for employee severance indemnities	**(a)**	**887**	**77**	**(9)**	**-**	**955**
Provision for pension and other plans		22	1	(1)	-	22
Provision for termination benefit incentives and corporate restructuring		710	17	(219)	(3)	505
Total other provisions for employee benefits	**(b)**	**732**	**18**	**(220)**	**(3)**	**527**
Total	**(a+b)**	**1,619**				**1,482**
of which:						
non-current portion		**1,567**				**1,417**
current portion (*)		**52**				**65**

(*) The current portion refers only to Other provisions for employee benefits.

The **Provision for employee severance indemnities** only refers to Italian companies and decreased overall by 68 million euros. The decreases of 9 million euros refer to indemnities paid during the period to employees who terminated employment or for advances. The increase of 77 million euros shown in the column "Increases/Present value" breaks down as follows:

(millions of euros)	1st Half 2019	1st Half 2018
(Positive)/negative effect of curtailment	-	1
Current service cost (*)	-	-
Finance expenses	7	7
Net actuarial (gains) losses for the period	70	(7)
Total	**77**	**1**
Effective return on plan assets	there are no assets servicing the plan	

(*) The portions intended for the INPS Treasury Fund or for the supplementary pension funds have been recorded under "Employee benefits expenses" and "Social security expenses". The latter account is used only for the severance indemnity expenses of companies with less than 50 employees.

Net actuarial gains at June 30, 2019 amounted to 70 million euros (net actuarial gains of 7 million euros in the first half of 2018). They are basically connected to the balance between change in discount rate, 0.77% compared to 1.57% used at December 31, 2018, and to the effect of the turnover relating to the company restructuring plans already started up in the previous year. The inflation rate remained unchanged at 1.5% for the entire time horizon.

The **provision for pension and other plans** amounted to 22 million euros (22 million euros at December 31, 2018) and mainly represented pension plans in place at foreign companies of the Group.

The **provision for termination benefit incentives and corporate restructuring** showed a total drop of 205 million euros, driven mainly by staff leaving the Group and the consequent reclassification to payables of the amounts not yet paid, relating to the plan provisions allocated in previous years (including 17 million euros for the implementation of the important ongoing managerial change). The increases, equal to 17 million euros, are mainly related to the discounting of the funds connected to Article 4 of Law No. 92 of June 28, 2012 resulting from the lower discount rate used in the first half of 2019 compared to the 2018 financial year.

NOTE 18
PROVISIONS

Provisions increased by 267 million euros compared to December 31, 2018. The figure breaks down as follows:

(millions of euros)	12/31/2018	Increase	Taken to income	Used directly	Exchange differences and other changes	6/30/2019
Provision for taxation and tax risks	**104**	23	–	(6)	21	**142**
Provision for restoration costs	**348**	6	–	(11)	1	**344**
Provision for legal disputes	**709**	304	–	(78)	5	**940**
Provision for commercial risks	**33**	5	–	(7)	–	**31**
Provision for risks and charges on investments and corporate-related transactions	**21**	–	–	–	–	**21**
Other provisions	**5**	4	–	–	–	**9**
Total	**1,220**	**342**	**–**	**(102)**	**27**	**1,487**
of which:						
non-current portion	876					**993**
current portion	344					**494**

The **provision for taxation and tax risks** rose by 38 million euros compared to December 31, 2018. The balance at June 30, 2019 reflects provisions and uses mainly carried out by the Brazil Business Unit.

The **provision for restoration costs** related to the provision for restoration of leased real estate and sites used for mobile telephony and the dismantling of tangible assets (specifically: batteries and wooden poles); mainly attributable to the companies of the Domestic Business Unit (336 million euros).

The **provision for legal disputes** included the provision for litigation with employees, social security entities, regulatory authorities and other counterparties.
The figure at June 30, 2019 was mainly attributable to the Domestic Business Unit (791 million euros) and the Brazil Business Unit (149 million euros).

NOTE 19
MISCELLANEOUS PAYABLES AND OTHER NON-CURRENT LIABILITIES

Rose by 51 million euros compared to December 31, 2018. The item breaks down as follows:

(millions of euros)		6/30/2019	12/31/2018
Miscellaneous payables (non-current)			
Payables to social security agencies		365	275
Current income tax payables		43	42
Other payables		1,917	1,919
	(a)	**2,325**	**2,236**
Other non-current liabilities			
Deferred revenues from customer contracts (Contract liabilities)		112	109
Other deferred revenue and income		578	595
Capital grants		333	357
	(b)	**1,023**	**1,061**
Total	(a+b)	**3,348**	**3,297**

Miscellaneous payables (non-current) included:

- **payables to social security agencies** equal to 365 million euros and mainly related to the remaining amount due to the INPS for the application of the 2015 arrangements and subsequent arrangements signed in 2018 and 2019 relating to Article 4 paragraphs 1-7ter, of Italian Law 92 of June 28, 2012;
- **other payables** equal to 1,917 million euros. In particular, they include the debt related to investment in the acquisition of user rights to frequencies in the 694–790 MHz, 3600–3800 MHz, and 26.5–27.5 GHz bands, which will be reserved for 5G mobile telecommunications services in Italy, awarded to TIM S.p.A. by the Ministry of Economic Development auction, held during 2018. The residual debt at nominal value was 1,903 million euros and recognized under the item non-current miscellaneous payables and 19 million euros under the item current miscellaneous payables; the payment schedule is the following:
  - 19 million euros by September 2019;
  - 110 million euros by September 2020;
  - 55 million euros by September 2021;
  - 1,738 million euros by September 2022.

Other non-current liabilities included:

- **Contract liabilities** equal to 112 million euros (109 million euros at December 31, 2018) which are reversed to the income statement on the basis of the duration of the contractual obligations between the parties, equal to an average of 24 months; therefore the balance at June 30, 2019 will generally be reversed to the income statement by the year 2021.

  In particular, the item includes:

  - deferred revenues for activation and installation fees charged on new TIM S.p.A. customer contracts (22 million euros): to this regard, the activation/installation revenues were allocated to the various obligations contained in the contract and booked along the contract execution period as they did not relate to separate obligation performance;
  - deferred revenues for TIM S.p.A. network access fees (32 million euros);
  - deferred revenues for TIM S.p.A. subscription fees and rent and maintenance (51 million euros).

- **Other deferred revenue and income** totaling 578 million euros; the item mainly consisted of the non-current portion (approx. 187 million euros) of the deferred gain on the sale and lease-back of telecommunication towers by the Brazil Business Unit;this item also includes deferred revenues related to transmission capacity transfer contracts (lease operating assets).

- **Capital grants,** which came to 333 million euros at June 30, 2019: the item represents the component still to be released to the income statement based on the remaining useful life (estimated at around 18 years) of the assets that the grants refer to and is mainly connected to the realization of the infrastructures on the Ultra-Broadband-UBB and Broadband-BB projects.

NOTE 20
TRADE AND MISCELLANEOUS PAYABLES AND OTHER CURRENT LIABILITIES

Decreased by 254 million euros compared to December 31, 2018. The figure breaks down as follows:

(millions of euros)		6/30/2019	12/31/2018
Payables on construction work	**(a)**	**19**	**18**
Trade payables			
Payables to suppliers		3,062	4,090
Payables to other telecommunication operators		365	380
	(b)	**3,427**	**4,470**
Tax payables	**(c)**	**803**	**262**
Miscellaneous payables			
Payables for employee compensation		357	151
Payables to social security agencies		313	338
Payables for TLC operating fee		16	15
Dividends approved, but not yet paid to shareholders		13	35
Other		156	164
Employee benefits (except for employee severance indemnities) for the current portion expected to be settled within 1 year		65	52
Provisions for risks and charges for the current portion expected to be settled within 1 year		494	344
	(d)	**1,414**	**1,099**
Other current liabilities			
Liabilities from customer contracts (Contract liabilities)		865	931
Other deferred revenue and income		119	121
	(e)	**984**	**1,052**
Total	**(a+b+c+d+e)**	**6,647**	**6,901**

Trade payables amounting to 3,427 million euros (4,470 million euros at December 31, 2018), mainly refer to TIM S.p.A. (2,360 million euros) and to the companies of the Brazil Business Unit (714 million euros); as regards TIM S.p.A., the reduction in trade payables reflects the trend in payments of bills payable.

Tax payables are equal to 803 million euros and mainly refer to both tax payables of the Brazil Business Unit (115 million euros) and TIM S.p.A. payables relating to: VAT payable (611 million euros), withholding tax payables to the tax authorities as withholding agent (39 million euros) and payables for government concession tax (19 million euros).

Miscellaneous payables include, among others, the amount due to INPS for the application of the 2015 agreements, subsequently signed in 2018 and 2019, relating to Article 4 paragraphs 1-7ter, of Italian Law 92 of June 28, 2012.

Other current liabilities amounted to 984 million euros (1,052 million euros at December 31, 2018). They break down as follows:

- **Liabilities from customer contracts (Contract liabilities)**, totaling 865 million euros. The item comprises liabilities with customers linked to the obligations of the Group companies to transfer goods and services for which they have received a payment. Liabilities with customers are shown below, which generally have a maturity within 12 months.

In particular:

- **contract liabilities**, equal to 78 million euros and recognized to reflect contracts having performance obligations with different revenue recognition time schedules (such as bundled goods and services), where the services (recognized based on actual consumption) are offered to the customer at a discounted price. The drop recorded in the first half of 2019 is mainly attributable to changes in the contractual obligations of the new fixed telephony bundles and, in particular, those that provide for additional services in the initial phase of the contract; consequently, the increase in value of the Contract Liabilities due to new contracts did not offset the natural reduction effect of release to the income statement;

- **customer-related items**, equal to 365 million euros; the item includes trade payables following contractual relationships, such as the payable for prepaid traffic and the subscription charges charged in advance; the decrease posted during the first half of 2019 is mainly attributable to the changes in the commercial offers, with less recourse to the advance of fees and charges, also as a result of changes in the billing procedures;

- **progress payments and advances** equal to 110 million euros relating to trade payables following prepayments, such as deposits made by subscribers for telephone calls;

- **deferred revenues from customer contracts**, equal to 312 million euros essentially include:

  - deferred revenues for the Parent interconnection charges (120 million euros);
  - deferred revenues for the Parent rent and maintenance (112 million euros);
  - deferred revenues for the Parent activation and installation fees charged on new customer contracts (44 million euros). It is noted that the activation/installation revenues were allocated to the various obligations contained in the contract and booked based on their execution as they did not relate to separate obligation performance.

- **Other deferred revenue and income** amounted to 119 million euros. They referred mainly to deferred revenues from sales of transmission capacity and deferred revenues from real estate lease agreements (lease operating assets).

NOTE 21
DISPUTES AND PENDING LEGAL ACTIONS, OTHER INFORMATION, COMMITMENTS AND GUARANTEES

A description is provided below of the most significant court, arbitration and tax disputes involving TIM Group and pending at June 30, 2019, as well as those that came to an end during the period.
The TIM Group has posted liabilities totaling 734 million euros for those disputes described below where the risk of losing the case has been considered probable.
It should be noted that for some disputes described below, on the basis of the information available at the closing date of the Half-year Financial Report at June 30, 2019 and with particular reference to the complexity of the proceedings, to their progress, and to elements of uncertainty of a technical-trial nature, it was not possible to make a reliable estimate of the size and/or times of possible payments, if any. Moreover, in those cases in which disclosure of information on a dispute could seriously jeopardize the position of TIM or its subsidiaries, only the general nature of the dispute is described.
Lastly, as regards the proceedings with the Antitrust Authority, please note that based on Article 15, paragraph 1 of Italian Law 287/1990 ("Antitrust regulations"), the Authority has the right to impose an administrative sanction calculated on the turnover of the Group in cases of breaches considered serious.

A) SIGNIFICANT DISPUTES AND PENDING LEGAL ACTIONS

No significant events occurred for the following disputes and legal actions compared to what was published in the 2018 Annual Financial Report:

- Administrative offense charge pursuant to Legislative Decree 231/2001 for the so-called TIM Security Affair;
- Italian Competition Authority (AGCM) Case A428;
- VODAFONE, COLT TECHNOLOGY SERVICES, TELEUNIT, SIPORTAL, MC-link disputes (connected with the Antitrust A428 case);
- Italian Competition Authority Case I-761;
- WIND and VODAFONE disputes (connected with AGCM case I-761);
- VODAFONE dispute (on access services);
- EUTELIA and VOICEPLUS;
- Vodafone Dispute – Universal Service;
- Dispute on "Adjustments to license fees" for the years 1994-1998;
- Olivetti – Asbestos exposure;
- POSTE dispute;
- Brazil – Opportunity Arbitration;

International tax and regulatory disputes

As of 30 June 2019, the companies belonging to the Brazil Business Unit were involved in tax or regulatory disputes, the outcome of which is estimated as a possible loss totaling around 16.8 billion reais (16.5 billion reais as of 31 December 2018). The main types of litigation are listed below, classified according to the tax to which they refer.

Federal taxes

On March 22, 2011, TIM Celular S.A. (company incorporated into TIM S.A. starting from October 31, 2018) was served notice of a tax assessment issued by the Federal Tax Authorities of Brazil for a total sum of 1,265 million reais as of the date of the notification, including fines and interest, as a result of the completion of a tax investigation concerning financial years 2006, 2007, 2008 and 2009 for the companies TIM Nordeste Telecomunicações S.A. and TIM Nordeste S.A. (formerly Maxitel), companies which have been progressively incorporated into TIM Celular with the aim of rationalizing the corporate structure in Brazil.
The assessment notice includes various adjustments; the main challenges may be summarized as follows:

- non-recognition of the tax effects of the merger of TIM Nordeste Telecomunicações S.A. and Maxitel S.A.;
- non-recognition of the tax-deductibility of the write-down of goodwill relating to the purchase of Tele Nordeste Celular Participações S.A. ("TNC");
- non-recognition of certain tax offsets;

- denial of the SUDENE regional tax benefit, due to alleged irregularities in the management and reporting of the benefit itself.

The adjustments included in the assessment notice were disputed by TIM Celular, in administrative court, with the filing of its first objections on 20 April 2011. On April 20, 2012, TIM Celular received notification of the decision of the administrative court of first instance which confirmed the findings set out in the assessment notice; TIM Celular promptly filed an appeal against this decision on 21 May 2012.
The Company, as confirmed by specific legal opinions, believes it is unlikely that significant disbursements can be expected.

Still in relation to the federal level of taxation, the following additional disputes should also be noted:

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

Overall, the risk for these cases, considered to be possible, amounts to 4.1 billion reais (4 billion reais at December 31, 2018).

State taxes

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

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

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

In June 2018 the State of São Paulo notified two further tax assessments to TIM Celular, again relating to ICMS, for a total amount of 369 million reais (at the date of the assessment, including fines and interest). This assessment too relates to ICMS credits deriving from the "special credit" recognized by the company to its prepaid customers against subsequent top-ups, as well as to the fines imposed for ICMS breaches. For a minor part of the claim, the company decided to authorize payment of the amount requested, instead of starting legal proceedings, benefiting from a discount on the fine. The dispute thus continues for the remaining amount, 296 million reais.

Overall, the risk for these cases, considered to be possible, amounts to 9 billion reais (8.9 billion reais at December 31, 2018).

Municipal taxes

Among disputes classified with a "possible" degree of risk, there are some relating to municipal taxes for a total amounting to around 0.7 billion reais (around 0.7 billion reais at December 31, 2018).

FUST and FUNTTEL

The main challenges about contributions to the regulatory body (Anatel), and in particular in terms of FUST and FUNTTEL, concern whether or not interconnection revenues should be subject to these contributions.

Overall, the risk for these cases, considered to be possible, amounts to 3 billion reais (2.9 billion reais at December 31, 2018).

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Contingent assets related to exclusion of ICMS from the PIS/COFINS tax base

In March 2017, the Supreme Federal Court of Brazil recognized the inclusion of ICMS in the calculation of the PIS/COFINS contribution as unconstitutional. The companies of the TIM Brasil Group (formerly TIM Nordeste, TIM Celular and TIM S.A.) have been involved in legal proceedings since 2006, with reimbursement requests related - as allowed - to the previous five years, and therefore with effect from 2001.

During 2018, following a definitive and indisputable decision, the Company recognized a receivable of 353 million reais, of which 159 million reais for tax and 194 million reais for legal revaluations (amounts relating to the then TIM Nordeste).

In the first half of 2019, following a final decision and a definition of the amounts, the Company recognized an additional total credit of 2,876 million reais, of which 1,720 million of reais for tax and 1,156 million of reais for legal revaluation (amounts relating to the then TIM Celular), as detailed in the following table:

	(millions of euros) 1st Half 2019	(millions of reais) 1st Half 2019
ICMS indirect tax recovery:	**662**	**2,876**
• Tax (Principal)	396	1,720
• Legal revaluation (Monetary adjustment)	266	1,156
Income tax expense		
Deferred taxes	(225)	(978)
Net impact	**437**	**1,898**

The use of the recognized tax credits is expected starting from the second half of 2020 with a assumed horizon of three years, will be subject to taxation and therefore deferred direct taxes with a horizon of about four years were also recognized.

Finally, the latest proceedings relating to TIM S.A. saw the second degree judicial body adopt a favorable decision for the company, and conforming to the guidelines adopted by the Supreme Federal Court.

The company is carrying out a detailed analysis on the remaining amounts receivable, and believes - according to a first estimate - that it can recognize in the future, a total amount for a receivable in its favor for about 190 million reais (amount relating to TIM S.A.), of which 90 million by way of tax and 100 million as a legal revaluation.

Golden Power Case

In August 2017 the Presidency of the Council of Ministers started formal proceedings against TIM (and also against Vivendi) to ascertain that TIM was indeed obliged to notify Vivendi's acquisition of corporate control of TIM and its strategic assets, pursuant to the 'Golden Power' law. In September 2017, the proceedings in question concluded by ascertaining that this obligation did exist for TIM with effect from May 4, 2017 (the date of the Shareholders' Meeting that renewed TIM's corporate bodies).
As a result of this decision by the Presidency of the Council of Ministers, new and separate administrative proceedings started for the imposition on TIM of a financial penalty laid down by the Golden Power law for non-compliance with the aforementioned obligation to notify. These proceedings ended on May 8, 2018 with the imposition of a financial penalty of 74.3 million euros.
The Company is convinced that it has the legal arguments to demonstrate that it was under no obligation to notify the control exercised over it by Vivendi, has already filed an extraordinary appeal to the President of the Republic to request the abrogation of the order of September 2017 and has appealed to the Lazio Regional Administrative Court (TAR) against the aforementioned order of May 8, 2018 which imposed a financial penalty, requesting its precautionary suspension. After granting in July 2018, the application of the Company and thereby suspending payment of the fine, the Regional Administrative Court of Lazio with its provisional ruling of May 2019: rejected the exception of inadmissibility of the appeal on the sanction of 74.3 million euros; suspended the ruling preliminarily as regards the extraordinary appeal concerning the obligation of notification pursuant to the Golden Power rules; further suspended execution of the challenged measure.

It should also be noted that in May 2018 a guarantee bond for 74.3 million euros was issued in favor of the Presidency of the Council. TIM had been requested to submit such a bond for its application to Lazio TAR for precautionary suspension of the collection of the fine imposed for alleged breach of Article 2 of Decree Law 21 of March 15, 2012 (the "Golden Power" law).
On the other hand, the Presidency of the Council of Ministers exercised the special powers prescribed in the Golden Power law through two specific rulings in October and November 2017 with which it imposed specific prescriptions and conditions on TIM S.p.A. and on the companies of the Telecom Italia Sparkle group and Telsy Elettronica e Telecomunicazioni.
The prescriptions, according to the Administrative Authority, are essentially connected to the circumstance that these companies, in part, perform activities that are relevant for national security and as far as TIM is concerned to the circumstance that it also owns the infrastructure and the systems used to provide access to end-users of services covered by the universal service obligation.
Any failure on the part of the recipients of the orders to execute the conditions and prescriptions is penalized in the same way as failure to notify significant acts for the purpose of the application of Golden Power law.
The companies subject to the prescriptions are required to send periodic reports to a special Monitoring Committee established at the office of the Prime Minister in order to verify compliance with the aforementioned prescriptions.
In December 2017 the Group sent to the Presidency of the Council of Ministers the first compliance report outlining all the proposals and activities put in place to carry out the prescriptions. This report is then followed by half yearly reports, as required by current legislation.
In this case too TIM has already submitted an extraordinary appeal to the President of the Republic to request abrogation of the orders in question.
As stated, the premise for exercising special powers was (erroneously, according to the Company) referred to the de facto control resulting from the outcome of the shareholders' meeting of May 4, 2017 and to the direction and coordination of TIM by Vivendi. Both these circumstances no longer apply, as: at the shareholders' meeting of May 4, 2018, the slate presented by the shareholders Elliott International LP, Elliott Associates LP and The Liverpool Limited Partnership received the majority vote; the Board of Directors was re-appointed with 13 independent directors out of a total of 15, with only 5 from the slate presented by Vivendi; thus, Vivendi no longer has direction and coordination, nor is there de facto control.
Consequently, the Company requested the Prime Minister's Office to revoke the two Decrees, stating, in any case that it was willing as an alternative to assist in rewording the requirements applicable to TIM in view of the changed situation.
In a decree of July 6, 2018, the Prime Minister's Office did not consider an additional exercise of special powers, upholding the validity of the two Decrees already issued and rejecting the request to revoke them.
The reason for the above is due to the alleged circumstance that the new governance structures of the Company would be highly variable; this would not allow for the rulings according to which the special powers were exercised to be overruled, save for the need to protect the public interest as regards network security and operation.
The Company has lodged an appeal, with additional reasons and as part of the appeals already lodged, against the Prime Minister's decrees of October 16 and November 2, 2017, and against the Prime Minister's resolution of July 6, 2018, rejecting the appeal for revocation presented by the company, on the outcome of the changed situation in corporate governance.

KPNQ West Italia S.p.A.

With writ of summons before the Rome Court, KPNQ West Italia filed a damages claim for a total of 37 million euros in compensation for alleged anticompetitive and abusive conduct over the period 2009–2011, in the form of technical boycotting (refusals to activate wholesale services – KOs); The claim was based on the contents of the decision of the Italian Antitrust Authority that settled the A428 case. TIM filed an appearance, contesting all of the plaintiff's allegations. In the judgment with ruling in April 2019, the Court of Rome partially granted the applications of KPNQ West Italia, sentencing TIM to pay an amount significantly lower than the amount in the counterparty's damages claim. In June 2019, TIM filed an appeal against the ruling, requesting full rejection of the claims presented by KPNQ West Italia in the ruling of first instance and obtained the suspension of payment of a significant portion of the amount defined in the ruling.

Italian Competition Authority Case A514

In June 2017 the Italian Antitrust Authority (AGCM) started proceedings A514 against TIM, to ascertain a possible abuse of its dominant market position in breach of article 102 of the "Treaty on the Functioning of the European Union". The proceedings were started based on some complaints filed in May and June 2017, by Infratel, Enel, Open Fiber, Vodafone and Wind Tre, and concerns a presumed abuse of TIM's dominant position in the market for wholesale access services and for retail services using the broadband and ultra-broadband fixed network. In particular, the AGCM hypothesized that TIM had adopted conduct aimed at: i) slowing and hindering the course of the Infratel tender processes so as to delay, or render less remunerative the entry of another operator in the wholesale market; ii) preemptively securing customers on the retail market for ultra-broadband services by means of commercial policies designed to restrict the space of customer contendibility remaining for the competitor operators.
After the start of the proceedings, the Authority's officials carried out an inspection at some of TIM's offices in the month of July 2017. On November 2, 2017, TIM filed a defense brief in which, in support of the correctness

of its actions, it challenged all the arguments that the conduct it had allegedly engaged in, and which was the subject of the case, was unlawful.
On February 14, 2018, AGCM resolved to extend the scope of the case to investigate further behavior concerning TIM's wholesale pricing strategy on the market for wholesale access to broadband and ultra-broadband, and the use of the confidential information of customers of the alternative operators.
On July 5, 2018 TIM filed proposed undertakings which, if accepted by the Authority, would close the investigation without any offense being established or sanction being administered. The undertakings were considered as admissible by the Authority, that market tested them in August and September.
On October 30, 2018, TIM replied to observations made by third parties and modified its proposed undertakings. With its decision notified on December 4, 2018, the Italian Antitrust Authority once and for all rejected the proposed series of undertakings as it considered them unsuitable in light of the objections raised.
On March 4, 2019, TIM requested AGCM for an extension of the deadline for closing the proceedings (initially set for May 31, 2019).
On April 10, AGCM resolved to extend the deadline for conclusion of the proceedings until September 30. On May 17, 2019 AGCM notified TIM of the preliminary results of the investigation. On June 12, 2019 AGCM extended the deadline for deposit of TIM's final defense to September 20, 2019 and set the final hearing for September 25, 2019.

Antitrust Case I799

At its meeting on February 1, 2017, AGCM initiated an investigation for possible breach of Article 101 of the TFEU (prohibition of agreements that restrict competition) against TIM S.p.A. and Fastweb S.p.A., following the signing of an agreement aimed at setting up a cooperative joint venture called Flash Fiber S.r.l.. TIM, in agreement with Fastweb, submitted some amendments to the agreements signed, in the form of proposed undertakings, aimed at closing the investigation without any breach being ascertained and, therefore, without any fine.
On March 28, 2018, AGCM resolved to approve the undertakings, making them binding on the Parties, and closed the case without imposing any fine.
On January 30, 2019, TIM sent the planned annual report on the provided coverage to AGCM, supplemented by a subsequent communication dated March 29, 2019.
On June 11, 2018, Open Fiber S.p.A. and Wind Tre S.p.A. filed separate appeals to the Lazio Regional Administrative Court (TAR) against the order closing case I799 with the acceptance of the undertakings. They allege that this order has a series of procedural and substantial defects. Open Fiber S.p.A. also asked for the precautionary suspension of the order. With a ruling on July 19, 2018, the TAR rejected Open Fiber's request for precautionary suspension since there were no exigent circumstances; The appeal hearing was afterwards set for February 2020.
The appeal of Wind Tre will most likely be discussed during the same hearing of the appeal of Open Fiber.

SKY

In 2016, TIM has started civil proceedings against SKY Italia in the Milan Court, asking the court to void the contract signed by the two companies in April 2014 for the delivery and marketing, between 2015 and 2019, of the SKY IPTV (Internet Protocol Television) offer on the TIM IPTV platform, due to abuse of dominant position by the other party.
As an alternative, the Company also asked the court to reduce to a fair level the amounts demanded by SKY by way of the so-called Guaranteed Minimums ("penalties") established to SKY's advantage and related to predetermined customer sign-up and churn-rate thresholds in the five years of the partnership.
SKY filed an appearance in February 2017, challenging TIM's claim and demanding payment of the Guaranteed Minimums it claimed to have accrued, a request which was opposed by the Company.
Judgment of the suit is currently being withheld.

28-day billing

Resolution 121/17/CONS, of March 2017, with which AGCom supplemented its resolution 252/16/CONS, constitutes the concluding act of a regulatory process that has always had the sole purpose of safeguarding price transparency and comparability of economic terms and conditions.
Said resolution 121/17/CONS, inter alia, introduced instructions on billing intervals for telephony, prescribing, specifically for fixed telephony, that the interval should be monthly, or multiples thereof, and, for mobile telephony, that it should be at least four-weekly.
TIM appealed Resolution 121/17/CONS to the Regional Administrative Court, alleging that AGCom was exceeding its powers. The judgment rejecting the appeal was published on February 12, 2018, and the grounds for this were published on May 4, 2018. TIM appealed this judgment to the Council of State on June 18, 2018 and the hearing is set for May 7, 2020.
During December 2017, with its Resolution 499/17/CONS, AGCom confirmed that TIM had breached the provisions of Resolution 121/17/CONS in not having adopted a cycle of renewal of fixed telephony offers and billing at monthly intervals or multiples thereof, and fined TIM 1,160,000 euros, ordering it to make provision – when the billing cycle was restored to monthly intervals or multiples thereof – to return the amounts

corresponding to the fee for the number of days that, from June 23, 2017, had not been used by the users in terms of the supply of service due to the misalignment of the four-weekly and monthly billing cycles.
TIM also appealed this second resolution to the Regional Administrative Court of Lazio, asking for its precautionary suspension which, on February 22, 2018, was accepted by the Regional Administrative Court of Lazio limited to the part relating to the reimbursement orders.
Furthermore, law no 172 of December 4, 2017 decreed that contracts for the supply of electronic communications services should obligatorily prescribe that the renewal of offers and the billing of services be based on a month, or multiples thereof.
TIM adapted to this order within the period of time prescribed by law, namely within 120 days of the date it came into force (April 5, 2018).
On March 7, 2018, TIM was notified of another resolution (Resolution 112/2018/CONS) in which AGCom (i) ordered the Company to postpone, for fixed telephony services only, the due date of bills issued after the restoration of monthly billing by a number of days equal to those that had presumably been lost from June 23, 2017 onwards due to the four-weekly billing cycle; and (ii) revoked the preceding resolution 499/17/CONS in the part in which TIM was ordered to repay the amounts presumably lost from June 23, 2017 onwards, with the four-weekly billing cycle.
The aforementioned resolution was challenged by TIM on March 16, 2018, with an additional submission triggered as part of the appeal against resolution 499/17/CONS, with a request for single precautionary measures, which was provisionally granted until the hearing before the Council on April 11, 2018 with a Presidential Decree published on March 26, 2017.
After the notification by AGCom, on April 9, 2018, of Presidential Decree 9/18/PRES – which amended resolution 112/18/CONS in those parts prescribing that the deferment of billing had to take place when the billing cycle was restored to monthly intervals, or multiples thereof, also ordering that the timescales for complying with the order would be identified after hearings with the operators and the main consumer protection associations – TIM and the other operators affected by the Presidential Decree withdrew their application for precautionary measures.
On May 7, 2018, TIM also appealed AGCom Presidential Decree 9/18/PRES and Resolution 187/18/CONS which ratified this decree. On July 3, 2018, AGCom published new resolution 269/18/CONS, with which it set December 31, 2018 as the date by which the operators must return to their fixed network customers a number of days of service equal to those eroded as an effect of 28-day billing, or propose to the affected customers any alternative compensatory measures, after having notified them to AGCom. In line with the actions it has undertaken and the arguments it has made so far. TIM, in keeping with actions taken and arguments made, intends to appeal this resolution.
In September 2018, TIM also appealed Resolution 297/18/CONS in which AGCom imposed a fine of 696,000 euros for having continued to adopt weekly billing and renewal of offers as from February 16, 2018 in violation of AGCom Resolution 121/17/CONS.
With the judgment published in November 2018, the TAR canceled the pecuniary administrative sanction of 1.16 million euros imposed with Resolution 499/17/CONS, and confirmed the obligation of restitutio in integrum to the fixed-line customers by December 31, 2018. TIM submitted its preventive appeal before the Council of State to interrupt execution of said decision and, with its ruling of December 20, 2018, the Council of State, in upholding TIM's appeal, interrupted the effectiveness of the aforesaid decision for the reversal order only, until March 31, 2019
On November 30, 2018, AGCom published resolution 521/18/CONS with which it imposed a sanction of 1,044,000 euros on TIM. The sanction was imposed for breach of the transparency rules and rights to withdraw in amending the contractual terms and conditions of the mobile offers applied to customers starting from April 8, 2018 following restoration of monthly billing. TIM appealed this resolution as well to the Regional Administrative Court in January 2019.
Following a new application submitted by TIM, the Council of State, with its ruling published on March 20, 2019, extended the precautionary measure to suspend the effectiveness of the decision until May 21, 2019 while awaiting publication of the grounds for the judgment.
Having acknowledged the publication of the grounds of the ruling handed down on May 10, 2019, the Council on May 21, 2019 ordered postponement of discussion of the application for precautionary measures to the Council meeting of July 4, 2019 in order to allow TIM to finalize its additional grounds with a new application for precautionary measures. Following this hearing, the Council of State rejected TIM's application to suspend execution of the ruling of the Regional Administrative Court with its ruling published on July 5, 2019, so it is operational starting from May 21, 2019. The hearing to discuss the introductory appeal and additional grounds submitted by TIM in the meantime is still to be set.
On July 12, 2019, the operative parts of the judgment, with which the Council of State rejected the similar appeals by Vodafone, Wind Tre and Fastweb, were published.

Antitrust Case I820

On February 19, 2018, AGCM initiated a I820 preliminary proceeding against the companies TIM, Vodafone, Fastweb and Wind Tre and the industry association ASSTEL to investigate the alleged existence of an agreement among the major fixed-line and mobile telephone operators to restrict competition by coordinating their respective commercial strategies, in breach of Article 101 of the TFUE.
The presumed coordination, according to the opening provision of the proceedings by AGCM, would take the form of implementation of the obligation introduced by Article 19-quinquiesdecies of Decree Law 148/2017

(converted by Law 172/2017) which requires operators of electronic communication services to send out monthly (or monthly multiples) bills and renewed offers for fixed and mobile services.
On March 21, 2018, AGCM issued a provisional precautionary measure against all the operators involved in the proceedings with which it ordered the suspension, pending the proceedings, of the implementation of the agreement concerning the determination of repricing communicated to users at the time of reformulating the billing cycle in compliance with Law 172/17 and to independently redetermine its commercial strategy. The order with which AGCM confirmed the precautionary measure was published on April 13, 2018.
On June 12, 2018 TIM filed an appeal with the TAR for AGCM precautionary measure 27112 dated April 11, 2018 to be set aside.
In its session on June 27, 2018, AGCM took note of the brief submitted by TIM regarding compliance with the precautionary measure.
On July 17, 2019, AGCM resolved to extend the deadline for conclusion of the proceedings until January 31, 2020.

Wind Tre

With writ of summons before the Milan Court, served in April 2019, Wind tre S.p.A. filed a damages claim against TIM for approximately 255 million euros in compensation for damages arising from alleged anticompetitive conduct in the years 2014-2018. More specifically, according to Wind Tre, TIM allegedly illegally used information gained when supplying provisioning and wholesale services assurance through its sales division to convince customers to return to TIM or to activate the new user with TIM; carried out commercial promotion activity for TIM through its technical personnel when repairing failures or activating Wind Tre users; behaved unfairly in order to get Wind Tre customers to switch over to TIM. To support its arguments, Wind Tre also pleads some elements that emerged during the investigation for the AGCM A514 case. TIM will file an appearance, fully contesting the claims of the other party.

Elinet S.p.A. bankruptcy

In 2014, the trustees in the bankruptcy of Elinet S.p.A., and subsequently the trustees of Elitel S.r.l. and Elitel Telecom S.p.A. (the parent, at the time, of the Elitel group) appealed the judgment by which the Court of Rome dismissed the damages claim brought by the trustees of the Elinet-Elitel group, filing a new damages claim for a total of 282 million euros. The Company is alleged to have exercised management and control powers over the plaintiff, and, with it, over the Elitel group (an OLO in which TIM has never held any equity interest) through the management of trade receivables. TIM has filed an appearance, refuting the claims of the other party. The judgment on the appeal was handed down with ruling in July 2019, which with reference to TIM confirmed full legality of its conduct and total non-existence of any element of management and coordination. The bankruptcy proceedings can appeal to the Court of Cassation.

Antitrust Proceedings PS11379 – mobile winback actions

Started on February 26, 2019 on the report of Iliad, the proceedings concern the alleged misconduct of mobile winback actions. The challenged aspects concern deceptive communication given to the target of reference and the aggressiveness of the conduct, since in the opinion of the AGCM Authority there would be pre-activated services in the offers made to customers. TIM believes that the commercial proposition of its mobile offers is fair, but to ensure ever-increasing transparency for its customers, during the course of the proceedings TIM gave commitments mainly aimed at improving the information relating to the components of the offer subject of the dispute. Closing of the proceedings has been postponed until September 18, 2019. Similar proceedings have also been started against the other major operators.

Antitrust Proceedings IP 312 - Fiber non-compliance

Officially started on February 18, 2019 by the Authority, the proceedings concern the alleged non-compliance with the PS10696 measure on advertising communications of offers in Fiber. The aspects challenged by AGCM regard the inadequate evidence of information available to consumers on the technical and geographical limitations and the performance test. TIM believes that the Fiber offers communication complies with industry regulations, as also confirmed by AGCom Resolution 35/19/CONS. However, in order to ensure ever-increasing transparency for customer comparison, TIM gave commitments mainly aimed at improving disclosure during the proceedings. The case is expected to be closed by the summer. Similar proceedings have also been started against the major operators.

B) OTHER INFORMATION

Of the disputes with the aforementioned characteristics, no significant facts have emerged for those listed below with respect to the information published in the 2018 annual financial report:

- Mobile telephony - criminal proceedings;
- Dispute concerning the license fees for 1998;
- Vodafone (previously TELETU).

C) COMMITMENTS AND GUARANTEES

Guarantees, net of back-to-back guarantees received, amounted to 36 million euros.

The guarantees provided by third parties to Group companies, amounting to 6,380 million euros, refer to guarantee financing from banks and other financial institutions consisting of guarantees for loans received (627 million euros) and of performance guarantees under outstanding contracts (5,753 million euros).
In particular, we report:

- the TIM Group issued six guarantees to the Ministry of Economic Development for a total of 1,922 million euros for the deferment of the payment of the amount due for the acquisition of the user rights to frequencies in the 694-790 MHz, 3600-3800 MHz and 26.5-27.5 GHz bands, which will be reserved for 5G mobile telecommunications services;
- the insurance guarantees, which totaled 715 million euros, basically refer to guarantee financing by TIM in applying legal provisions for contracts of Public Administrations and similar bodies;
- the TIM Group provided guarantees to INPS to support the application by TIM and some Group companies of Article 4, paragraph 1, of Law 92 of June 28, 2012, to incentivize the departure of workers meeting the necessary requirements; the total amount of the guarantees issued is 671 million euros, of which 623 million euros for TIM and 48 million euros for Group companies.

Furthermore, In May 2018, as mentioned above, TIM issued a surety to the Prime Minister's Office for 74.3 million euros to secure an appeal to the Lazio Administration Court for a provisional stay of the administrative fine levied on TIM following the preliminary investigation connected with the penalty proceeding initiated under Article 2 of Decree Law 21 of March 15, 2012 (the "Golden Power rule") .

Main guarantees for loans at June 30, 2019

Issuer	**Amount** (millions of euros) (1)
SACE	262
Cassa Depositi e Prestiti	158
Intesa Sanpaolo	115
Commerzbank	57

(1) The amounts shown in the table relate to loans issued by the EIB for the TIM Broadband Digital Divide, TIM Ricerca & Sviluppo Banda Larga, TIM Rete Mobile a Banda Larga, and TIM RDI for Broadband Services projects.

It is specified that:

- the guarantee amounting to 157.5 million euros of Cassa Depositi e Prestiti and the guarantee amounting 157.5 million euros of SACE relating to the loan granted by the EIB for the TIM Rete Mobile Banda Larga-Tranche B Project, paid back upon maturity for 300 million euros, are still valid for 6 months following repayment, as set forth in the contract to protect against clawback risk, i.e. until November 30, 2019;
- the guarantee totaling 105 million euros of SACE relating to the loan granted by the EIB for the TIM Rete Mobile Banda Larga - Tranche A Project, paid back upon maturity for 100 million euros, is still valid for 6 months following repayment, as set forth in the contract to protect against clawback risk, i.e. until November 30, 2019.

There are also surety bonds on the telecommunication services in Brazil for 195 million euros.

D) ASSETS PLEDGED TO GUARANTEE FINANCIAL LIABILITIES

The contracts for low-rate loans granted by the Brazilian Development Bank BNDES (Banco Nacional de Desenvolvimento Econômico e Social) to Tim Celular, now merged into TIM S.A., for a total equivalent amount of 213 million euros are covered by specific covenants. In the event of non-compliance with the covenant obligations, BNDES will have a right to the receipts which transit on the bank accounts of the company.

NOTE 22
FINANCE INCOME AND EXPENSES

Finance income (expenses) showed a net expense of 754 million euros (in the first half of 2018 an expense of 718 million euros) and comprises:

(millions of euros)	1st Half 2019	1st Half 2018
Finance income	580	551
Finance expenses	(1,334)	(1,269)
Net finance income/(expenses)	**(754)**	**(718)**

The items break down as follows:

(millions of euros)		1st Half 2019	1st Half 2018
Interest expenses and other finance expenses:			
Interest expenses and other costs relating to bonds		(493)	(508)
Interest expenses to banks		(35)	(40)
Interest expenses to others		(21)	(11)
Finance expenses on liabilities for finance leasing		(185)	(97)
		(734)	**(656)**
Commissions		(35)	(36)
Miscellaneous finance expenses (*)		(95)	(112)
		(130)	**(148)**
Interest income and other finance income:			
Interest income		34	29
Income from financial receivables, recorded in Non-current assets		–	–
Income from securities other than investments, recorded in Non-current assets		–	–
Income from securities other than investments, recorded in Current assets (*)		12	13
Miscellaneous finance income		11	8
		57	**50**
Total net finance interest/(expenses)	**(a)**	**(807)**	**(754)**
Other components of financial income and expense:			
Net exchange gains and losses		6	(13)
Net result from derivatives		63	57
Net fair value adjustments to fair value hedging derivatives and underlyings		6	(2)
Net fair value adjustments to non-hedging derivatives		(22)	(6)
Total other components of financial income and expense	**(b)**	**53**	**36**
Total net financial income (expenses)	**(a+b)**	**(754)**	**(718)**

(*) of which IFRS 9 impact:

(millions of euros)	2019	2018
Expenses (Income) from adjustment of IFRS 9 impairment reserve on financial assets measured through FVTOCI	*(2)*	*(6)*
Reversal of IFRS 9 impairment reserve on financial assets measured through FVTOCI	*4*	*4*
Impairment losses on financial assets other than investments	*–*	*–*

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

(millions of euros)		1st Half 2019	1st Half 2018
Exchange gains		72	163
Exchange losses		(66)	(176)
Net exchange gains and losses		**6**	**(13)**
Income from fair value hedge derivatives		21	20
Charges from fair value hedge derivatives		–	–
Net result from fair value hedge derivatives	**(a)**	**21**	**20**
Positive effect of the reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)		259	266
Negative effect of the reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)		(216)	(227)
Net effect of the Reversal of the Reserve of cash flow hedge derivatives to the income statement (interest rate component)	**(b)**	**43**	**39**
Income from non-hedging derivatives		2	2
Charges from non-hedging derivatives		(3)	(4)
Net result from non-hedging derivatives	**(c)**	**(1)**	**(2)**
Net result from derivatives	**(a+b+c)**	**63**	**57**
Positive fair value adjustments to fair value hedge derivatives		130	–
Negative fair value adjustments to Underlying financial assets and liabilities of fair value hedge derivatives		(124)	(23)
Net fair value adjustments	**(d)**	**6**	**(23)**
Positive fair value adjustments to Underlying financial assets and liabilities of fair value hedge derivatives		–	21
Negative fair value adjustments to fair value hedge derivatives		–	–
Net fair value adjustments	**(e)**	**–**	**21**
Net fair value adjustments to fair value hedging derivatives and underlyings	**(d+e)**	**6**	**(2)**
Positive fair value to non-hedging derivatives	(f)	39	29
Negative fair value adjustments to non-hedging derivatives	(g)	(61)	(35)
Net fair value adjustments to non-hedging derivatives	**(f+g)**	**(22)**	**(6)**

NOTE 23
PROFIT (LOSS) FOR THE PERIOD

Profit for the period increased by 133 million euros compared to the first half of 2018. The figure breaks down as follows.

(millions of euros)	1st Half 2019	1st Half 2018
Profit (loss) for the period	**740**	**607**
Attributable to:		
Owners of the Parent:		
Profit (loss) from continuing operations	551	532
Profit (loss) from Discontinued operations/Non-current assets held for sale	–	–
Profit (loss) for the period attributable to owners of the Parent	**551**	**532**
Non-controlling interests:		
Profit (loss) from continuing operations	189	75
Profit (loss) from Discontinued operations/Non-current assets held for sale	–	–
Profit (loss) for the period attributable to non-controlling interests	**189**	**75**

NOTE 24
EARNINGS PER SHARE

		1st Half 2019	1st Half 2018
Basic earnings per share			
Profit (loss) for the period attributable to owners of the Parent		551	532
Less: additional dividends for the savings shares (0.011 euros per share and up to capacity)		(66)	(66)
	(millions of euros)	485	466
Average number of ordinary and savings shares	(millions)	21,067	21,067
Basic earnings per share – Ordinary shares	(euros)	0.02	0.02
Plus: additional dividends per savings share		0.01	0.01
Basic earnings per share – Savings shares	(euros)	0.03	0.03
Basic earnings per share from continuing operations			
Profit (loss) from continuing operations attributable to Owners of the Parent		551	532
Less: additional dividends for the savings shares		(66)	(66)
	(millions of euros)	485	466
Average number of ordinary and savings shares	(millions)	21,067	21,067
Basic earnings per share from continuing operations – Ordinary shares	(euros)	0.02	0.02
Plus: additional dividends per savings share		0.01	0.01
Basic earnings per share from continuing operations – Savings shares	(euros)	0.03	0.03
Basic earnings per share from Discontinued operations/Non-current assets held for sale			
Profit (loss) from Discontinued operations/Non-current assets held for sale	(millions of euros)	–	–
Average number of ordinary and savings shares	(millions)	21,067	21,067
Basic earnings per share from Discontinued operations/Non-current assets held for sale – Ordinary shares	(euros)	–	–
Basic earnings per share from Discontinued operations/Non-current assets held for sale – Savings shares	(euros)	–	–

	1st Half 2019	1st Half 2018
Average number of ordinary shares	15,039,368,195	15,039,368,195
Average number of savings shares	6,027,791,699	6,027,791,699
Total	**21,067,159,894**	**21,067,159,894**

		1st Half 2019	1st Half 2018
Diluted earnings per share			
Profit (loss) for the period attributable to owners of the Parent		551	532
Dilution effect of stock option plans and convertible bonds (*)		20	20
Less: additional dividends for the savings shares (0.011 euros per share and up to capacity)		(66)	(66)
	(millions of euros)	505	486
Average number of ordinary and savings shares	(millions)	22,167	22,167
Diluted earnings per share – Ordinary shares	(euros)	0.02	0.02
Plus: additional dividends per savings share		0.01	0.01
Diluted earnings per share – Savings shares	(euros)	0.03	0.03
Diluted earnings per share from continuing operations			
Profit (loss) from continuing operations attributable to Owners of the Parent		551	532
Dilution effect of stock option plans and convertible bonds (*)		20	20
Less: additional dividends for the savings shares		(66)	(66)
	(millions of euros)	505	486
Average number of ordinary and savings shares	(millions)	22,167	22,167
Diluted earnings per share from continuing operations – Ordinary shares	(euros)	0.02	0.02
Plus: additional dividends per savings share		0.01	0.01
Diluted earnings per share from continuing operations – Savings shares	(euros)	0.03	0.03
Diluted earnings per share from Discontinued operations/Non-current assets held for sale			
Profit (loss) from Discontinued operations/Non-current assets held for sale	(millions of euros)	–	–
Dilution effect of stock option plans and convertible bonds		–	–
Average number of ordinary and savings shares	(millions)	22,167	22,167
Diluted earnings per share from Discontinued operations/Non-current assets held for sale – Ordinary shares	(euros)	–	–
Diluted earnings per share from Discontinued operations/Non-current assets held for sale – Savings shares	(euros)	–	–

	1st Half 2019	1st Half 2018
Average number of ordinary shares (*)	16,139,213,020	16,139,373,829
Average number of savings shares	6,027,791,699	6,027,791,699
Total	**22,167,004,719**	**22,167,165,528**

(*) The average number of ordinary shares also includes the potential ordinary shares relating to the equity compensation plans of employees for which the (market and non-market) performance conditions have been met, in addition to the theoretical number of shares that are issuable as a result of the conversion of the unsecured equity-linked convertible bond. Consequently, the "Net profit (loss) for the period attributable to Owners of the Parent" and the "Profit (loss) from continuing operations attributable to Owners of the Parent" have also been adjusted to exclude the effects, net of tax, related to the above-mentioned plans and to the convertible bond (+20 million euros in the first half of 2019; +20 million euros in the first half of 2018).

POTENTIAL FUTURE CHANGES IN SHARE CAPITAL

The table below shows future potential changes in share capital, based on the issuance of the convertible bond by TIM S.p.A. in March 2015, the authorizations to increase the share capital in place at June 30, 2019, and the options and rights granted under equity compensation plans, still outstanding at June 30, 2019:

	Number of maximum shares issuable	Share capital (thousands of euros)	Additional Paid-in capital (thousands of euros)	Subscription price per share (euros)
Capital increases already approved (ordinary shares)				
2014-2016 Stock Option Plan				
	133,042	73	80	1.15
	343,069	189	158	1.01
	893,617	492	393	0.99
	13,497,406	7,423	5,264	0.94
Stock Options	**14,867,134**	**8,177**	**5,895**	
2015 Convertible Bond (ordinary shares) (*)	1,082,485,386	2,000,000	n.a.	n.a.
Convertible bonds		**2,000,000**		
Total		**2,008,177**		

(*) The number of shares potentially issuable shown may be subject to adjustments.

Further information is provided in the Notes “Financial liabilities (non-current and current)” and “Equity compensation plans”.

NOTE 25
SEGMENT REPORTING

A) SEGMENT REPORTING

Segment reporting is based on the following operating segments:

- Domestic
- Brazil
- Other Operations

Separate Consolidated Income Statements by Operating Segment

(millions of euros)	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	1st Half 2019	1st Half 2018	1st Half 2019	1st Half 2018	1st Half 2019	1st Half 2018	1st Half 2019	1st Half 2018	1st Half 2019	1st Half 2018
Third-party revenues	7,049	7,411	1,945	2,000	–	–	–	–	8,994	9,411
Intragroup revenues	20	12	1	1	–	–	(21)	(13)	–	–
Revenues by operating segment	**7,069**	**7,423**	**1,946**	**2,001**	**–**	**–**	**(21)**	**(13)**	**8,994**	**9,411**
Other operating income	95	132	671	12	–	–	–	–	766	144
Total operating revenues and other income	**7,164**	**7,555**	**2,617**	**2,013**	**–**	**–**	**(21)**	**(13)**	**9,760**	**9,555**
Acquisition of goods and services	(2,454)	(3,016)	(759)	(972)	(2)	(2)	17	10	(3,198)	(3,980)
Employee benefits expenses	(1,332)	(1,368)	(170)	(154)	(1)	(4)	1	–	(1,502)	(1,526)
of which: accruals to employee severance indemnities	–	(2)	–	–	–	–	–	–	–	(2)
Other operating expenses	(593)	(414)	(276)	(243)	(2)	(3)	–	(1)	(871)	(661)
of which: write-downs and expenses in connection with credit management and provision charges	(453)	(285)	(131)	(90)	–	–	–	–	(584)	(375)
Change in inventories	(80)	22	7	12	–	–	(1)	1	(74)	35
Internally generated assets	224	258	48	48	–	–	4	4	276	310
EBITDA	**2,929**	**3,037**	**1,467**	**704**	**(5)**	**(9)**	**–**	**1**	**4,391**	**3,733**
Depreciation and amortization	(1,887)	(1,663)	(610)	(458)	–	–	1	(1)	(2,496)	(2,122)
Gains/(losses) on disposals of non-current assets	(13)	(3)	5	6	–	–	–	–	(8)	3
Impairment reversals (losses) on non-current assets	–	–		–	–	–	–	–	–	–
EBIT	**1,029**	**1,371**	**862**	**252**	**(5)**	**(9)**	**1**	**–**	**1,887**	**1,614**
Share of profits (losses) of associates and joint ventures accounted for using the equity method	(4)	(2)	–	–	–	–	1	–	(3)	(2)
Other income (expenses) from investments									2	10
Finance income									580	551
Finance expenses									(1,334)	(1,269)
Profit (loss) before tax from continuing operations									**1,132**	**904**
Income tax expense									(392)	(297)
Profit (loss) from continuing operations									**740**	**607**
Profit (loss) from Discontinued operations/Non-current assets held for sale									–	–
Profit (loss) for the period									**740**	**607**
Attributable to:										
Owners of the Parent									**551**	**532**
Non-controlling interests									189	75

Revenues by operating segment

(millions of euros)	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	1st Half 2019	1st Half 2018	1st Half 2019	1st Half 2018	1st Half 2019	1st Half 2018	1st Half 2019	1st Half 2018	1st Half 2019	1st Half 2018
Revenues from equipment sales - third party	640	636	84	80	–	–	–	–	724	716
Revenues from equipment sales - intragroup	–	1	–	–	–	–	–	(1)	–	–
Total revenues from equipment sales	**640**	**637**	**84**	**80**	**–**	**–**	**–**	**(1)**	**724**	**716**
Revenues from services - third party	6,382	6,772	1,861	1,920	–	–	–	–	8,243	8,692
Revenues from services - intragroup	20	11	1	1	–	–	(21)	(12)	–	–
Total revenues from services	**6,402**	**6,783**	**1,862**	**1,921**	**–**	**–**	**(21)**	**(12)**	**8,243**	**8,692**
Revenues on construction contracts - third party	27	3	–	–	–	–	–	–	27	3
Revenues on construction contracts-intragroup	–	–	–	–	–	–	–	–	–	–
Total revenues on construction contracts	**27**	**3**	**–**	**–**	**–**	**–**	**–**	**–**	**27**	**3**
Total third-party revenues	7,049	7,411	1,945	2,000	–	–	–	–	8,994	9,411
Total intragroup revenues	20	12	1	1	–	–	(21)	(13)	–	–
Total revenues by operating segment	**7,069**	**7,423**	**1,946**	**2,001**	**–**	**–**	**(21)**	**(13)**	**8,994**	**9,411**

Purchase of intangible assets, property, plant and equipment and rights of use third-party assets by operating segment

(millions of euros)	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	1st Half 2019	1st Half 2018	1st Half 2019	1st Half 2018	1st Half 2019	1st Half 2018	1st Half 2019	1st Half 2018	1st Half 2019	1st Half 2018
Purchase of intangible assets	303	355	73	81	–	–	–	–	376	436
Purchase of tangible assets	785	895	294	310	–	–	–	–	1,079	1,205
Purchase of rights of use third-party assets	146	–	172	–	–	–	–		318	–
Total purchase of intangible assets, property, plant and equipment and rights of use third-party assets	**1,234**	**1,250**	**539**	**391**	**–**	**–**	**–**	**–**	**1,773**	**1,641**
of which: capital expenditures	*1,114*	*1,212*	*367*	*385*	*–*	*–*	*–*	*–*	*1,481*	*1,597*
of which: increase in contracts for rights of use third-party assets / financial leasing	*120*	*38*	*172*	*6*		*–*	*–*	*–*	*292*	*44*

Headcount by Operating Segment

(number)	Domestic		Brazil		Other Operations		Consolidated Total	
	6/30/2019	12/31/2018	6/30/2019	12/31/2018	6/30/2019	12/31/2018	6/30/2019	12/31/2018
Headcount	**47,891**	**48,200**	**9,411**	**9,658**	**14**	**43**	**57,316**	**57,901**

Assets and liabilities by Operating Segment

(millions of euros)	Domestic		Brazil		Other Operations		Adjustments and eliminations		Consolidated Total	
	6/30/2019	12/31/2018	6/30/2019	12/31/2018	6/30/2019	12/31/2018	6/30/2019	12/31/2018	6/30/2019	12/31/2018
Non-current operating assets	49,719	48,056	7,907	6,037	1	3	(1)	(1)	57,626	54,095
Current operating assets	4,257	4,233	1,057	874	3	5	(11)	(17)	5,306	5,095
Total operating assets	53,976	52,289	8,964	6,911	4	8	(12)	(18)	62,932	59,190
Investments accounted for using the equity method	12	16	–	–	–	–	–	–	12	16
Discontinued operations/Non-current assets held for sale									–	–
Unallocated assets									6,168	6,413
Total Assets									**69,112**	**65,619**
Total operating liabilities	10,840	10,732	1,509	1,885	37	48	(21)	(69)	12,365	12,596
Liabilities directly associated with Discontinued operations/Non-current assets held for sale									–	–
Unallocated liabilities									34,413	31,276
Equity									22,334	21,747
Total Equity and Liabilities									**69,112**	**65,619**

B) REPORTING BY GEOGRAPHICAL AREA

(millions of euros)		Revenues				Non-current operating assets	
		Breakdown by location of operations		Breakdown by location of customers		Breakdown by location of operations	
		1st Half 2019	1st Half 2018	1st Half 2019	1st Half 2018	6/30/ 2019	12/31/2018
Italy	(a)	6,943	7,276	6,626	6,862	49,457	47,795
Outside Italy	(b)	2,051	2,135	2,368	2,549	8,169	6,300
Total	**(a+b)**	**8,994**	**9,411**	**8,994**	**9,411**	**57,626**	**54,095**

C) INFORMATION ABOUT MAJOR CUSTOMERS

None of the TIM Group's customers exceeds 10% of consolidated revenues.

NOTE 26
RELATED-PARTY TRANSACTIONS

The following tables show the figures relating to related party transactions and the impact of those amounts on the separate consolidated income statements, consolidated statements of financial position and consolidated statements of cash flows.

Related-party transactions, when not dictated by specific laws, were conducted at arm's length; They were performed in compliance with the internal procedure, which sets forth rules designed to ensure the transparency and fairness of the transactions in accordance with Consob Regulation 17221/2010. The current procedure is available on the website www.telecomitalia.com, under the Group section/Governance System channel.

The effects of related party transactions on the line items of the separate consolidated income statements of the Group for the first half of 2019 and 2018 are reported below.

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS FIRST HALF OF 2019

(millions of euros)	Total (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Key managers	Total related parties (b)	% of financial statement item (b/a)
Revenues	8,994	1				1	0.0
Acquisition of goods and services	3,198	3	76			79	2.5
Employee benefits expenses	1,502			38	11	49	3.3
Finance income	580						
Finance expenses	1,334						

(*) Vivendi group and Companies belonging to the group that it belongs to; other related parties through directors, statutory auditors and key managers.

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS FIRST HALF OF 2018

(millions of euros)	Total (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Key managers	Total related parties (b)	% of financial statement item (b/a)
Revenues	9,411	1	2			3	0.0
Acquisition of goods and services	3,980	2	85			87	2.2
Employee benefits expenses	1,526			40	5	45	2.9
Finance income	551		8			8	1.5
Finance expenses	1,269	2	6			8	0.6

(*) Vivendi group and Companies belonging to the group that it belongs to; other related parties through directors, statutory auditors and key managers.

The effects of related party transactions on the individual line items of the consolidated statements of financial position of the Group at June 30, 2019 and at December 31, 2018 are reported below.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS AT 6/30/2019

(millions of euros)	Total (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties (b)	% of financial statement item (b/a)
Net financial debt						
Other statement of financial position line items						
Trade and miscellaneous receivables and other current assets	**4,990**	2	21		**23**	0.5
Miscellaneous payables and other non-current liabilities	**3,348**		1		**1**	0.0
Trade and miscellaneous payables and other current liabilities	**6,647**	1	40	26	**67**	1.0

(*) Vivendi group and Companies belonging to the group that it belongs to; other related parties through directors, statutory auditors and key managers.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS AT 12/31/2018

(millions of euros)	Total (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties (b)	% of financial statement item (b/a)
Net financial debt						
Other statement of financial position line items						
Trade and miscellaneous receivables and other current assets	**4,706**	3	19		**22**	0.5
Miscellaneous payables and other non-current liabilities	**3,297**		1		**1**	0.0
Trade and miscellaneous payables and other current liabilities	**6,901**	3	46	24	**73**	1.1

(*) Vivendi group and Companies belonging to the group that it belongs to; other related parties through directors, statutory auditors and key managers.

The effects of related party transactions on the significant line items of the consolidated statements of cash flows of the Group for the first half of 2019 and 2018 are reported below:

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS FIRST HALF OF 2019

(millions of euros)	Total (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties (b)	% of financial statement item (b/a)
Purchase of intangible assets, property, plant and equipment and rights of use third-party assets on an accrual basis	1,773					

(*) Vivendi group and Companies belonging to the group that it belongs to; other related parties through directors, statutory auditors and key managers.

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS FIRST HALF OF 2018

(millions of euros)	Total (a)	Associates, subsidiaries of associates and joint ventures	Other related parties (*)	Pension funds	Total related parties (b)	% of financial statement item (b/a)
Purchase of intangible assets, property, plant and equipment and rights of use third-party assets on an accrual basis	1,641	1			1	0.1

(*) Vivendi group and Companies belonging to the group that it belongs to; other related parties through directors, statutory auditors and key managers.

TRANSACTIONS WITH ASSOCIATES, SUBSIDIARIES OF ASSOCIATES AND JOINT VENTURES

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

(millions of euros)	1st Half 2019	1st Half 2018	TYPE OF CONTRACT
Revenues	**1**	**1**	From other minor companies.
Acquisition of goods and services			
W.A.Y. S.r.l.	2	2	Supply, installation and technical assistance services for geolocation equipment provided as part of offers to TIM customers.
Other minor companies	1		
Total acquisition of goods and services	**3**	**2**	
Finance expenses		**2**	Write-down of the financial receivable due from Alfiere.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(millions of euros)	6/30/2019	12/31/2018	TYPE OF CONTRACT
Net financial debt			
Trade and miscellaneous receivables			
Alfiere S.p.A.		1	Contracts for project management, administration, corporate and compliance services, and sundry chargebacks.
W.A.Y. S.r.l.	1	1	Supply of fixed-line and mobile telephony.
Other minor companies	1	1	
Total trade and miscellaneous receivables and other current assets	**2**	**3**	
Trade and miscellaneous payables and other current liabilities			
Movenda S.p.A.		1	Supply and certification of SIM-cards, software systems.
W.A.Y. S.r.l.	1	1	Supply, installation and technical assistance services for geolocation equipment provided as part of offers to TIM customers.
Other minor companies		1	
Total trade and miscellaneous payables and other current liabilities	**1**	**3**	

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS

(millions of euros)	1st Half 2019	1st Half 2018	TYPE OF CONTRACT
Purchase of intangible assets, property, plant and equipment and rights of use third-party assets on an accrual basis		**1**	From other minor companies.

The shareholder loan of 11 million euros (written down in full) and trade receivables of 1 million euros from the joint venture Alfiere S.p.A. present at December 31, 2018 were totally used to cover losses of the year 2018. The sale of 4,625 ordinary shares to CDP Immobiliare S.r.L. of Alfiere S.p.A. held by TIM S.p.A., equal to 50% of the share capital, was finalized on June 24, 2019; at the same time, the guarantee given in its interest was extinguished by TIM.

TRANSACTIONS WITH OTHER RELATED PARTIES (BOTH THROUGH DIRECTORS, STATUTORY AUDITORS AND KEY MANAGERS AND AS PARTICIPANTS IN SHAREHOLDER AGREEMENTS PURSUANT TO ARTICLE 122 OF THE CONSOLIDATED LAW ON FINANCE)

Details are provided below of the transactions with:

- Vivendi Group and the companies of the group it belongs to (as a result of the resolutions of the Board of Directors of TIM S.p.A. of May 3 and June 1, 2017);
- Related companies through Directors appointed on May 4, 2018;
- Related companies through Directors whose term of office ended on May 4, 2018;

The most significant amounts are summarized as follows:

(millions of euros)	1st Half 2019	1st Half 2018	TYPE OF CONTRACT
Revenues			
Mediobanca group		1	Telephone services, sale of equipment, data network services and Internet accesses.
Other minor companies		1	
Total revenues		**2**	
Acquisition of goods and services			
Havas Group	73	80	Purchase of media space on behalf of the TIM Group and, to a lesser extent, development and delivery of advertising campaigns.
Vivendi group	3	5	Purchase of musical and television digital content (TIMmusic and TIMvision) and supply of D&P cloud-based games (TIMgames).
Total acquisition of goods and services	**76**	**85**	
Finance income		**8**	Bank accounts, deposits and hedging derivatives with the Mediobanca group.
Finance expenses		**6**	Term Loan Facility and Revolving Credit Facility and hedging derivatives with the Mediobanca group.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(millions of euros)	6/30/2019	12/31/2018	TYPE OF CONTRACT
Other statement of financial position line items			
Trade and miscellaneous receivables			
Other Directors or through	2	1	Fixed-line and mobile voice services and devices.
Havas Group	19	17	Prepaid expenses related to costs for advertising services.
Vivendi group		1	TIM Show 2018 service and TV series rights.
Total trade and miscellaneous receivables and other current assets	**21**	**19**	
Miscellaneous payables and other non-current liabilities	**1**	**1**	Deferred income for IRU sale to the Vivendi group.
Trade and miscellaneous payables and other current liabilities			
Other Directors or through	1		Amounts recognized for telephone services to be paid back and other minor items.
Havas Group	38	44	Purchase of media space on behalf of the TIM Group and, to a lesser extent, development and delivery of advertising campaigns.
Vivendi group	1	2	Purchase of musical and television digital content (TIMmusic and TIMvision) and supply of D&P cloud-based games (TIMgames).
Total trade and miscellaneous payables and other current liabilities	**40**	**46**	

TRANSACTIONS WITH PENSION FUNDS

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS

(millions of euros)	1st Half 2019	1st Half 2018	TYPE OF CONTRACT
Employee benefits expenses			Contributions to pension funds.
Fontedir	3	4	
Telemaco	33	33	
Other pension funds	2	3	
Total employee benefits expenses	**38**	**40**	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION LINE ITEMS

(millions of euros)	6/30/2019	12/31/2018	TYPE OF CONTRACT
Trade and miscellaneous payables and other current liabilities			Payables for contributions to pension funds.
Fontedir	3	3	
Telemaco	22	21	
Other pension funds	1		
Total trade and miscellaneous payables and other current liabilities	**26**	**24**	

REMUNERATION TO KEY MANAGERS

In the first half of 2019, the total remuneration recorded on an accrual basis by TIM or by companies controlled by the Group in respect of key managers amounted to 10.5 million euros (4.5 million euros in the first half of 2018). The figure breaks down as follows:

(millions of euros)	1st Half 2019	1st Half 2018
Short-term remuneration	4.9	4.4
Long-term remuneration	0.2	
Employment termination benefit incentives	4.0	
Share-based payments (*)	1.4	0.1
	10.5	**4.5**

(*) These refer to the fair value of the rights, accrued to June 30, under the share-based incentive plans of TIM S.p.A. and its subsidiaries (Long Term Incentive 2018 and Plans of the subsidiaries).

Short-term remuneration is paid during the period it pertains to, and, at the latest, within the six months following the end of that period.

It should also be noted that on June 27, 2019, the Board of Directors of TIM accepted the resignation of Amos Genish, former Chief Executive Officer and General Manager of the company.
Mr. Genish's resignation follows the reaching of a settlement agreement with him for the waiver of all mutual claims or disputes in connection with the employment contract previously between the parties (without prejudice to TIM's right of claw-back) and, as regards Mr. Genish, in connection with his administration relationship with the company, TIM paid Mr. Genish the lump sum of 4.2 million euros. No further benefits for Mr. Genish or the retainment of other rights regarding the company are contemplated.

In the first half of 2019, contributions paid in to defined contribution plans (Assida and Fontedir) by TIM S.p.A. or by subsidiaries of the Group on behalf of key managers amounted to 68,000 euros (42,000 euros in the first half of 2018).

In the first half of 2019, "Key Managers", i.e. those who have the power and responsibility, directly or indirectly, for the planning, management and control of the operations of the TIM Group, including directors, were identified as follows.

Directors:		
Luigi Gubitosi		Managing Director and Chief Executive Officer of TIM S.p.A.
		General Manager of TIM S.p.A.
Managers:		
Sami Foguel	(1)	Diretor Presidente Tim Participações S.A.
Pietro Labriola	(2)	Diretor Presidente Tim Participações S.A.
Stefano Azzi	(3)	Chief Consumer Office
Mario Di Mauro	(4)	Innovation and Customer Experience Manager
Lorenzo Forina	(3)	Chief Business & Top Clients Office
	(5)	Chief Revenue Office
Stefano Grassi	(6)	Head of Security
Riccardo Meloni	(7)	Human Resources, Organization & Real Estate Manager
Luciano Sale	(8)	Human Resources, Organization & Real Estate Manager
Giovanni Gionata Massimiliano Moglia	(6)	Chief Regulatory Affairs Office
Carlo Nardello	(9)	Chief Strategy, Customer Experience & Transformation Office
Agostino Nuzzolo		Head of Legal & Tax
Piergiorgio Peluso	(10)	Chief Financial Office
Giovanni Ronca	(11)	Chief Financial Office
Elisabetta Romano		Chief Technology and Innovation Office
Anna Spinelli	(12)	Head of Procurement
Federico Rigoni	(13)	Head of Procurement
Stefano Siragusa		Chief Wholesale Infrastructures Network & Systems Office

(1) to April 2, 2019;
(2) from April 3, 2019;
(3) to January 17, 2019;
(4) to February 28, 2019; on March 8, 2019 the Innovation & Customer Experience Department was superseded;
(5) from January 18, 2019;
(6) from June 27, 2019;
(7) to February 4, 2019;
(8) from February 5, 2019;
(9) from February 22, 2019;
(10) to June 2, 2019;
(11) from June 3, 2019;
(12) to March 31, 2019;
(13) from April 1, 2019;

NOTE 27
EQUITY COMPENSATION PLANS

Equity compensation plans in effect at June 30, 2019 are used for retention purposes and as a long-term incentive for the managers and employees of the Group.
However, it should be noted that these plans do not have any significant effect on the economic result or on the financial position or on cash flows at June 30, 2019.

DESCRIPTION OF STOCK OPTION PLANS

For a description of the:

- TIM S.p.A. 2014-2016 Stock Option Plan, and the
- Tim Participações S.A. 2011-2013 Stock Option Plan,

already in place at December 31, 2018, see the consolidated financial statements of the TIM Group at that date.

Other Tim Participações S.A. Stock Option Plans.

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

  - **Year 2014**
    On September 29, 2014, the grantees of the options were granted the right to purchase a total of 1,687,686 shares. As at June 30, 2019, 100% of the options were considered as vested. Of the total granted, 1,249,465 shares were canceled due to the participants leaving the company. Out of the remaining 438,221 options, 27,424 have been exercised and 410,797 are still to be exercised.
  - **Year 2015**
    On October 16, 2015, the grantees of the options were granted the right to purchase a total of 3,355,229 shares. As at June 30, 2019, 100% of the options were considered as vested. Of the total granted, 1,646,080 shares were canceled due to the participants leaving the company. Out of the remaining 1,709,149 options, 1,479,291 have been exercised and 229,858 are still to be exercised.
  - **2016**
    On November 8, 2016, the grantees of the options were granted the right to purchase a total of 3,922,204 shares.
    As at June 30, 2019, 2/3% of the options were considered as vested. Of the total granted, 1,727,423 shares were canceled due to the participants leaving the company. Out of the remaining 2,194,781 options, 1,361,456 have been exercised and 833,325 are still to be exercised.

DESCRIPTION OF OTHER EQUITY COMPENSATION PLANS

TIM S.p.A.- Special Award 2016 – 2019

For the description of the Special Award 2016-2019, launched in 2016, see the TIM Group Consolidated Financial Statements at December 31, 2017.
In 2017, the beneficiaries of the Special Award were identified for the 1.5% of the 2016 over-performance.
At June 30, 2019, Key Managers, recipients of that bonus, were granted a total amount of 250,000 euros (of which 200,000 euros consisted of 256,410 TIM S.p.A. ordinary shares and the remainder in cash).
The payment is scheduled for after the approval of the Financial Statements for the year 2019.

TIM S.p.A. - Long Term Incentive Plan 2018-2020 (the “Plan”)

The Plan, approved by the Shareholders' Meeting of Telecom Italia S.p.A. of April 24, 2018, provides for a three-year vesting period (2018-2020) and the bonus allocation of Telecom Italia S.p.A. ordinary shares subject to the achievement of two performance conditions, as assessed by the Board of Directors when approving the TIM Group's consolidated Financial Statements at December 31, 2020:

- average performance of TIM ordinary shares versus the average market performance of a peer basket in the quarters preceding the start and the end of the period (70% weighting);
- cumulative equity free cash flow over the period 2018-2020 (30% weighting).

The operating terms and conditions of the Plan are set forth in the Plan Rules, approved by the Board of Directors on July 24, 2018. Please refer to the TIM Group Consolidated Financial Statements at December 31, 2018 for more details.

Tim Participações S.A. - Long Term Incentive Plan 2018-2020

- **2018-2020 Plan**
  On April 19, 2018, the General Meeting of Shareholders of Tim Participações S.A. approved the long-term incentive plan for managers in key positions in the company and its subsidiaries. The plan aims to remunerate participants with shares issued by the company, subject to specific temporal and/or performance conditions (upon reaching specific targets). The 2018-2020 Plan does not cover criteria for setting the purchase or exercise price because the shares are granted at market value.
  The vesting period is 3 years (a third per year), the options are valid for 3 years, and the company does not have the legal obligation to repurchase or liquidate the options in cash, or in any other form. The portion of shares linked to performance (70%) is granted 1/3 each year, if the performance target is achieved; the remaining portion of shares (30%) is granted 3 years after allocation.
  The plan allows for the shares to be transferred and also allows for payment to be made to participants in the equivalent cash value.

  - **Year 2018**

  On April 20, 2018, the grantees were granted the right to obtain a total of 849,932 shares. Of the total granted, 425,065 shares were canceled due to the participants leaving the company. The remaining balance is 424,867 shares.

  On June 30, 2019, the first grant period concluded and - in line with the performance results approved on June 29, 2019 - 115,949 shares were granted, plus the amount corresponding to the amount of dividends distributed during the accrual period, according to the defined rules.

INWIT S.p.A. - Long Term Incentive Plan 2018-2020

On April 13, 2018 the Shareholders' Meeting of INWIT S.P.A. approved the 2018 – 2020 Long Term Incentive Plan (the "Plan").
The objective of the Plan is to create incentives for Beneficiaries upon achievement of Company strategic objectives set out in the industrial plan communicated to the market, bringing the interests of management holding organizational positions that are crucial to the company business into line with the interests of INWIT owners in terms of growth in value of the share over the medium to long term.

The Plan provides for a three-year vesting period (2018–2020) and the bonus allocation of shares subject to the achievement of two performance conditions, as assessed by the Board of Directors when approving the Company financial statements at December 31, 2020:

- Total Shareholder Return regarding INWIT (60% weighting). The parameter measures INWIT's TSR position in the Italian and foreign TowerCo TSR ("peer group") rankings;
- Cumulative Recurring Free Cash Flow over the period 2018-2020. This indicates the cash flow generated by operational management after investments to maintain infrastructures and after finance expenses. On the other hand, development investments are not included (40% weighting).

The operating terms and conditions of the Plan are set forth in the Plan Rules, approved by the Board of Directors during its meeting on July 23, 2018.
The Plan, whose start-up was resolved by the Board of Directors on November 6, 2018, had two allocation tranches: the first on November 6, 2018 and the second on January 28, 2019.

NOTE 28
SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

The effect of non-recurring events and transactions in the first half of 2019 on equity, profit, net financial debt, and the cash flows of the TIM Group is set out below in accordance with Consob Communication DEM/6064293 of July 28, 2006. The non-recurring effects on Equity and Profit (loss) for the period are shown net of tax effects.

(millions of euros)		Equity	Profit (loss) for the period	Net financial debt carrying amount	Cash flows (*)
Amount – financial statements	**(a)**	**22,334**	**740**	**29,024**	**63**
Revenues - adjustments from previous years		(15)	(15)	–	–
Other income - Effect of Brazil BU tax recovery		437	437	–	–
Acquisition of goods and services - Expenses related to agreements and the development of non-recurring projects		(5)	(5)	6	(6)
Employee benefits expenses - Expenses related to restructuring, rationalization and other		(23)	(23)	105	(105)
Other operating expenses - Expenses related to disputes and regulatory penalties and liabilities related to those expenses, and expenses related to disputes with former employees and liabilities with customers and/or suppliers		(196)	(196)	–	–
Net income and gains on disposals of other investments		6	6	(3)	3
Miscellaneous finance expenses		(21)	(21)	–	–
Total non-recurring effects	**(b)**	**183**	**183**	**108**	**(108)**
Figurative amount – financial statements	**(a-b)**	**22,151**	**557**	**28,916**	**171**

(*) Cash flows refer to the increase (decrease) in Cash and Cash equivalents during the period.

The impact of non-recurring items on the separate consolidated income statement line items is as follows:

(millions of euros)	1st Half 2019	1st Half 2018
Revenues:		
Adjustments of revenues from previous years	(15)	–
Other income:		
Effect of Brazil BU tax recovery	662	–
Acquisition of goods and services, Change in inventories:		
Advisory and professional services and other costs	(6)	(6)
Employee benefits expenses:		
Restructuring and rationalization expenses and other costs	(33)	(8)
Other operating expenses:		
Sundry expenses and provisions	(276)	(107)
Impact on Operating profit (loss) before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**332**	**(121)**
Impact on EBIT – Operating profit (loss)	**332**	**(121)**
Other income/(expenses) from investments:		
Net income and gains on disposals of other investments	1	–
Finance expenses:		
Miscellaneous finance expenses	(31)	(5)
Impact on profit (loss) before tax from continuing operations	**302**	**(126)**
Effect on income taxes on non-recurring items	(119)	8
Impact on profit (loss) for the period	**183**	**(118)**

NOTE 29
POSITIONS OR TRANSACTIONS RESULTING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In accordance with Consob Communication DEM/6064293 of July 28, 2006, a statement is made to the effect that in the first half of 2019 no atypical and/or unusual transactions, as defined by that Communication, were carried out.

NOTE 30
OTHER INFORMATION

A) EXCHANGE RATES USED TO TRANSLATE THE FINANCIAL STATEMENTS OF FOREIGN OPERATIONS(*)

		Exchange rates (statements of financial position)		Average exchange rates (income statements and statements of cash flows)	
(local currency against 1 euro)		**6/30/2019**	**12/31/2018**	**1st Half 2019**	**1st Half 2018**
Europe					
BGN	Bulgarian Lev	**1.95580**	1.95580	**1.95580**	1.95580
CZK	Czech koruna	**25.44700**	25.72400	**25.68460**	25.49992
CHF	Swiss franc	**1.11050**	1.12690	**1.12968**	1.17008
TRY	Turkish lira	**6.56550**	6.05880	**6.35944**	4.95198
GBP	Pound sterling	**0.89655**	0.89453	**0.87357**	0.87975
RON	Romanian leu	**4.73430**	4.66350	**4.74166**	4.65441
RUB	Russian ruble	**71.59800**	79.71500	**73.75131**	71.95466
North America					
USD	U.S. dollar	**1.13800**	1.14500	**1.12977**	1.21058
Latin America					
VEF	Venezuelan bolivar - Fuerte	**n.a.**	n.a.	**n.a.**	16.34287
VES (**)	Venezuelan bolivar - Soberano	**7,463.29000**	729.80267	**4,397.13000**	n.a.
BOB	Bolivian Bolíviano	**7.86360**	7.91200	**7.80669**	8.36513
PEN	Peruvian nuevo sol	**3.74480**	3.86300	**3.75481**	3.93111
ARS	Argentine peso	**48.56780**	43.15930	**46.79486**	25.98615
CLP	Chilean peso	**773.85000**	794.37000	**763.31574**	740.21038
COP	Colombian peso	**3,638.99000**	3,721.81000	**3,603.32062**	3,449.19038
BRL	Brazilian real	**4.36104**	4.43664	**4.34394**	4.14011
Other countries					
ILS	Israeli shekel	**4.06070**	4.29720	**4.09036**	4.25930

(*) Source: data processed by the European Central Bank, Reuters and major Central Banks.
(**) On August 20, 2018 the Venezuelan Central Bank introduced a new currency (Bolivar Soberano, VES) to replace the previous currency (Bolivar Fuerte, VEF).

B) RESEARCH AND DEVELOPMENT

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

	1st Half 2019	1st Half 2018
Research and development costs expensed during the period	32	24
Capitalized development costs	371	436
Total research and development costs (expensed and capitalized)	**403**	**460**

Moreover, in the separate consolidated income statements for the first half of 2019, amortization charges are recorded for development costs, capitalized during the period and in prior years, for an amount of 452 million euros.
Research and development activities carried out by the TIM Group are described in detail in the Interim Management Report ("Innovation, Research and Development" section).

NOTE 31
EVENTS SUBSEQUENT TO JUNE 30, 2019

TIM AND VIVO (TELEFÔNICA BRASIL) SIGN MEMORANDUM OF UNDERSTANDING FOR INFRASTRUCTURE SHARING AND OTHER PROJECTS

TIM S.A. and Telefônica Brasil S.A. signed a Memorandum of Understanding ("MOU") on July 23, 2019 with the aim of initiating engagement concerning:

- 2G network sharing in the so-called Single Grid model;
- reaching new agreements for sharing the 4G network infrastructure in the 700 MHz band, in particular for cities with less than 30,000 inhabitants, which could later be extended to larger cities;
- other network sharing opportunities involving other frequencies and technologies; and
- other opportunities in terms of efficiency and cost reduction in relation to network operation and maintenance.

The Companies underlined the benefits that could derive from this engagement regarding the improvement of the quality of the service for the customers of both operators, beyond the efficiency in the allocation of the investments and operating costs. Of no less importance was the sharing of initiatives in line with the challenges of sustainability (conscious use of energy), urban planning (optimization of the use of public spaces), which have been successful in several countries, including Brazil.

The parties confirm that they will maintain their commercial independence and customer management, regardless of any agreement that may arise from this engagement. The Memorandum does not create a joint venture or a commercial partnership or a formal business relationship, nor does it imply an exclusive relationship between the parties.

TIM AND VODAFONE SIGN AGREEMENTS TO SHARE THE MOBILE NETWORK - THE LARGEST TOWER COMPANY IN ITALY IS ESTABLISHED

On July 26, 2019, TIM and Vodafone signed the agreements relating to the extension of the current agreement for sharing passive infrastructure with INWIT and for sharing the active component of the mobile network.

In relation to the project for sharing the active network components, TIM and Vodafone will jointly develop the 5G infrastructure for a more efficient implementation of the new technology over a wider geographical area and at a lower cost.

This transaction will significantly reduce the technology development gap between large urban centers and rural areas of Italy and will accelerate the development of innovative solutions for businesses.

The two companies will identify the best technical and commercial methods for the joint installation of their active 5G devices, excluding large cities, ensuring a wider and more widespread diffusion of the new technology over Italy. Both companies will maintain separate management of their frequency allocation and control of the quality and functionality of their network, guaranteeing the necessary flexibility to innovate and compete in the market to meet the needs of their respective customers.

Vodafone and TIM will also share active equipment on the existing 4G networks, in support of 5G network active sharing. In addition, Vodafone and TIM will adapt their respective mobile transmission networks, through the use of higher capacity fiber-optic cables ("Fiber-to-the-Site" or "backhauling") to take full advantage of the features of 5G, such as higher speed and lower latency, allowing for greater economies of scale.

In parallel, the two companies will extend the current passive infrastructure sharing agreement, from the current 10,000 sites to nationwide coverage, with the aim of strengthening the development of 5G technology and using the network infrastructure more efficiently, both in urban and rural areas. The agreement also envisages a corporate transaction divided into several phases, aimed at consolidating Vodafone's passive network infrastructure with INWIT, which will thus become the largest Italian Towerco with a portfolio of over 22,000 towers distributed throughout Italy, and the second largest at European level. Vodafone will merge its passive network infrastructure into a new company that will later be incorporated into INWIT. Before the merger, INWIT will acquire a share of the new company so that the shares that Vodafone receives under the merger will result in Vodafone and TIM having an equal 37.5% stake in INWIT's capital and equal governance rights, jointly controlling INWIT with the signing of a shareholders' agreement. The parties will sign a three-year lock-up agreement for their respective shareholdings and will assess a reduction in their stake of up to 25% each. Currently INWIT is subject to the management and coordination of TIM. After the merger, Vodafone and TIM will not exercise any direction and coordination over INWIT and will jointly control the company. The transaction is subject to approval in the Shareholders' Meeting by the minority shareholders of INWIT (so-called "white wash" procedure) and therefore does not provide for a public purchase offer on INWIT shares. Furthermore, the transaction does not entail withdrawal rights for the company's shareholders.

The overall transaction will be completed once the necessary authorizations have been obtained.

ULTRA-BROADBAND: INFRATEL AND TIM SIGN AGREEMENT FOR USE OF FIBER ON THE PUBLIC NETWORK IN 600 MUNICIPALITIES

On July 30, 2019, Infratel Italia and TIM signed an agreement that will allow them to 'turn on' all the fiber public network infrastructures Infratel has built in 600 municipalities spread over eight regions (Abruzzo, Sardinia, Tuscany, Apulia, Calabria, Lazio, Lombardy and Marche) as part of its direct model. This will speed up the development of ultrabroadband networks in 'market failure' areas, having not seen tender competitions in the past.

The partnership will result in a plan of activities for the regions and municipalities involved. TIM will carry out a road map of activation once the fiber optics have been provided by Infratel. Fixed dates will be given for when the services will be activated for customers, public administration and companies in the areas.

The agreement represents a virtuous synergy between the public and private sectors in order to bridge the digital divide in Italy. This is in keeping with the country's strategy to spread ultrabroadband. It will also result in TIM acquiring a significant amount of dark-fiber infrastructure built by Infratel. TIM will use this infrastructure to bring ultrabroadband to the municipalities served by the project.

TIM has decided to use and integrate fiber-optic network infrastructures built by Infratel (the in-house company of the Italian Ministry of Economic Development) in order to provide ultrabroadband services using FTTC and FTTH technology. This will benefit more than 1 million people and businesses in the areas in question.

The agreement is based on rights of use going back 15 years and is part of the 'Framework agreement on rights of use for fiber and related services' signed by TIM and Infratel in November 2018.

At a meeting in November 2018, Infratel's Steering Committee noted that, despite many municipalities now being connected, with complete and tested services, others might remain cut off due to a lack of interest from operators. This problem has now been overcome. The agreement does not prevent other operators gaining access to the public network, but it does set out a fixed schedule of activation, based on the availability of fiber when work is finished.

The activation plan has already begun, even as negotiations continued to determine all aspects of the contract; an acceleration in the massive spread of services is set to begin in 2019 and be complete by 2020/2021.

NOTE 32
LIST OF COMPANIES OF THE TIM GROUP

In accordance with Consob Communication DEM/6064293 dated July 28, 2006, the list of companies is provided herein.
The list is divided by type of investment, consolidation method and operating segment.
The following is indicated for each company: name, head office, country and share capital in the original currency. In addition to the percentage ownership of share capital, the percentage of voting rights in the ordinary shareholders' meeting, if different from the percentage holding of share capital, and which companies hold the investment.

Company name	Head office	Currency	Share capital	% Ownership	% of voting rights	Held by
PARENT COMPANY						
TIM S.p.A.	MILAN (ITALY)	EUR	11,677,002,855			
SUBSIDIARIES CONSOLIDATED LINE-BY-LINE						
DOMESTIC BU						
4G RETAIL S.r.l. (sale of fixed and mobile telecommunications products and services and all analog and digital broadcasting equipment)	MILAN (ITALY)	EUR	2,402,241	100.0000		TIM S.p.A
CD FIBER S.r.l. (design, construction, maintenance and management of network infrastructure services and high-speed electronic communication systems)	ROME (ITALY)	EUR	50,000	100.0000		TIM S.p.A.
FLASH FIBER S.r.l. (development, implementation, maintenance and supply of the fiber network in Italy)	MILAN (ITALY)	EUR	30,000	80.0000		TIM S.p.A.
H.R. SERVICES S.r.l. (personnel training and services)	L'AQUILA (ITALY)	EUR	500,000	100.0000		TIM S.p.A.
INFRASTRUTTURE WIRELESS ITALIANE S.p.A. (installation and operation of installations and infrastructure for the management and the sale of telecommunications services)	MILAN (ITALY)	EUR	600,000,000	60.0333 0.0370	60.0556	TIM S.p.A. INFRASTRUTTURE WIRELESS ITALIANE S.p.A.
MED 1 SUBMARINE CABLES Ltd (construction and management of the submarine cable lev1)	RAMAT GAN (ISRAEL)	ILS	55,886,866	100.0000		TELECOM ITALIA SPARKLE S.p.A.
NOVERCA S.r.l. (development and provision of services in the TLC and multimedia sector in Italy and abroad)	ROME (ITALY)	EUR	10,000	100.0000		TIM S.p.A.
OLIVETTI S.p.A. (production and sale of office equipment and information technology services)	IVREA (TURIN) (ITALY)	EUR	10,000,000	100.0000		TIM S.p.A.
PERSIDERA S.p.A. (purchase, sale and maintenance of systems for repair work and radio and television broadcasting)	ROME (ITALY)	EUR	21,428,572	70.0000		TIM S.p.A.
TELECOM ITALIA SAN MARINO S.p.A. (San Marino telecommunications management)	BORGO MAGGIORE (SAN MARINO)	EUR	1,808,000	100.0000		TIM S.p.A.
TELECOM ITALIA SPARKLE S.p.A. (completion and management of telecommunications services for public and private use)	ROME (ITALY)	EUR	200,000,000	100.0000		TIM S.p.A.
TELECOM ITALIA TRUST TECHNOLOGIES S.r.l. (other operations related to non-classified IT services)	POMEZIA ROME (ITALY)	EUR	7,000,000	100.0000		TIM S.p.A.
TELECOM ITALIA VENTURES S.r.l. (investment holding company)	MILAN (ITALY)	EUR	10,000	100.0000		TIM S.p.A.
TELECONTACT CENTER S.p.A. (telemarketing services)	NAPLES (ITALY)	EUR	3,000,000	100.0000		TIM S.p.A.
TELEFONIA MOBILE SAMMARINESE S.p.A. (development and management of mobile telecommunications plants and	BORGO MAGGIORE (SAN MARINO)	EUR	78,000	51.0000		TELECOM ITALIA SAN MARINO S.p.A.
TELENERGIA S.r.l. (import, export, purchase, sale and trade of electricity)	ROME (ITALY)	EUR	50,000	100.0000		TIM S.p.A.

Company name	Head office	Currency	Share capital	% Ownership	% of voting rights	Held by
TELSY ELETTRONICA E TELECOMUNICAZIONI S.p.A. (production and sale of equipment and systems for crypto telecommunications)	TURIN (ITALY)	EUR	390,000	100.0000		TIM S.p.A.
TI SPARKLE AMERICAS Inc. (managed bandwidth services)	MIAMI (UNITED STATES)	USD	10,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ARGENTINA S.A. (managed bandwidth services)	BUENOS AIRES (ARGENTINA)	ARS	9,998,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE AUSTRIA GmbH (telecommunications services)	VIENNA (AUSTRIA)	EUR	2,735,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE BELGIUM S.P.R.L. - B.V.B.A. (telecommunications services)	BRUSSELS (BELGIUM)	EUR	2,200,000	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
TI SPARKLE BOLIVIA S.r.l. (managed bandwidth services)	LA PAZ (BOLIVIA)	BOB	1,747,600	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE BRASIL PARTIÇIPAÇÕES Ltda (investment holding company)	RIO DE JANEIRO (BRAZIL)	BRL	71,563,866	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE BRASIL TELECOMUNICAÇÕES Ltda (managed bandwidth services)	RIO DE JANEIRO (BRAZIL)	BRL	69,337,363	99.9999 0.0001		TI SPARKLE BRASIL PARTIÇIPAÇÕES Ltda TI SPARKLE AMERICAS Inc.
TI SPARKLE BULGARIA EOOD (telecommunications)	SOFIA (BULGARIA)	BGN	100,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE CHILE S.p.A. (managed bandwidth services)	SANTIAGO (CHILE)	CLP	5,852,430,960	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE COLOMBIA Ltda (managed bandwidth services)	BOGOTA' (COLOMBIA)	COP	5,246,906,000	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE CZECH S.R.O. (telecommunications services)	PRAGUE (CZECH REPUBLIC)	CZK	6,720,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE FRANCE S.A.S. (installation and management of telecommunications services for fixed network and related activities)	PARIS (FRANCE)	EUR	18,295,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE GERMANY Gmbh (telecommunications services)	FRANKFURT (GERMANY)	EUR	25,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE GREECE S.A. (telecommunications)	ATHENS (GREECE)	EUR	368,760	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ISRAEL Ltd (international wholesale telecommunication services)	RAMAT GAN (ISRAEL)	ILS	1,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE NETHERLANDS B.V. (telecommunications services)	AMSTERDAM (NETHERLANDS)	EUR	18,200	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE NORTH AMERICA, Inc. (telecommunications and promotional services)	NEW YORK (UNITED STATES)	USD	15,550,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE PANAMA S.A. (managed bandwidth services)	PANAMA	USD	10,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE PERU' S.A. (managed bandwidth services)	LIMA (PERU)	PEN	57,101,788	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE AMERICAS Inc.
TI SPARKLE PUERTO RICO LLC (managed bandwidth services)	SAN JUAN (PUERTO RICO)	USD	50,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ROMANIA S.r.l. (telecommunications services)	BUCHAREST (ROMANIA)	RON	3,021,560	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE RUSSIA LLC (telecommunications services)	MOSCOW (RUSSIA)	RUB	8,520,000	99.0000 1.0000		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE UK Ltd
TI SPARKLE SINGAPORE Pte.Ltd (telecommunications services)	SINGAPORE	USD	5,121,120	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TI SPARKLE NORTH AMERICA, Inc.
TI SPARKLE SLOVAKIA S.R.O. (telecommunications services)	BRATISLAVA (SLOVAKIA)	EUR	300,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE SPAIN TELECOMMUNICATIONS S.L. (telecommunications services)	MADRID (SPAIN)	EUR	1,687,124	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE ST. CROIX LLC (managed bandwidth services)	VIRGIN ISLANDS (UNITED STATES)	USD	1,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.

Company name	Head office	Currency	Share capital	% Ownership	% of voting rights	Held by
TI SPARKLE SWITZERLAND GmbH (telecommunications services)	ZURICH (SWITZERLAND)	CHF	2,000,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE TURKEY TELEKOMÜNIKASYON ANONIM SIRKETI (telecommunications services)	YENISBONA ISTANBUL (TURKEY)	TRY	65,000,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE UK Ltd (value-added and networking services)	LONDON (UNITED KINGDOM)	EUR	3,983,254	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SPARKLE VENEZUELA C.A. (managed bandwidth services)	CARACAS (VENEZUELA)	VES	10	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TIMB2 S.r.l. (management of television frequency user rights)	ROME (ITALY)	EUR	10,000	99.0000 1.0000		PERSIDERA S.p.A. TIM S.p.A.
TIMVISION S.r.l. (production, co-production, conception and creation of programs, films and audiovisual content, including multimedia and interactive content)	ROME (ITALY)	EUR	50,000	100.0000		TIM S.p.A.
TN FIBER S.r.l. (design, construction, maintenance and supply of optical network access to users in the province of Trento)	TRENTO (ITALY)	EUR	55,918,000	100.0000		TIM S.p.A.
BRAZIL BU						
TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A. (investment holding company)	RIO DE JANEIRO (BRAZIL)	BRL	7,169,029,859	99.9999 0.0001		TELECOM ITALIA FINANCE S.A. TIM S.p.A.
TIM PARTICIPAÇÕES S.A. (investment holding company)	RIO DE JANEIRO (BRAZIL)	BRL	9,913,414,422	66.5819 0.0272	66.6001	TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A. TIM PARTICIPAÇÕES S.A.
TIM S.A. (telecommunications services)	RIO DE JANEIRO (BRAZIL)	BRL	13,476,171,765	100.0000		TIM PARTICIPAÇÕES S.A.
OTHER OPERATIONS						
OLIVETTI DEUTSCHLAND GmbH (sale of office equipment and supplies)	NURENBERG (GERMANY)	EUR	25,600,000	100.0000		OLIVETTI S.p.A.
OLIVETTI UK Ltd. (sale of office equipment and supplies)	NORTHAMPTON (UNITED KINGDOM)	GBP	6,295,712	100.0000		OLIVETTI S.p.A.
TELECOM ITALIA CAPITAL S.A. (financial company)	LUXEMBOURG	EUR	2,336,000	100.0000		TIM S.p.A.
TELECOM ITALIA FINANCE S.A. (financial company)	LUXEMBOURG	EUR	1,818,691,979	100.0000		TIM S.p.A.
TELECOM ITALIA LATAM PARTICIPAÇÕES E GESTÃO ADMINISTRATIVA Ltda (telecommunications and promotional services)	SÃO PAULO (BRAZIL)	BRL	118,925,804	100.0000		TIM S.p.A.
TIAUDIT COMPLIANCE LATAM S.A. (in liquidation) (internal audit services)	RIO DE JANEIRO (BRAZIL)	BRL	1,500,000	69.9996 30.0004		TIM S.p.A. TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A.
TIESSE S.c.p.A. (installation and assistance for electronic, IT, telematics and telecommunications equipment)	IVREA (TURIN) (ITALY)	EUR	103,292	61.0000		OLIVETTI S.p.A.
TIM TANK S.r.l. (fund and securities investments)	MILAN (ITALY)	EUR	18,600,000	100.0000		TIM S.p.A.

Company name	Head office	Currency	Share capital	% Ownership	% of voting rights	Held by
ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD						
AREE URBANE S.r.l. (in liquidation) (real estate management)	MILAN (ITALY)	EUR	100,000	32.6200		TIM S.p.A.
ASSCOM INSURANCE BROKERS S.r.l. (insurance brokerage)	MILAN (ITALY)	EUR	100,000	20.0000		TIM S.p.A.
CLOUDESIRE.COM S.r.l. (design, implementation and marketing of a marketplace platform for the sale of software-as-a-service applications)	PISA (ITALY)	EUR	11,671	(*)		TELECOM ITALIA VENTURES S.r.l.
CONSORZIO ANTENNA COLBUCCARO Società Consortile a r.l. (installation, management and maintenance of metal pylons complete with workstations for device recovery)	ASCOLI PICENO (ITALY)	EUR	121,000	20.0000		PERSIDERA S.p.A.
CONSORZIO ANTENNA MONTE CONERO Società Consortile a r.l. (multimedia services)	SIROLO (ANCONA) (ITALY)	EUR	51,100	22.2211		PERSIDERA S.p.A.
CONSORZIO E O (in liquidation) (training services)	ROME (ITALY)	EUR	30,987	50.0000		TIM S.p.A.
ECO4CLOUD S.r.l. (development, production and sale of innovative products or services with high technological value)	RENDE (COSENZA) (ITALY)	EUR	19,532	(*)		TELECOM ITALIA VENTURES S.r.l.
KOPJRA S.r.l. (development, production and sale of innovative products or services with high technological value)	SCHIO (VICENZA) (ITALY)	EUR	16,207	22.8491		TELECOM ITALIA VENTURES S.r.l.
MOVENDA S.p.A. (design, construction and diffusion of Internet sites, products and computer media)	ROME (ITALY)	EUR	133,333	24.9998		TELECOM ITALIA FINANCE S.A.
NORDCOM S.p.A. (application service provider)	MILAN (ITALY)	EUR	5,000,000	42.0000		TIM S.p.A.
OILPROJECT S.r.l. (research, development, marketing and patenting of all intellectual property related to technology, information technology and TLC)	MILAN (ITALY)	EUR	13,556	(*)		TELECOM ITALIA VENTURES S.r.l.
PEDIUS S.r.l. (implementation of specialized telecommunications applications, telecommunications services over telephone connections, VOIP services)	ROME (ITALY)	EUR	181	(*)		TELECOM ITALIA VENTURES S.r.l.
TIGLIO I S.r.l. (real estate management)	MILAN (ITALY)	EUR	2,605,252	47.8019		TIM S.p.A.
TIGLIO II S.r.l. (in liquidation) (real estate management)	MILAN (ITALY)	EUR	10,000	49.4700		TIM S.p.A.
W.A.Y. S.r.l. (development and sale of geolocation products and systems for security and logistics)	TURIN (ITALY)	EUR	136,383	39.9999		OLIVETTI S.p.A.
WIMAN S.r.l. (development, management and implementation of platforms for social-based Wi-Fi authentication)	MATTINATA (FOGGIA) (ITALY)	EUR	22,233	(*)		TELECOM ITALIA VENTURES S.r.l.

(*) Associate over which TIM S.p.A., directly or indirectly, exercises significant influence pursuant to IAS 28 (Investments in Associates and Joint Ventures).

CERTIFICATION OF THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PURSUANT TO ARTICLE 81-TER OF THE CONSOB REGULATION 11971 DATED MAY 14, 1999, WITH AMENDMENTS AND ADDITIONS

1. We, the undersigned, Luigi Gubitosi, as Chief Executive Officer, and Giovanni Ronca, as Manager responsible for preparing TIM S.p.A. financial reports, certify, having also considered the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58 of February 24, 1998:
   - the adequacy in relation to the characteristics of the company and
   - the effective application of the administrative and accounting procedures for the preparation of the half-year condensed consolidated financial statements for the period January 1 – June 30, 2019.

2. TIM has adopted the Internal Control – Integrated Framework Model (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission, as its framework for the establishment and assessment of its internal control system, with particular reference to the internal controls for the preparation of the financial statements.

3. The undersigned also certify that:
   3.1 the Half-year Condensed Consolidated Financial Statements at June 30, 2019:
      a) have been prepared in compliance with the international accounting standards adopted by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council of July 19, 2002 (International Financial Reporting Standards – IFRS), as well as the legislative and regulatory provisions in force in Italy, including, in particular, the measures enacted for the implementation of Article 9 of Italian Legislative Decree 38 of February 28, 2005;
      b) agree with the results of the accounting records and entries;
      c) provide a true and fair view of the financial condition, the results of operations and the cash flows of the Company and its consolidated subsidiaries;

   3.2 the interim management report contains a reliable analysis of important events which took place during the first six months of 2019 and their impact on the Half-year Condensed Consolidated Financial Statements at June 30, 2019, together with a description of the main risks and uncertainties for the remaining six months of 2019. The interim Report on Operations also contains a reliable analysis of information concerning significant related party transactions.

August 1, 2019

Chief Executive Officer	Manager Responsible for Preparing the Corporate Financial Reports
____[signature]________	_____[signature]__________
Luigi Gubitosi	Giovanni Ronca

Building a better
working world

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Review report on the half-year condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
TIM S.p.A.

Introduction

We have reviewed the half-year condensed consolidated financial statements, comprising the consolidated statements of financial position, the separate consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows and the related explanatory notes of TIM S.p.A. and its subsidiaries (the "TIM Group") as of 30 June 2019. The Directors of TIM S.p.A. are responsible for the preparation of the half-year condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these half-year condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of half-year condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the half-year condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the half-year condensed consolidated financial statements of TIM Group as of June 30, 2019 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

EY S.p.A.
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A member firm of Ernst & Young Global Limited

Other matters

The consolidated financial statements for the year ended 31 December 2018 and the half-year condensed consolidated financial statements for the period ended 30June 2018 have been respectively audited and reviewed by another auditor who expressed an unqualified opinion on the consolidated financial statements on 8 March 2019 and expressed an unqualified conclusion on the half-year condensed consolidated financial statements on 8 August 2018.

Rome, 7 August 2019

EY S.p.A.
Signed by: Massimo Antonelli (Partner)

This report has been translated into the English language solely for the convenience of international readers

USEFUL INFORMATION

Free copies of this report, can be obtained by:

Calling	Free Number 800.020.220 (for calls inside Italy) or +39 011 2293603 (for calls outside Italy) providing information and assistance to shareholders
E-mail	ufficio.soci@telecomitalia.it
Internet	Users can view the Half-Year financial Report at June 2019, by visiting the website telecomitalia.com/Bilanci-Relazioni They can also obtain information about TIM at the following URL: www.telecomitalia.com and information about its products and services at the following URL: www.tim.it
Investor Relations	+39 06 36881 (switchboard) investor_relations@telecomitalia.it

TIM S.p.A.

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Share Capital 11,677,002,855.10 euros, fully paid up

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