

EMTN PROGRAMME PROSPECTUS

This document constitutes two base prospectuses: (i) the base prospectus of TIM S.p.A. and (ii) the base prospectus of Telecom Italia Finance S.A. (together, the EMTN Programme Prospectus).



TIM S.p.A.

(incorporated with limited liability under the laws of the Republic of Italy)

TELECOM ITALIA FINANCE S.A.

(incorporated with limited liability under the laws of the Grand-Duchy of Luxembourg)

€20,000,000,000

Euro Medium Term Note Programme

unconditionally and irrevocably guaranteed in respect of Notes issued by

Telecom Italia Finance S.A. by

TIM S.p.A.

(incorporated with limited liability under the laws of the Republic of Italy)

Under this €20,000,000,000 Euro Medium Term Note Programme (the **Programme**), TIM S.p.A. (**TIM**) and Telecom Italia Finance S.A. (**TI Finance**) and, together with TIM in its capacity as an issuer, the **Issuers** and each an **Issuer** may from time to time issue notes (the **Notes**) denominated in any currency agreed with the relevant Dealer (as defined below).

Payment of all amounts owing in respect of the Notes issued by TI Finance will be unconditionally and irrevocably guaranteed by TIM (in such capacity, the **Guarantor**).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €20,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Overview of the Programme*” and any additional Dealer appointed under the Programme from time to time by the Issuers (each a **Dealer** and, together, the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this EMTN Programme Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to the Lead Manager(s) acting on behalf of all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see “Risk Factors”.

Application has been made to the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities, as amended (the **Prospectus Act 2005**) to approve this document as two base prospectuses, the base prospectus of TIM and the base prospectus of TI Finance. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this EMTN Programme Prospectus or the quality or solvency of either Issuer in accordance with Article 7(7) of the Prospectus Act 2005. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange’s regulated market and to be listed on the official list of the Luxembourg Stock Exchange.

References in the two base prospectuses to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange’s regulated market and have been admitted to the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange’s regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in a Final Terms document (the **Final Terms**) which will be filed with the CSSF. Copies of Final Terms in relation to Notes to be listed on the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets as may be agreed between the relevant Issuer, the Guarantor (in the case of Notes issued by TI Finance) and the relevant Dealer. The Issuers may also issue unlisted Notes.

Subject to and as set out in “*Terms and Conditions of the Notes — Taxation*”, TIM shall not be liable to pay any additional amounts to holders of the Notes in relation to any withholding or deduction required pursuant to Italian Legislative Decree No. 239 of 1 April 1996 (as the same may be amended or supplemented from time to time) where the Notes are held by a Noteholder resident for tax purposes in a country which does not allow for a satisfactory exchange of information with Italy and otherwise in the circumstances described in “*Terms and Conditions of the Notes — Taxation*”.

TI Finance has a right of substitution as set out in “*Terms and Conditions of the Notes — Meeting of Noteholders, Modification, Waiver, Authorisation, Determination and Substitution*”. The Trustee may at any time agree, without the consent of the Noteholders or Couponholders (all as defined in “*Terms and Conditions of the Notes*”), to the substitution, in place of TI Finance, of TIM or any Subsidiary (as defined in “*Terms and Conditions of the Notes*”) of TIM as principal debtor under the Notes and the Coupons (all as defined in “*Terms and Conditions of the Notes*”). TIM shall indemnify each Noteholder and Couponholder against (A) any tax, assessment or governmental charge which is imposed on such Noteholder or Couponholder by (or by any authority in or of) the Republic of Italy (**Italy**) with respect to any Note or Coupon and which would not have been so imposed had the substitution not been made and (B) any tax, assessment or governmental charge, and any cost or expense relating to the substitution, except that TIM shall not be liable under such indemnity to pay any additional amounts either on account of “*imposta sostitutiva*” or on account of any other withholding or deduction in the event of payment of interest or other amounts paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with Italy. As long as the Notes are admitted to trading on the Luxembourg Stock Exchange’s regulated market and/or listed on the official list of the Luxembourg Stock Exchange, in the case of such substitution, TIM will advise the Luxembourg Stock Exchange, a new EMTN Programme base prospectus will be prepared and the Noteholders will be notified in accordance with the provisions of “*Terms and Conditions of the Notes - Notices*”.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or any U.S. State securities laws, but the Notes are subject to U.S. tax law requirements. The Notes may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons as defined in Regulation S under the Securities Act unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction.

Tranches of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union (the **EU**) and registered under Regulation (EC) No 1060/2009 on credit rating agencies (as amended) (the **CRA Regulation**) will be disclosed in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Please also refer to “*Credit ratings may not reflect all risks*” in the “*Risk Factors*” section of this EMTN Programme Prospectus.

Arranger

J.P. MORGAN

Dealers

**BANCA IMI
BNP PARIBAS
CRÉDIT AGRICOLE CIB
J.P. MORGAN
NATWEST MARKETS
UNICREDIT BANK**

**BARCLAYS
CITIGROUP
DEUTSCHE BANK
MEDIOBANCA S.p.A.
SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING**

The date of this EMTN Programme Prospectus is 13 July 2017.

IMPORTANT INFORMATION

This EMTN Programme Prospectus comprises two base prospectuses for the purposes of Article 5.4 of the Prospectus Directive: (i) the base prospectus of TIM; and (ii) the base prospectus of TI Finance. *Prospectus Directive* means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in a relevant Member State of the European Economic Area (the EEA).

The Issuers and the Guarantor accept responsibility for the information contained in this EMTN Programme Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge and belief of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this EMTN Programme Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This EMTN Programme Prospectus is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see “*Documents Incorporated by Reference*” below). This EMTN Programme Prospectus shall be read and construed on the basis that those documents are so incorporated and form part of this EMTN Programme Prospectus.

Save for each Issuer, no other party has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this EMTN Programme Prospectus or any other information provided by the Issuers or the Guarantor in connection with the Programme. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this EMTN Programme Prospectus or any other information provided by the Issuers or the Guarantor in connection with the Programme.

No person is or has been authorised by any of the Issuers, the Guarantor or the Trustee to give any information or to make any representation not contained in or consistent with this EMTN Programme Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Issuers, the Guarantor, any of the Dealers or the Trustee.

Neither this EMTN Programme Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by any of the Issuers, the Guarantor, any of the Dealers or the Trustee that any recipient of this EMTN Programme Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer and/or the Guarantor (if applicable). Neither this EMTN Programme Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of any of the Issuers, the Guarantor, any of the Dealers or the Trustee to any person to subscribe or purchase any Notes.

Neither the delivery of this EMTN Programme Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in it concerning any of the Issuers and/or the Guarantor is correct at any time subsequent to its date or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of any of the Issuers or the Guarantor during the life of the Programme or to advise any investor in Notes issued under the Programme of any information coming to their attention. Investors should review, *inter alia*, the most recently published

documents incorporated by reference into this EMTN Programme Prospectus when deciding whether or not to purchase any Notes.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (MiFID II); or (ii) a customer within the meaning of Directive 2002/92/EC (IMD), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the PRIIPs Regulation) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS EMTN PROGRAMME PROSPECTUS AND OFFERS OF NOTES GENERALLY

This EMTN Programme Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this EMTN Programme Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuers, the Guarantor, the Dealers and the Trustee represent that this EMTN Programme Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Final Terms, no action has been taken by the Issuers, the Guarantor, the Dealers or the Trustee which would permit a public offering of any Notes or distribution of this EMTN Programme Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this EMTN Programme Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this EMTN Programme Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this EMTN Programme Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this EMTN Programme Prospectus and the offer or sale of Notes in the United States, the United Kingdom, Italy, The Netherlands, Japan and the EEA. See “*Subscription and Sale*”.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

Unless otherwise indicated, the financial information in this Base Prospectus relating to the Issuers has been derived from:

- the Audited Consolidated Financial Statements for the financial years ended 31 December 2016 and 31 December 2015 and the Unaudited Condensed Consolidated Financial Statements for the three months ended 31 March 2017 of the TIM Group; and
- the Audited Consolidated Financial Statements for the financial years ended 31 December 2016 and the Audited Unconsolidated Financial Statements for the financial years ended 31 December 2016 and 2015 of TI Finance;

together, the “*Financial Statements*”.

The Issuers' financial year ends on 31 December, and references in this Base Prospectus to any specific year are to the twelve-month period ended on 31 December of such year.

The TIM Group Financial Statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the EU ("*IFRS*"), the TI Finance Consolidated Financial Statements have been prepared in accordance with IFRS and the TI Finance Unconsolidated Financial Statements have been prepared in accordance with Luxembourg GAAP.

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed to them in "*Terms and Conditions of the Notes*" or any other section of this Base Prospectus. In addition, the following terms as used in this Base Prospectus have the meanings defined below:

All references in this EMTN Programme Prospectus document to *euro*, *Euro* and *€* refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended, *Sterling* and *£* refer to pounds sterling and all references to *U.S. dollars*, *U.S.\$* and *\$* refer to United States dollars.

References to the "TIM Group" refer to TIM and its consolidated subsidiaries as they exist at the date of this EMTN Programme Prospectus.

References to a *billion* are to a thousand million.

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

SUITABILITY OF INVESTMENT

The Notes may not be a suitable investment for all investors. Each potential investor in Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisors, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this EMTN Programme Prospectus;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

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STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or any person acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or any person acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this EMTN Programme Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive, as amended (the **Prospectus Regulation**).

Words and expressions defined in “*Form of the Notes*” and “*Terms and Conditions of the Notes*” shall have the same meanings in this overview.

Issuers:	TELECOM ITALIA S.p.A. named also “TIM S.p.A.” TIM was incorporated as a joint stock company under the laws of Italy on 20 October 1908, and its duration is until 31 December 2100. TIM’s registered office is Via Gaetano Negri 1, 20123 Milan, Italy. Telecom Italia Finance S.A. TI Finance was incorporated on 2 June 2000 for an unlimited duration in the Grand-Duchy of Luxembourg as a société anonyme. TI Finance’s registered office and postal address is 12 rue Eugène Ruppert, L-2453 Luxembourg.
Guarantor:	TIM S.p.A. (in respect of Notes issued by TI Finance)
Risk Factors:	There are certain risk factors that may affect the Issuer’s and/or the Guarantor’s ability to fulfil its obligations under Notes issued under the Programme and/or the Guarantee. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and risks relating to the structure of a particular issue of Notes issued under the Programme. All of these are set out under “ <i>Risk Factors</i> ”.
Description:	Euro Medium Term Note Programme
Arranger:	J.P. Morgan Securities plc
Dealers:	Banca IMI S.p.A. Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Crédit Agricole Corporate and Investment Bank Deutsche Bank AG, London Branch J.P. Morgan Securities plc Mediobanca – Banca di Credito Finanziario S.p.A. Société Générale The Royal Bank of Scotland plc (trading as NatWest Markets) UniCredit Bank AG and any other Dealers appointed in accordance with the Programme Agreement.

Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this EMTN Programme Prospectus.
	Notes having a maturity of less than one year
	Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (the FSMA) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. See “ <i>Subscription and Sale</i> ”.
Issuing and Principal Paying Agent:	Deutsche Bank AG, London Branch
Trustee:	Deutsche Trustee Company Limited
Programme Size:	Up to €20,000,000,000 (or its equivalent in other currencies) calculated as described in the Programme Agreement) outstanding at any time. The Issuers and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Issuer and the relevant Dealer.
Maturities:	Such maturities as may be agreed between the relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued as specified in the relevant Final Terms and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form as described in “ <i>Form of the Notes</i> ”.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.

Floating Rate Notes:

Floating Rate Notes will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (b) on the basis of the reference rate set out in the applicable Final Terms.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer(s) for each Series of Floating Rate Notes.

Floating Rate Notes may also have a Maximum Rate of Interest, a Minimum Rate of Interest or both.

Zero Coupon Notes:

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption:

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving notice to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer.

Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution. See "*Certain Restrictions — Notes having a maturity of less than one year*" above.

Denomination of Notes:

Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer save that the minimum denomination of each will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency). See "*Certain Restrictions — Notes having a maturity of less than one year*" above.

Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Relevant Jurisdiction, subject as provided in Condition 8. In the event that any such deduction is made, the relevant Issuer or, as the case may be, the Guarantor (in the case of Notes issued by TI Finance) will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.
Restrictions on Security Interests:	The terms of the Notes will contain a provision restricting the ability of the relevant Issuer and (in the case of Notes issued by TI Finance) the Guarantor to create security interests in respect of certain of their capital markets indebtedness, as further described in Condition 3.
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 10.
Status of the Notes:	The Notes will constitute unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the relevant Issuer and will rank <i>pari passu</i> among themselves and (save as aforesaid and for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.
Guarantee:	Notes issued by TI Finance will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under the Guarantee will be unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Guarantor and will rank <i>pari passu</i> and (save as aforesaid and for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.
Rating:	Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms. Where a Series of Notes is rated, it will be rated by Moody's Investors Service España S.A. (Moody's), Standard & Poor's Credit Market Services France SAS (S&P) and/or Fitch Ratings Limited (Fitch). Moody's, S&P and Fitch are established in the EU and registered under the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing and admission to trading:	Application has been made to the CSSF to approve this document as two base prospectuses, the base prospectus of TIM and the base prospectus of TI Finance. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange.

Notes may also be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the relevant Issuer and the relevant Dealer in relation to each Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchange(s).

Governing Law:

The Notes, the Coupons and the Trust Deed and any non-contractual obligations arising out of or in connection with them, will be governed by, and construed in accordance with, English law, save, in respect of Notes issued by TIM, for the provisions contained in Condition 15 of "*Terms and Conditions of the Notes*" and the provisions of the Trust Deed concerning the meeting of Noteholders and the appointment of the *rappresentante comune* are subject to compliance with Italian law. The provisions of Articles 84 to 94-8 of the Luxembourg law on commercial companies of 10 August 1915, as amended, are excluded.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA, the United Kingdom, Italy, The Netherlands and Japan, and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "*Subscription and Sale*".

United States Selling Restrictions:

Regulation S, Category 2. TEFRA C Rules/TEFRA D Rules/TEFRA not applicable, as specified in the applicable Final Terms.

RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuers and the Guarantor may become insolvent or otherwise unable to make all payments due in respect of the Notes or under the Guarantee. There is a wide range of factors which individually or together could result in the Issuers or the Guarantor becoming unable to make all payments due. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuers and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside of the Issuers' and the Guarantor's control. The Issuers and the Guarantor have identified in this EMTN Programme Prospectus, including in the information incorporated by reference herein (see "*Documents Incorporated by Reference*" below), a number of factors which could materially adversely affect their businesses and ability to make payments due.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Factors that may affect the Issuers' ability to fulfil their obligations under Notes issued under the Programme — Factors that may affect the Guarantor's ability to fulfil its obligations under the Guarantee (for the purposes of these risk factors "TIM" means TIM S.p.A. and/or its consolidated subsidiaries as they exist as at the date of this EMTN Programme Prospectus).

The Issuers outlines below:

- 1) *TIM's main objectives as set out in its 2017-2019 three-year strategic plan (the **2017-2019 Plan** or the **Plan**); and*
- 2) *factors that may prevent TIM from achieving its objectives. For the purposes of presenting its risk factors TIM has identified its risks based on the main risk categories, set out in the Committee of Sponsoring Organisation of the Treadway Commission¹):*
 - strategic risks;
 - operational risks;
 - financial risks; and
 - compliance risks.

RISKS RELATED TO THE TIM GROUP

TIM's business will be adversely affected if it is unable to successfully implement its strategic objectives. Factors beyond TIM's control may prevent it from successfully implementing its strategy.

On 6 February 2017, TIM presented its 2017-2019 three-year strategic plan.

The main strategic priorities and objectives of TIM in the domestic (Italian) market are as follows:

- excellent network infrastructure, the roll out of which will be further accelerated over the Plan period;
- a commercial approach focused on convergent offers and content;

¹ CoSO Report-ERM Integrated Framework 2004.

- in the Domestic Mobile segment, TIM will focus on speeding up the penetration of mobile ultra-broadband, strengthened by the extensive reach of its 4G network and the dissemination of quality content;
- in the Domestic Fixed segment, TIM plans to accelerate the spread and adoption of optic fiber;
- the implementation of efficient recovery actions, aimed at increasing cash flow generation; and
- the relaunch of the main subsidiaries of the Group.

In Brazil the strategic plan envisages continuing the re-launch of TIM Brasil, repositioning the subsidiary company by leveraging the quality of the offer and the networks as well as convergence. In particular, a further boost will be given to the creation of the UBB mobile infrastructure and development of convergent offers.

TIM's ability to implement and achieve its strategic objectives and priorities may be influenced by certain factors, including factors outside of TIM's control. Such factors include:

- a deterioration of the economic environment in the principal markets in which TIM operates, including, in particular, its core Italian market;
- the impact of regulatory decisions and changes in the regulatory environment in Italy, Brazil and other countries in which it operates;
- the impact of political developments in Italy, Brazil and other countries in which TIM operates;
- TIM's ability to successfully compete on both price and innovation capabilities with respect to new products and services;
- TIM's ability to develop and introduce new technologies that are attractive in its principal markets, to manage innovation, to supply value added services and to increase the use of its fixed and mobile networks;
- TIM's ability to successfully implement its broadband strategy;
- TIM's ability to successfully achieve its financial targets (including debt reduction);
- the impact of fluctuations in currency exchange and interest rates and the performance of the equity markets in general;
- the outcome of litigation, disputes and investigations in which TIM is involved or may become involved;
- TIM's ability to build up its business in adjacent markets and in international markets (particularly in Brazil), due to its specialist and technical resources;
- TIM's ability to achieve the expected return on the investments and capital expenditures it has made and continues to make in Italy, Brazil and other countries in which it operates;
- the amount and timing of any future impairment charges for TIM's authorisations, goodwill or other assets;
- TIM's ability to manage any business or operating model transformation plans;

- disruptions or uncertainties resulting from the United Kingdom's potential exit from the European Union;
- any difficulties which TIM may encounter in its supply and procurement processes, including as a result of the insolvency or financial weaknesses of its suppliers; and
- the costs incurred due to unexpected events, in particular where TIM's insurance is not sufficient to cover such costs.

As a result of these uncertainties there can be no assurance that the business and strategic objectives identified by TIM's management can effectively be attained in the manner and within the time-frames described. Furthermore, if TIM is unable to attain its strategic priorities, TIM's goodwill may be further impaired, which could result in further significant write-offs.

The following sets out more specific factors that may prevent TIM from achieving its objectives.

STRATEGIC RISKS

The ongoing weak global economic conditions, including the ongoing weakness of the Italian economy and the economic and political conditions in Brazil, have adversely affected TIM's business and the ongoing global and European economic weakness could further adversely affect TIM's business and therefore have a negative impact on its operating results and financial condition.

TIM's business is dependent to a large degree on general economic conditions in Italy and in TIM's other principal market, Brazil, including levels of interest rates, inflation, taxes and general business conditions. A significant deterioration in economic conditions could adversely affect TIM's business and results of operations. The weak economic conditions of the last several years have had an adverse impact on TIM's business.

The economic recession that Italy has experienced in recent years has weighed on the development prospects of TIM's core Italian market. Even on the basis that Italy could technically emerge from recession, over the 2017-2019 period, the Italian GDP is expected to grow by an average of 0.8 percent: the expected overall growth for Italy is lower than for the broader EU zone, which is expected to grow at approximately 1.4 percent over the same period, and will likely not be sufficient to return to pre-crisis levels. Private consumption growth, which had gradually sustained the recovery at the end of 2013, has weakened, due to declining consumer confidence and rising propensity to save.

In Brazil, the market is affected by a macroeconomic environment that continues to deteriorate, resulting in shrinking domestic demand, rising inflation, and a sharp depreciation of the Brazilian Real. From the second quarter of 2017, moderate growth is expected for the Brazilian market, due to improvements in consumer confidence, recovery of investments and a slight reduction in political uncertainty. The unemployment rate, which at the end of 2016 was approximately 12 per cent. is projected to rise further until mid-2017. Furthermore, in Brazil, in the first months of 2017, political uncertainty has increased.

Telecommunications operators have generally faced challenging market conditions in recent years, principally as a result of the decline in voice traffic and significant pricing pressures resulting from increased competition among the operators. With respect to the mobile market, by the end of 2017, Iliad SA (**Iliad**) will launch a new mobile operator in Italy, which, according to Iliad's statements, is aimed at capturing 10 to 15 percent of the Italian mobile-phone market by relying on the same budget tactics that Iliad uses in the French market. TIM has launched a new 'no frills' operator, completely independent from TIM, with its own fully-dedicated systems as a way of competing with the new comer.

Continuing uncertainty about global economic conditions poses a significant risk as consumer and business customers postpone spending in response to tighter credit, negative financial news (including high levels of unemployment) or declines in income or asset values, which could have a material negative effect on the demand for TIM's products and services. Economic difficulties in the credit markets and other economic

conditions may reduce the demand for or the timing of purchases of its products and services. A loss of customers or a reduction in purchases by TIM's current customers could have a material adverse effect on its financial condition, results of operations and cash-flow and may negatively affect TIM's ability to meet its targets. Other factors that could influence customer demand include access to credit, consumer confidence and other macroeconomic factors.

Risks associated with TIM's ownership chain

As of the date hereof, the largest single shareholder in TIM is Vivendi S.A. (**Vivendi**), which directly holds a stake of approximately 23.94 per cent. of ordinary share capital. With a holding of this size, Vivendi can exercise significant influence over matters subject to a vote of the ordinary shareholders of TIM, such as appointments to the Board of Directors (the **Board**).

Competition Risks

Alternative infrastructure operators in Italy could pose a threat to us, particularly in the medium-long term.

The network development by Alt Net operators (**Alternative network operators**) (e.g.: Open Fiber and Infratel) have disclosed plans to develop ultra-broadband telecommunications networks alternative to the ones TIM operates, respectively in the main Italian cities and in the Italian "market failure" areas) on a standalone basis or through partnerships with the OLOs could adversely impact TIM's businesses, assets and goodwill and, as a consequence, its economic and financial performance. In particular, the risks TIM faces are:

- increasing competition in the National Wholesale Market, which could result in losses with respect to its customer base and revenues;
- loss of market share and/or revenues in geographical areas already affected by competition; and
- loss of retail market share in areas in relation to which competitors have not historically focused.

Strong competition in Italy or other countries where TIM operates may further reduce its core market share for telecommunications services and may cause reductions in prices and margins thereby having a material adverse effect on its results of operations and financial condition.

Strong competition exists in all of the principal telecommunications business areas in Italy in which TIM operates.

Competition may become even more acute in the coming years, with the entry of additional international operators into the Italian market.

The Italian telecommunications market is experiencing a phase of transformation with respect to competition. Since 31 December 2016, Wind Tre has become operational. Wind Tre resulted from the merger between Wind and H3G, which was authorised by regulatory bodies subject to certain structural "corrective measures", including sale of frequencies and roaming contract signature, that will allow Iliad to enter the Italian market, becoming the fourth mobile infrastructure player after TIM, Vodafone and Wind Tre.

Moreover, convergence has enabled lateral competition from Information Technology (or IT), over-the-top (**OTT**), Media and Devices/Consumer Electronic players. This competition may further increase due to the consolidation and globalisation of the telecommunications industry in Europe, including Italy, and elsewhere.

The emergence of alternative infrastructure operators could also pose a threat to TIM, particularly in the long term.

Competition in TIM's principal lines of business has led, and could lead, to:

- price and margin erosion for its traditional products and services;
- loss of market share in its core markets; and
- loss of existing or prospective customers and greater difficulty in retaining existing customers.

In addition, competition on innovative products and services in TIM's Italian domestic fixed-line, mobile telephony and broadband businesses, has led, and could lead to:

- obsolescence of existing technologies and more rapid deployment of new technologies;
- an increase in costs and the payback period related to investments in new technologies that are necessary to retain customers and market share; and/or
- difficulties in reducing debt and funding strategic and technological investments if TIM cannot generate sufficient cash flow.

Although TIM continues to take steps to realise additional efficiencies and to rebalance its revenue mix through the continuing introduction of innovative and value added services, if any or all of the events described above should occur, the impact of such factors could have a material adverse effect on TIM's results of operations and financial condition.

Continuing rapid changes in technologies could increase competition, reduce usage of traditional services and require TIM to make substantial additional investments.

TIM, like other operators, faces increasing competition from non-traditional data services on new voice and messaging over-the-internet technologies, in particular OTT applications such as Skype, FaceTime and WhatsApp. These applications are often free of charge, other than charges for data usage and are accessible via smartphones, tablets and computers. These applications provide users with potentially unlimited access to messaging and voice services over the internet, bypassing more expensive traditional voice and messaging services such as SMS which have historically been a source of significant revenues for fixed and mobile network operators such as TIM. With the growing share of smartphones, tablets and computers in Italy and Brazil, an increasing number of customers are using OTT applications services instead of traditional voice and SMS communications.

Historically, TIM has generated a substantial portion of its revenues from voice and SMS services, particularly in its mobile business in Italy, and the substitution of data services for these traditional voice and SMS volumes has had and could continue to have a negative impact on revenues and profitability.

In the long term, if non-traditional voice and messaging data services continue to increase in popularity, as they are expected to do, and if TIM and other mobile network operators are not able to address this competition, this could contribute to declines in average revenue per user (ARPU) and lower margins across many of TIM's products and services, thereby having a material adverse effect on its business, results of operations, financial condition and prospects.

TIM may be adversely affected if it fails to successfully implement TIM's Internet and broadband/fiber strategy.

The continuing development of Internet and broadband/fiber services constitutes a strategic objective for TIM. TIM aims to increase the use of its networks in Italy and abroad to offset the continuing decline of traditional voice services. TIM's ability to successfully implement this strategy may be negatively affected if:

- broadband/fiber coverage does not grow as expected;

- competition grows to include players from adjacent markets or technological developments introducing new platforms for Internet access and/or Internet distribution;
- TIM is unable to provide broadband/fiber connections superior to those of its competitors, or it experiences any network interruptions or related problems with network infrastructure; and
- TIM is unable to obtain adequate returns from the investments related to TIM's network development.

Any of the above factors may adversely affect the successful implementation of TIM's strategy, its business and results of operations.

TIM's business may be adversely affected if it fails to successfully implement its Information and Communications Technology (ICT) strategy.

TIM intends to continue focusing on Information Technology-Telecommunication (IT-TLC) convergence by addressing the ICT market, offering network and infrastructure management, as well as application management. In particular, as the market for cloud service continues to grow, the ICT market is expected to become a key element of TIM's strategy.

TIM expects to experience increasing competition in this market as additional competitors (mainly from telecommunications operators through acquisition and partnership with IT operators) also enter this market. If TIM fails to develop its market share or compete effectively, its revenues could be negatively affected.

TIM's business may be adversely affected if it fails to successfully implement its strategy with respect to "next generation networks" strategy.

One of TIM's goals is to accelerate the roll-out of a new telecommunications network capable of providing customers with ultra-broadband connections, generally referred to as a next generation network (NGN).

However, implementation of ultra-broadband technologies is dependent on a number of factors including the following:

- relevant delays in granting the necessary permissions and authorisations, for installation of NGN lines;
- resistance of road administrators to allow using innovative techniques in excavating for and laying fiber optic cables; and
- delay in the operation of SINFI (Sistema Informativo Nazionale Federato delle Infrastrutture).

In areas not provided for under TIM's development plan or where implementation of the ultra-broadband plan is conditioned upon the grant of public funds, in addition to those listed above, the following factors should be considered:

- allocation of public funds at a local level;
- fulfillment of technical and economic conditions related to the EuroSUD (a European funding telematic counter) tenders awarded to TIM; and
- the awarding of the tenders for the grant of public funds which unduly penalise TIM by setting wholesale prices considerably lower than the regulated prices for TIM's similar services set in its reference offer approved by the Italian regulator *Autorità per le Garanzie nelle Comunicazioni* (AGCom).

If TIM fails to achieve its objectives for the implementation of ultra-broadband coverage in a timely manner or at all, TIM may lose market share to its competitors in this strategically important segment, which may adversely impact the Group's business, financial condition and results of operations.

TIM is subject to risks associated with political developments in countries where it operates.

Changes in political conditions in Italy and in other countries where TIM has made significant investments (particularly in countries where the political situation is less predictable than in Western Europe) may have an adverse effect on TIM's business, financial condition, results of operations and cash flows.

The Italian State is in a position to exert certain powers with respect to TIM.

In 2012, regulations relating to the special powers regarding strategic assets in the energy, transport and communications sectors were published and became effective (Law Decree n. 21 of 15 March 2012, adopted with modifications by Law n. 56 of 11 May 2012).

Following enactment of such regulation, art. 3 of Presidential Decree n. 85 of 25 March 2014 identified the following as strategic assets in the communications sector:

- 1) dedicated networks and access to a public network for final customers in connection with metropolitan networks, service routers and long-distance networks;
- 2) assets used for the provision of access for final customers to services that fall within the obligations of universal service and broadband and ultra-broadband services;
- 3) dedicated elements, even if not in exclusive use, for connectivity (phone, data, video), security, control and management concerning fixed telecommunication access networks.

Presidential Decree n. 86 of 25 March 2014 sets out the procedures for the handling of special powers in the communications sector.

As a result, the rules presently in force provide for:

- the power of the Italian Government to impose conditions and possibly to oppose the purchase, under certain conditions, by non-EU entities, of controlling stakes in companies that hold the aforementioned types of assets. Until the end of the 15-day period from the notice of the purchase, within which conditions may be imposed, or the power to oppose the initiative exercised, the voting rights (and any rights other than the property rights) connected to shares whose sale entails the transfer of control, will be suspended. The same rights will be suspended in the case of any non-compliance with or breach of the conditions imposed on the purchaser, for the whole of the period in which the non-compliance or breach persists. Any resolutions adopted with the determining vote of said shares or holdings, as well as the resolutions or acts adopted that breach or do not comply with the conditions imposed, will be null and void;
- a power of veto by the Italian Government (including in the form of imposition of prescriptions or conditions) over any resolution, act or transaction that has the effect of modifying the ownership, control or availability of said strategic assets or changing their destination, including resolutions of merger, demerger, transfer of registered office abroad, transfer of the company or business units which contain the strategic assets, or their assignment by way of guarantee. Resolutions or acts adopted breaching said prescriptions shall be null and void. The Government may also order the company and any other party to restore the antecedent situation at their own expense.

The exercise of such powers, or the right or ability to exercise such powers, could make a change of control transaction with respect to TIM (whether by merger or otherwise) more difficult to achieve, if at all, or discourage certain bidders from making an offer relating to a change of control that could otherwise be beneficial to shareholders.

OPERATIONAL RISKS

TIM faces numerous risks with respect to the efficiency and effectiveness of resource allocation. Operational risks related to its business, include those resulting from inadequate internal and external processes, fraud, employee errors, failure to document transactions properly, loss or disclosure of critical or commercial sensitive data or personal identification information and systems failures. These events could result in direct or indirect losses and adverse legal and regulatory proceedings, and could harm TIM's reputation and operational effectiveness.

TIM has in place risk management procedures designed to detect, manage and monitor at a senior level the evolution of these operational risks. However, there is no guarantee that these measures will be successful in effectively controlling the operational risks that TIM faces and such failures could have a material adverse effect on its results of operations and could harm its reputation.

System and network failures could result in reduced user traffic and reduced revenue and could harm TIM's reputation. In addition, TIM's operations and reputation could be materially negatively affected by cyber-security threats or its failure to comply with data protection legislation.

TIM's success largely depends on the continued and uninterrupted performance of its IT, network systems and of certain hardware and datacenters that it manages for its clients. TIM's technical infrastructure (including its network infrastructure for fixed-line and mobile telecommunications services) is vulnerable to damage or interruption from technology failures, power loss, floods, windstorms, fires, terrorism, intentional wrongdoing, human error and similar events. Unanticipated problems at TIM's facilities, system failures, hardware and software failures, computer viruses and hacker attacks, as well as terrorist attacks against its infrastructure, which remains a target, could affect the quality of its services and cause service interruptions. Any of these occurrences could result in reduced user traffic and reduced revenue and could negatively affect TIM's levels of customer satisfaction, reduce TIM's customer base and harm its reputation.

In addition, TIM's operations involve daily processing and storage of large amounts of customer data and require uninterrupted, accurate, permanently available, real-time and safe transmission and storage of customer and other data in compliance with applicable laws and regulations. The proper functioning of, including prevention of unauthorised access to, TIM's networks, systems, computers, applications and data, such as customer accounting, network control, data hosting, cloud computing and other information technology systems is critical to its operations. TIM may be held liable for the loss, release, disclosure or inappropriate modification of the customer data stored on its equipment or carried by its networks. IT system failure, interruption of service availability, industrial espionage, cyber-attack or data leakage, in particular relating to customer data, could seriously limit TIM's ability to service its clients, result in significant compensation costs for which indemnification or insurance coverage may be only partially available, result in a breach of laws and regulations under which TIM operates or leads to fines and could cause long-term damage to its business and reputation.

TIM's business depends on the upgrading of its existing networks.

TIM must continue to maintain, improve and upgrade its existing networks in a timely and satisfactory manner in order to retain and expand its customer base in each of its markets. A reliable and high quality network is necessary to manage turnover by sustaining its customer base, to maintain strong customer brands and reputation and to satisfy regulatory requirements, including minimum service requirements. The maintenance and improvement of TIM's existing networks depends on its ability to:

- upgrade the functionality of its networks to offer increasingly customised services to its customers;
- increase coverage in some of its markets;
- expand and maintain customer service, network management and administrative systems;

- expand the capacity of its existing fixed copper and mobile networks to cope with increased bandwidth usage; and
- upgrade older systems and networks to adapt them to new technologies.

In addition, due to rapid changes in the telecommunications industry, TIM's network investments may prove to be inadequate or may be superseded by new technological changes. TIM's network investments may also be limited by market uptake and customer acceptance. If TIM fails to make adequate capital expenditures or investments, or to properly and efficiently allocate such expenditures or investments, the performance of its networks, both in real terms and relative to its competitors, could suffer, resulting in lower customer satisfaction, diminution of brand strength and increased turnover.

Many of these tasks are not entirely under TIM's control and may be affected by applicable regulation. If it fails to maintain, improve or upgrade its networks, TIM's services and products may be less attractive to new customers and it may lose existing customers to competitors, which could have a material adverse effect on its business, financial condition and results of operations.

TIM is involved in disputes and litigation with regulators, competition authorities, competitors and other parties and is the subject of a number of investigations by judicial authorities. The ultimate outcome of such proceedings is generally uncertain. If any of these matters are resolved against TIM, they could, individually or in the aggregate, have a material adverse effect on its results of operations, financial condition and cash flows in any particular period.

TIM is subject to numerous risks relating to legal, tax, competition and regulatory proceedings in which it is currently a party or which could develop in the future. TIM is also the subject of a number of investigations by judicial authorities. Such proceedings and investigations are inherently unpredictable. Legal, tax, competition and regulatory proceedings and investigations in which TIM is, or may become, involved (or settlements thereof) may, individually or in the aggregate, have a material adverse effect on its results of operations and/or financial condition and cash flows in any particular period. Furthermore, TIM's involvement in such proceedings and investigations may adversely affect its reputation.

If TIM, or another Group company, lose any of the legal proceedings to which it is a party, and are ordered to pay amounts greater than what it has recognised to cover potential liabilities, TIM, or such other Group company, may face adverse effects with respect to its and/or the Group's operations, financial position, income statement and cash flows.

The final outcomes of those proceedings are generally uncertain. As of 31 March 2017, TIM had, on a consolidated basis, recognised potential liabilities of 478 million euros. In recognising these liabilities, TIM took into consideration the risks connected with each dispute and the relevant accounting standards, which require reserves to be recognised where liabilities are probable and can be estimated reliably. The provisions represent an estimate of the financial risk connected with the particular proceedings, in line with the relevant accounting standards. Nonetheless, TIM may be obligated to meet liabilities linked to unsuccessful outcomes for proceedings that were not taken into consideration when calculating those reserves and the provisions made may not be sufficient to fully meet such obligations through use of its reserves. Such a development could have adverse effects on its business, financial position, results of operations and cash flows.

Risks associated with the internet usage by TIM's customers could cause TIM losses and adversely affect its reputation.

Pursuant to applicable Italian regulation, TIM, as a host and provider of data transmission services, is required to inform the competent authorities without delay of any alleged illegal or illicit activity by any of its customers of which TIM is aware. TIM must also provide the authorities with any information it has identifying such customers. Any failure to comply with this obligation could cause TIM to become involved in civil proceedings or could harm public perception of its brand and services. Any such event could result in direct or indirect losses or legal and/or regulatory proceedings directed against it and could materially harm its reputation.

TIM is exposed to the risk of labour disputes, in particular as a result of its plan to restructure its labour costs.

TIM is currently undertaking a restructuring of portions of its workforce in an effort to better align increased standards of service and expanded expertise with greater efficiency in its personnel costs. To that end, on 7 September 2015, TIM entered into a union agreement that provides for a number of different measures to enable it to manage its workforce in line with its business plan. These measures include employment support schemes (e.g., the introduction of reduced hours and wages), known as “*contratti di solidarietà*”, voluntary relocation, early retirement measures and re-training.

In addition, on 21 September 2015 and 27 October 2015, TIM entered into agreements that provide for voluntary relocation and employment support schemes.

These agreements have continued to apply during the year 2016. Efforts continued to be made to improve staff productivity and service quality. To this end, negotiations started with the trade unions resulted in a number of company agreements being cancelled on 6 October 2016, effective February 2017.

Relations between TIM and its workers/trade unions are not usually adversarial and strikes or protests involving a majority of workers are not common, but such occurrences carry a moderate risk of disruptions in work and/or reduced service. Generally, such occurrences would negatively impact customers.

FINANCIAL RISKS

TIM’s leverage is such that deterioration in cash flow can change the expectations of its ability to repay its debt and the inability to reduce its debt could have a material adverse effect on its business. Volatility in international credit markets may limit its ability to refinance its financial debt.

As of 31 March 2017, TIM’s consolidated gross financial debt was 34,612 million euros, compared to 34,525 million euros as of 31 December 2016. TIM’s consolidated net financial debt was 25,923 million euros as of 31 March 2017, compared to 25,955 million euros as of 31 December 2016. TIM’s high leverage continues to be a factor in its strategic decisions as it has been for a number of years and the reduction of its leverage remains a key strategic objective. As a result, however, TIM is reliant on cost-cutting and free cash flow to finance critical technology improvements and upgrades to its network.

Due to the competitive environment and ongoing weak economic conditions, there could be deterioration in its income statement and statement of financial position measures used by investors and rating agencies in determining its credit quality. Ratios derived from these same separate income statement and statement of financial position measures are used by the rating agencies, such as Moody’s, Standard & Poor’s (S&P), and Fitch, which base their ratings on their own judgement of TIM’s ability to repay its debt.

Although rating downgrades do not have an immediate impact on outstanding debt, except for outstanding debt instruments that specifically contemplate taking ratings into account for determining interest expense, or on its relative cost to us, downgrades could adversely impact TIM’s ability to refinance existing debt and could increase costs related to refinancing existing debt and managing its derivatives portfolio.

Factors that are beyond TIM’s control such as deterioration in performance of the telecommunications sector, unfavourable fluctuations in interest rates and/or exchange rates, further disruptions in the capital markets, particularly debt capital markets, and, in a broader sense, continuing weakness in general economic conditions at the national level could have a significant effect on TIM’s ability to reduce its debt and refinance existing debt through further access to the financial markets. Because debt reduction is one of TIM’s strategic objectives, failure to reduce debt could be viewed negatively and could adversely affect its credit ratings.

The management and development of TIM’s business will require it to make significant further capital and other investments. If TIM is unable to finance its capital investment as described above, it may need to incur additional debt in order to finance such investment. TIM’s future results of operations may be influenced by

its ability to enter into such transactions, which in turn will be determined by market conditions and factors that are outside TIM's control. In addition, if such transactions increase its leverage, it could adversely affect TIM's credit ratings.

Fluctuations in currency exchange and interest rates and the performance of the equity markets in general may adversely affect TIM's results.

In the past, TIM has made substantial international investments, significantly expanding its operations outside of the Euro zone, particularly in Latin America.

TIM's non-current operating assets are located as follows:

- Italy: as of 31 March 2017 and 31 December 2016, respectively, 46,849 million euros (85.1 percent of total non-current operating assets) and 46,948 million euros (85.1 percent of total non-current operating assets); and
- Outside of Italy: as of 31 March 2017 and 31 December 2016, respectively, 8,228 million euros (14.9 percent of total non-current operating assets) and 8,197 million euros (14.9 percent of total non-current operating assets). Non-current operating assets outside of Italy are primarily denominated in Brazilian Real.

TIM generally hedges its foreign exchange exposure but does not cover conversion risk relating to its foreign subsidiaries. According to TIM's policies, the hedging of the foreign exchange exposure related to its financial liabilities is mandatory. Movements in exchange rates of the euro relative to other currencies (particularly the Brazilian Real) may adversely affect TIM's consolidated results. A rise in the value of the euro relative to other currencies in certain countries in which TIM operates or have made investments will reduce the relative value of the revenues or assets of its operations in those countries and, therefore, may adversely affect TIM's operating results or financial position.

In addition, TIM has raised, and may raise in an increasing proportion in the future, financing in currencies other than the euro, principally U.S. dollars and British sterling. In accordance with TIM's risk management policies, TIM generally hedges the foreign currency risk exposure related to non-euro denominated liabilities, through cross-currency and interest rate swaps.

Furthermore, as of 31 March 2017 and 31 December 2016, 30 and 29 per cent., respectively, of TIM's consolidated gross debt was subject to the accrual of interest at floating rates, net of derivative instruments hedging such risks. As of 31 March 2017 and 31 December 2016, TIM had derivative contracts in place for the sole management of its interest rate risk, including interest rate swaps, for notional amounts of 3,734 million euros and 3,334 million euros, respectively. Any changes in interest rates that have not been adequately hedged by derivative contracts may result in increased financial liabilities in connection with TIM's floating rate debt, which may have adverse effects on the results of its operations and cash flows.

An increase of sovereign spreads, and of the default risk they reflect, in the countries where TIM operates, may affect the value of its assets in such countries.

TIM may also be exposed to financial risks such as those related to the performance of the equity markets in general, and, more specifically, risks related to the performance of the share price of Group companies.

On 23 June 2016, the United Kingdom (the **U.K.**) held a referendum in which voters approved an exit from the European Union, commonly referred to as "Brexit". In March 2017, the UK triggered Article 50 of the Lisbon Treaty, thereby commencing proceedings to leave the European Union. The potential impact of Brexit will depend, in part, on the outcome of tariff, trade, regulatory and other negotiations. As a result of the referendum, global markets and currencies have been adversely impacted, including a sharp decline in the value of the British pound as compared to the U.S. dollar and the euro. Brexit, and even uncertainty over potential changes during any period of negotiation, could result in further instability in global financial markets and uncertainty with respect to national laws and regulations as the U.K. determines which E.U.

laws to replace or replicate. Any of these effects of Brexit, among other factors, could adversely affect TIM's business, financial condition, operating results and cash flows.

COMPLIANCE RISKS

Because TIM operates in a heavily regulated industry, regulatory decisions and changes in the regulatory environment could adversely affect its business.

TIM's fixed and mobile telecommunications operations, in Italy and abroad, are subject to regulatory requirements. As a member of the EU, Italy has adapted its regulatory legislation and rules for electronic communications services to the framework established by the EU Parliament and Council.

Pursuant to the EU regulatory framework, AGCom is required to identify operators with "Significant Market Power" (**SMP**) in the relevant markets subject to regulation. On the basis of market analyses proceedings (**Market Analyses**), AGCom imposes on TIM requirements necessary to address identified competition problems. Current requirements are mainly focused on the regulation of TIM's wholesale business, while the regulation of retail markets has been largely withdrawn, with the exception of price tests on retail access offers (for telephone, broadband and ultra-broadband services).

Within this regulatory framework, the main risks TIM faces include:

- lack of predictability concerning both the timing of the regulatory proceedings and their final outcome;
- possible AGCom decisions with retroactive effects (e.g., review of prices of past years following the decisions of Administrative Courts).

In principle, a new "round" of Market Analyses should be conducted by AGCom every three years, in order to deal with the evolution of market conditions and technology developments and set the rules for the subsequent three-year period.

However, the regulatory review process does not always follow the expected schedule.

Regulation is a key factor in evaluating the likelihood of return on investments and therefore in deciding where to invest. Regulatory uncertainty and regulatory changes imposed on TIM can impact its revenues and can make it more difficult to make important investment decisions.

Moreover, a high level of the disputes arising from operators challenging AGCom decisions before Administrative Courts have resulted in an even greater degree of uncertainty with respect to rules and economic requirements.

The Italian Antitrust Authority (*Autorità Garante per la Concorrenza ed il Mercato*—**AGCM**) may also intervene in TIM's business, setting fines and/or imposing changes in its service provision operating processes and in its offers.

In December 2015, TIM began implementation of a new model that includes a number of structural changes in the provision of its bottleneck access services (on both copper and fiber networks), aimed at meeting the requirements and recommendations issued by AGCom, AGCM, the Supervisory Board (*Organo di Vigilanza per la Parità di Accesso*) and the Supreme Administrative Court (*Consiglio di Stato*) (the **New Equivalence Model**). The New Equivalence Model, which was completed on 30 April 2017, will improve the current equality of access guarantees by means of a greater symmetry in organisation, processes, information systems and databases for the provision of bottleneck access services in order to decrease future regulatory, competition and litigation risks.

TIM's Brazilian Business Unit is also subject to extensive regulation. TIM's international operations, therefore, face similar regulatory issues as it faces in Italy, including the possibility for regulators to impose

obligations and conditions on how TIM operates its businesses in Brazil as well as taking decisions that can have an adverse effect on its results, including setting, and in particular, reducing the mobile termination rates it can charge. As a result, the decisions of regulators or the implementation of new regulations in Brazil and the costs of TIM's compliance with any such decisions or new regulations, may limit TIM's flexibility in responding to market conditions, competition and changes in its cost base which could individually or in the aggregate, have a material adverse effect on TIM's business and results of operations.

Due to the continuous evolution of the regulatory regime affecting various parts of TIM's business in Italy and in its international operations, TIM is unable to clearly predict the impact of any proposed or potential changes in the regulatory environment in which it operates in Italy, Brazil and its other international markets. Regulations in the telecommunications industry are constantly changing to adapt to new competition and technology. Changes in laws, regulation or government policy could adversely affect TIM's business and competitiveness. In particular, TIM's ability to compete effectively in its existing or new markets could be adversely affected if regulators decide to expand the restrictions and obligations to which it is subject or extend them to new services and markets. Finally, decisions by regulators regarding the granting, amendment or renewal of its authorisations, or those of third parties, could adversely affect TIM's future operations in Italy and in other countries where it operates.

TIM operates under authorisations granted by government authorities.

Many of TIM's activities require authorisations from governmental authorities both in Italy and abroad. These authorisations specify the types of services the operating company holding such authorisation may provide. The continued existence and terms of TIM's authorisations are subject to review by regulatory authorities and to interpretation, modification or termination by these authorities. Although authorisation renewal is not usually guaranteed, most authorisations do address the renewal process and terms that may be affected by political and regulatory factors.

Many of these authorisations are revocable for public interest reasons. In addition, TIM's current authorisations to provide networks and services require that it satisfies certain obligations, including minimum specified quality levels, service and coverage conditions. Failure to comply with these obligations could result in the imposition of fines or even in the revocation or forfeiture of the authorisation. In addition, the need to meet scheduled deadlines may require TIM to expend more resources than otherwise budgeted for a particular network build-out.

Additional authorisations may also be required if TIM expands its services into new product areas, and such authorisations may be related to auctions (e.g. in the assignment of spectrum right of use) or otherwise prove expensive or require significant cash outlays, or have certain terms and conditions, such as requirements related to coverage and pricing, with which TIM may not have previously had to comply. If TIM is unable to obtain such authorisations within the expected timeframe, at a commercially acceptable cost, or if the authorisations include onerous conditions, it could have a material adverse effect on TIM's business, financial condition and results of operations.

In Brazil TIM also operates under an authorisations regime. As a result, TIM is obliged to maintain minimum quality and service standards. TIM's failure to comply with the requirements imposed by ANATEL and by the Brazilian Government may result in the imposition of fines or other government actions, including the suspension of the service commercialisation for a given period.

Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to litigation or decreased mobile communications usage.

The effects of, and any damage caused by, exposure to an electromagnetic field were and are the subject of careful evaluations by the international scientific community, but until now there is no scientific evidence of harmful effects on health. TIM cannot rule out that exposure to electromagnetic fields or other emissions originating from wireless handsets will not be identified as a health risk in the future.

TIM's mobile communications business may be harmed as a result of these alleged health risks. For example, the perception of these health risks could result in a lower number of customers, reduced usage per customer or potential consumer liability. In addition, although Italian law already imposes strict limits in relation to transmission equipment, these concerns may cause regulators to impose greater restrictions on the construction of radio base station towers or other infrastructure, which may hinder the completion of network build-outs and the commercial availability of new services and may require additional investments.

TIM faces the risk that its organisational policies and procedures embodied in the organisational model prepared pursuant to Legislative Decree 231/2001 may fail to prevent certain officers and employees from engaging in unlawful conduct, for which TIM would be jointly liable.

TIM has put in place an organisational model pursuant to Legislative Decree 231/2001, in order to create a system of rules capable of preventing certain forms of unlawful conduct by senior management, executives and employees generally that might result in liabilities for TIM. The organisational model has been adopted by TIMs and by its Italian subsidiaries. A specific version of the organisational model has been adopted by TIM Participações pursuant to the anti-corruption Brazilian law (Lei 12.846/13).

The organisational model is continuously reviewed and must be kept up to date to reflect changes in operations and in the regulatory environment. TIM has established a 231 steering committee to prepare and consider proposals for changes to the model, for submission to the Board for approval.

Notwithstanding the existence of this model or any updates that TIM may make to it, there can be no assurances that the model will function as designed, or that it will be considered adequate by any relevant legal authority. If the model is inadequate or deemed to be so, and if TIM were to be held liable for acts committed by its senior management, executives and employees or are found otherwise non-compliant with the requirements of the legislation, TIM may be ordered to pay a fine, its authorisations, licenses or concessions may be suspended or revoked, and TIM may be prohibited from conducting business, contracting with the Italian public administration, or advertising goods and services. Such developments would have adverse effects on its business, results of operations, financial condition and cash flows.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE NOTES ISSUED UNDER THE PROGRAMME.

Risks related to the structure of a particular issue of Notes.

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common features:

Risks applicable to all Notes.

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time.

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.

Fixed/Floating Rate Notes to which Condition 5.3 (Change of Interest Basis) applies are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market in, and the market value of, the Notes since the Issuer may be expected to convert the rate when it is likely to result in a lower overall cost of borrowing for the Issuer. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally.

Set out below is a description of material risks relating to the Notes generally.

The Conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders.

The Conditions contain provisions for convening meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 15.

The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes.

The value of the Notes could be adversely affected by a change in English law or administrative practice.

The Conditions are based on English law in effect as at the date of this EMTN Programme Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this EMTN Programme Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

Investors who hold less than the Minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued.

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Investing in the Notes may negatively impact on the “Aiuto alla Crescita Economica” (ACE) benefit available to certain Italian resident noteholders (or Italian permanent establishments of non-resident noteholders)

Effective as of the fiscal year following the fiscal year that was current on 31 December 2015, Article 1(550) of Law No. 232 of 11 December 2016 (Finance Act 2017) added paragraph 6-bis to Article 1 of Law Decree No. 201 of 6 December 2011, converted into Law No. 214 of 22 December 2011. Under this new rule, the base upon which the “Aiuto alla Crescita Economica” benefit set forth in Article 1 of Law Decree No. 201 of 6 December 2011 (**ACE Benefit**) is computed is reduced by an amount equal to the positive difference (if any) between (i) the aggregate book value of securities (titoli e valori mobiliari) other than shares reported in

the taxpayer's financial statements for the relevant fiscal year and (ii) the aggregate book value of securities (titoli e valori mobiliari) other than shares reported in the taxpayer's financial statements for the fifth previous fiscal year (or, depending on the conversion into law of Law Decree No. 50 of 24 April 2017, in the taxpayer's financial statements for the fiscal year that was current on 31 December 2010). Only Italian resident persons carrying on an entrepreneurial activity (and in particular Italian resident corporations) and Italian permanent establishments of non-resident persons can enjoy the ACE Benefit. The new restrictive rule enacted by Finance Act 2017 applies only to taxpayers other than banks and insurance companies.

Because of this new rule, the investment in the Notes by Italian resident noteholders (other than banks and insurance companies) might reduce the amount of the ACE Benefit that they may be able to enjoy. Noteholders are thus urged to consult their own tax advisers concerning the implications that holding the Notes may have on the ACE Benefit available to them.

Risks related to the market generally.

Set out below is a description of the material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes.

The Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.

The Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuers, the Guarantor to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to the Issuers, the Guarantor or any Notes may not reflect all the risks associated with an investment in those Notes.

One or more independent credit rating agencies may assign credit ratings to the Issuers, the Guarantor or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority (ESMA) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this EMTN Programme Prospectus.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuers may from time to time issue Notes denominated in any currency, subject as set out herein. An overview of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the relevant Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the terms and conditions of the Notes (the **Conditions**) endorsed on, attached to, or incorporated by reference into, the Notes, as modified by the applicable Final Terms attached to, or endorsed on, such Notes, as more fully described under “*Form of the Notes*” below.

This EMTN Programme Prospectus and any supplement to this EMTN Programme Prospectus will only be valid for admission of the Notes to trading on the regulated market of the Luxembourg Stock Exchange and listing of the Notes on the official list of the Luxembourg Stock Exchange during the period of 12 months from the date of this EMTN Programme Prospectus in an aggregate principal amount which, when added to the aggregate principal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed €20,000,000,000 or its equivalent in other currencies. For the purpose of calculating the euro equivalent of the aggregate principal amount of Notes issued under the Programme from time to time:

- (a) the euro equivalent of Notes denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the relevant Notes, described under “*Form of the Notes*”) shall be determined, at the discretion of the relevant Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the euro against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;
- (b) the euro equivalent of Zero Coupon Notes (as specified in the applicable Final Terms in relation to the relevant Notes, described under “*Form of the Notes*”) and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the relevant Issuer for the relevant issue.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been or are published simultaneously with this EMTN Programme Prospectus and have been filed with the CSSF shall be deemed to be incorporated in, and to form part of, this EMTN Programme Prospectus:

- the Terms and Conditions contained in the EMTN Programme Prospectus dated 8 July 2016, pages 51 to 81 (inclusive), prepared by the Issuer in connection with the Programme;
- the audited consolidated annual financial statements as of and for each of the financial years ended 31 December 2016 and 2015 of the TIM Group (the **2016 TIM Annual Report** and the **2015 TIM Annual Report**, respectively);
- the TIM Annual Report on Form 20-F for the financial year ended 31 December 2016, including the exhibits thereto, pursuant to the U.S. Securities Exchange Act of 1934, as amended (the **TIM 2016 Form 20-F**);
- the unaudited condensed consolidated interim financial information as of and for the three months ended 31 March 2017 of the TIM Group (the **TIM Group's Quarterly Report at 31 March 2017**);
- the audited consolidated annual financial statements as of and for the financial year ended 31 December 2016 of TI Finance; and
- the audited unconsolidated annual financial statements as of and for each of the financial years ended 31 December 2016 and 2015 of TI Finance,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this EMTN Programme Prospectus to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this EMTN Programme Prospectus. Any other information incorporated by reference that is not included in the cross-reference list below, is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation.

The Issuers and (in the case of Notes issued by TI Finance) the Guarantor will provide upon request, without charge, a copy of any or all of the documents deemed to be incorporated herein by reference. Requests for such documents should be directed to any of the Issuers or to the Guarantor at their respective offices set out at the end of this EMTN Programme Prospectus. In addition, such documents will be available free of charge at the principal office in Luxembourg of Deutsche Bank (Luxembourg) S.A. for Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or listed on the official list of the Luxembourg Stock Exchange and will be available on the website of the Luxembourg Stock Exchange: *www.bourse.lu*.

The Issuers and (in the case of Notes issued by TI Finance) the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this EMTN Programme Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this EMTN Programme Prospectus or publish a new base prospectus for use in connection with any subsequent issue of Notes.

The following information from TIM's and TI Finance's annual and interim reports is incorporated by reference, and the following cross-reference lists are provided to enable investors to identify specific items of information so incorporated:

Document	Information incorporated	Location
TIM's Audited Consolidated Annual Financial Statements for the Financial Year Ended 31 December 2016	Alternative Performance Measures	pp. 70-71
	Financial information concerning TIM Group's assets and liabilities, financial position and profits and losses:	
	Consolidated Statements of Financial Position	pp.142-143
	Separate Consolidated Income Statements	p. 144
	Consolidated Statements of Comprehensive Income	p. 145
	Consolidated Statements of Changes in Equity	p. 146
	Consolidated Statements of Cash Flows	pp. 147-148
	Notes to the Consolidated Financial Statements	pp. 149-290
	Certification of the Consolidated Financial Statements Pursuant to art. 81-ter of Consob Regulation 11971 of 14 May 1999, with Amendments and Additions	p. 291
	Independent Auditors' Report	pp. 292-293
TIM's Audited Consolidated Annual Financial Statements for the Financial Year Ended 31 December 2015	Alternative Performance Measures	pp. 90-91
	Financial information concerning TIM Group's assets and liabilities, financial position and profits and losses:	
	Consolidated Statements of Financial Position	pp. 168-169
	Separate Consolidated Income Statements	p. 170
	Consolidated Statements of Comprehensive Income	p. 171

Document	Information incorporated	Location
	Consolidated Statements of Changes in Equity	p. 172
	Consolidated Statements of Cash Flows	pp. 173-174
	Notes to the Consolidated Financial Statements	pp. 175-330
	Certification of the Consolidated Financial Statements Pursuant to art. 81-ter of Consob Regulation 11971 of 14 May 1999, with Amendments and Additions	p. 331
	Independent Auditors' Report	pp. 332-333
TIM 2016 Form 20-F	Risk Factors	pp. 5-16
	Business	pp. 24-29
	Business Units	pp. 30-37
	Regulation	pp. 38-57
	Transactions with U.S. Sanctioned Countries	pp. 58-61
	Directors	pp. 145-151
	Executive Officers	pp. 152-154
	Board of Auditors	p. 155
	Major Shareholders	pp. 168-170
TIM Group's Quarterly Report at 31 March 2017	Alternative Performance Measures	pp. 46-47
	Financial information concerning TIM Group's assets and liabilities, financial position and profits and losses:	
	Consolidated Statements of Financial Position	pp. 50-51
	Separate Consolidated Income Statements	p. 52
	Consolidated Statements of Comprehensive Income	p. 53
	Consolidated Statements of Changes in Equity	p. 54

Document	Information incorporated	Location
	Consolidated Statements of Cash Flows	pp. 55-56
	Notes to the Consolidated Financial Statements	pp. 57-91
	Declaration by the Manager Responsible for Preparing the Corporate Financial Reports	p. 92
TI Finance's Audited Consolidated Annual Financial Statements for the Financial Year Ended 31 December 2016	Financial information concerning TI Finance's assets and liabilities, financial position and profits and losses:	
	Consolidated Statements of Financial Position	pp. 12-13
	Separate Consolidated Income Statements	p. 14
	Consolidated Statements of Comprehensive Income	p. 15
	Consolidated Statements of Changes in Equity	p. 16
	Consolidated Statements of Cash Flows	p. 17
	Notes to the Annual accounts	pp. 18-78
	Certification of the Consolidated Financial Statements with amendments and additions	p. 79
	Independent Auditors' Report	pp. 80-81
TI Finance's Audited Unconsolidated Annual Financial Statements for the Financial Year Ended 31 December 2016	Financial information concerning TI Finance's assets and liabilities, financial position and profits and losses:	
	Balance Sheet	pp. 7-8
	Profit and Loss Account	p.9
	Cash flow Statement	p. 10
	Explanatory Notes to the Financial Statements	pp. 11-25
	Declaration by Manager Responsible	p. 27

Document	Information incorporated for Financial Reporting	Location
	Independent Auditor's report	pp. 28-29
TI Finance's Audited Unconsolidated Annual Financial Statements for the Financial Year Ended 31 December 2015	Financial information concerning TI Finance's assets and liabilities, financial position and profits and losses:	
	Balance Sheet	pp. 7-8
	Profit and Loss Account	p. 9
	Cash flow Statement	p. 10
	Explanatory Notes to the Financial Statements	pp. 11-34
	Declaration by Manager Responsible for Financial Reporting	p. 35
	Independent Auditor's report	pp. 36-38

FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Global Note** and, together with a Temporary Global Note, each a **Global Note**) which, in either case, will:

- (a) if the Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, S.A. (**Clearstream, Luxembourg**); and
- (b) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depository (the **Common Depository**) for, Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Global Note of the same Series or (ii) for definitive Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of

14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available or (iii) the relevant Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form and a certificate to such effect signed by a duly authorised representative of the relevant Issuer is given to the Trustee. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Notes (other than Temporary Global Notes) and on all interest coupons relating to such Notes where TEFRA D Rules are specified in the applicable Final Terms:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of Notes or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes on a date subsequent to the Issue Date of such further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such further Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

No Noteholder or Couponholder shall be entitled to proceed directly against the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

The Issuers and the Guarantor may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event a supplement to this EMTN Programme Prospectus or a new EMTN Programme Prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of at least €100,000 (or its equivalent in another currency).

[Date]

[TIM S.p.A.]

[TELECOM ITALIA FINANCE, *société anonyme*]

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
[Guaranteed by TIM S.p.A.]
under the €20,000,000,000
Euro Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended[, from 1 January 2018,] to be offered, sold or otherwise made available to and[, with effect from such date,] should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (**MiFID II**); or (ii) a customer within the meaning of Directive 2002/92/EC (IMD), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the **Conditions**) set forth in the EMTN Programme Prospectus dated 13 July 2017 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC, as amended (the **Prospectus Directive**) (the **EMTN Programme Prospectus**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the EMTN Programme Prospectus. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the EMTN Programme Prospectus. The EMTN Programme Prospectus has been published at *www.telecomitalia.it* and *www.bourse.lu* and copies may be obtained free of charge from the Issuer [or the Guarantor] at [its/their respective] registered office[s]. In addition, the EMTN Programme Prospectus will be available from the specified office of each of the Paying Agents.]

(The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.)

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the **Conditions**) set forth in the EMTN Programme Prospectus dated 8 July 2016 which is incorporated by reference in the EMTN Programme Prospectus dated 13 July 2017. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the **Prospectus Directive**) and must be read in conjunction with the EMTN Programme Prospectus dated 13 July 2017 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **EMTN Programme Prospectus**), including the Conditions incorporated by reference in the EMTN Programme Prospectus. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the EMTN Programme Prospectus. The EMTN

Programme Prospectus has been published at *www.telecomitalia.it* and *www.bourse.lu* and copies may be obtained from the Issuer [or the Guarantor] at [its/their respective] office[s] as well as from the specified office of each of the Paying Agents.]

(Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” or “N/A” is indicated for individual paragraphs or subparagraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.)

(When adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the EMTN Programme Prospectus under Article 16 of the Prospectus Directive.)

(If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.)

1. (a) Series Number: []
(b) Tranche Number: []
(c) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with [provide issue amount/ISIN/maturity date/issue date of earlier Tranches] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below, which is expected to occur on or about [date]][Not Applicable]
2. Specified Currency or Currencies: []
3. Aggregate Nominal Amount of Notes admitted to trading:
(a) Series: []
(b) Tranche: []
4. Issue Price: []% of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
5. (a) Specified Denominations: []

(N.B. Notes must have a minimum denomination of €100,000 (or equivalent))

(Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:

“[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].”)

- (b) Calculation Amount: []

(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)

6. (a) Issue Date: []
- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
7. Maturity Date: [Specify date or for Floating Rate Notes - Interest Payment Date falling in or nearest to [specify month and year]]
8. Interest Basis: [[]% Fixed Rate]
[[●] per cent. to be reset on [●] [and [●]] and every [●] anniversary thereafter]
[[[] month [LIBOR/EURIBOR] +/- []% Floating Rate]
[Zero Coupon]
(see paragraph 13/14/15 below)
9. Redemption/Payment Basis: [100 per cent.][Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [●] of their nominal amount]
10. Change of Interest Basis: [Applicable/Not Applicable]
- [If applicable, specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 13 and 14 below and identify there][Not Applicable]
- (a) Switch Option: [Applicable – [specify details of the change(s) in Interest Basis and the relevant Interest Periods to which the change(s) in Interest Basis applies]/[Not Applicable]
- (The Issuer must give notice of the exercise of the Switch Option to Noteholders in accordance with Condition 14 on or prior to the relevant Switch Option Expiry Date)*
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (b) Switch Option Expiry Date: [●]
- (c) Switch Option Effective Date: [●]
11. Put/Call Options: [Investor Put]
[Issuer Call]
- [Issuer Maturity Par Call]
[(see paragraphs 16/17/18 below)]

[Not Applicable]

12. [Date [Board] approval for issuance of Notes [and Guarantee] obtained:

[] [and [], respectively]]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. Fixed Rate Note Provisions: [Applicable]/[Not Applicable]/(if a Change of Interest Basis applies): [Applicable for the period starting from [and including] [●] ending on [but excluding] [●]]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Rate(s) of Interest: []% per annum payable in arrear on each Interest Payment Date

- (b) Interest Payment Date(s): [] in each year [from and including [●]] up to and including the Maturity Date

(Amend appropriately in the case of irregular coupons)

- (c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [] per [] Calculation Amount

- (d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [[] per Calculation Amount payable on the Interest Payment Date falling [in/on] []][Not Applicable]

- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]

- (f) Determination Date(s): [[] in each year][Not Applicable]
[Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]

14. Floating Rate Note Provisions [Applicable/Not Applicable]/(if a Change of Interest Basis applies): [Applicable for the period starting from [and including] [●] ending on [but excluding] [●]]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Specified Period(s)/Specified Interest [] [, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to

- Payment Dates: adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]
- (c) Additional Business Centre(s): []
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): []
- (f) Screen Rate Determination: Reference Rate: [] month [LIBOR/EURIBOR]
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR) (In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (g) ISDA Determination: []
(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)
- (h) Linear Interpolation [Not Applicable/Applicable – the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
- (i) Margin(s): [+/-] []% per annum
- (j) Minimum Rate of Interest: []% per annum
- (k) Maximum Rate of Interest: []% per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]
 [Actual/365 (Fixed)]
 [Actual/365 (Sterling)]
 [Actual/360]
 [30/360][360/360][Bond Basis]
 [30E/360][Eurobond Basis]
 [30E/360 (ISDA)]

15. Zero Coupon Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Accrual Yield: []% per annum
- (b) Reference Price: []
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]
 [Actual/360]
 [Actual/365]

PROVISIONS RELATING TO REDEMPTION

16. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount: [[] per Calculation Amount] [Make-whole Amount]
- (c) Redemption Margin: [[●] per cent.] [Not Applicable]
(Only applicable to Make-Whole Amount redemption)
- (d) Reference Bond: [insert applicable reference bond] [Not Applicable]
(Only applicable to Make-Whole Amount redemption)
- (e) Reference Dealers: [[●]] [Not Applicable]
(Only applicable to Make-Whole Amount redemption)
- (f) If redeemable in part:
- (i) Minimum Redemption Amount: [] per Calculation Amount
- (ii) Maximum Redemption Amount: [] per Calculation Amount
- (g) Notice periods: []
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other

notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)

17. Issuer Maturity Par Call [Applicable][Not Applicable]

Notice periods (if other than as set out in the Conditions) [Minimum period: [] days] [Not Applicable]
[Maximum period: [] days] [Not Applicable]

(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)

18. Investor Put: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Optional Redemption []
Date(s):

(b) Optional Redemption [] per Calculation Amount
Amount:

(c) Notice periods: Minimum period: [] days
Maximum period: [] days

(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)

19. Final Redemption Amount: [] per Calculation Amount

20. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [] per Calculation Amount

[(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is higher than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of Notes:

(a) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes only upon an Exchange Event]

(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)

(b) New Global Note: [Yes][No]

22. Additional Financial Centre(s): [Not Applicable/give details]
(Note that this item relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraph 14(c) relates)

23. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No.]

THIRD PARTY INFORMATION

[[*Relevant third party information*] has been extracted from [*specify source*]. [Each of the][The] Issuer [and the Guarantor] confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of the Issuer:

[Signed on behalf of the Guarantor:

By: _____
Duly authorised

By: _____
Duly authorised]

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Luxembourg Stock Exchange's][] [regulated]market and listed on [the Official List of the Luxembourg Stock Exchange][] with effect from [].]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Luxembourg Stock Exchange's][] [regulated]market and listed on [the Official List of the Luxembourg Stock Exchange][] with effect from [].] [Not Applicable.]

(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading)

- (ii) Estimate of total expenses related to admission to trading: []

2. RATINGS

[The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

[insert details]] by [insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms].

[Each of [defined terms] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**).]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating)

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates (including parent companies) have engaged, and may in the future engage, in lending, corporate finance, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates (including parent companies) in the ordinary course of business - *Amend as appropriate if there are other interests*]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]

4. **YIELD (Fixed Rate Notes only)** [] [Not Applicable]

5. HISTORIC INTEREST RATES (*Floating Rate Notes only*)

[Not Applicable][Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters].]

6. OPERATIONAL INFORMATION

- (i) ISIN: []
- (ii) Common Code: []
- (iii) Any clearing system(s) other than Euroclear and Clearstream Luxembourg and the relevant identification number(s): [Not Applicable/*give name(s), address(es) and number(s)*]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any): []
- (vi) Deemed delivery of clearing system notices for the purposes of Condition 14: Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.
- (vii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/
- [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

7. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/give names]
- (iii) Date of [Subscription] Agreement: []
- (iv) Stabilisation Manager(s) (if any): [Not Applicable/*give name*]
- (v) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (vi) U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA D Rules/TEFRA C Rules/TEFRA Not Applicable]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Form of the Notes” for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by TIM S.p.A. (**TIM**) or Telecom Italia Finance S.A. (**TI Finance** and, together with TIM (in its capacity as an issuer), the **Issuers** and each an **Issuer**) constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 13 July 2017 made between TIM (in its capacity both as an Issuer and as guarantor (in such capacity, the **Guarantor**) of Notes issued by TI Finance), TI Finance and Deutsche Trustee Company Limited (the **Trustee**, which expression shall include any successor as Trustee).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of the lowest Specified Denomination in the Specified Currency;
- (b) any Global Note; and
- (c) any definitive Notes issued in exchange for a Global Note.

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 13 July 2017 and made between TIM (in its capacity both as an Issuer and as the Guarantor), TI Finance, the Trustee, Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents). The Principal Paying Agent and the Paying Agents together referred to as the **Agents**.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which complete these Terms and Conditions (the **Conditions**). References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. The expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

Interest bearing definitive Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

The Trustee acts for the benefit of the Noteholders (which expression shall mean the holders of the Notes and shall, in relation to any Notes represented by a Global Note, be construed as provided below) and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the principal office for the time being of the Trustee being at 13 July 2017 at Winchester House, 1 Great Winchester Street, London EC2N 2DB, England and at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu), are available for viewing at www.telecomitalia.it and copies may be obtained from the Issuer or (in the case of Notes issued by TI Finance) the Guarantor at their respective registered offices, as well as from the specified office of each of the Paying Agents, save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the relevant Issuer and the Trustee or, as the case may be, the relevant Agent as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

In the Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. **FORM, DENOMINATION AND TITLE**

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable. Definitive Notes will be executed by a duly authorised representative of TIM in the case of Notes issued by TIM or by any two directors of TI Finance in the case of Notes issued by TI Finance.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The relevant Issuer, the Guarantor (in the case of Notes issued by TI Finance), the Trustee and any Agent will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking, S.A. (**Clearstream, Luxembourg**), each person

(other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error or proven error) shall be treated by the relevant Issuer, the Guarantor (in the case of Notes issued by TI Finance), the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the relevant Issuer, the Guarantor (in the case of Notes issued by TI Finance), the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of an error which is manifest or, in the opinion of the Trustee, proven, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms or as may otherwise be approved by the relevant Issuer, the Agent and the Trustee.

2. STATUS OF THE NOTES AND THE GUARANTEE

2.1 Status of the Notes

The Notes and any related Coupons are unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the relevant Issuer and rank *pari passu* among themselves and (save as aforesaid and for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.

2.2 Status of the Guarantee

In the case of Notes issued by TI Finance, the payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Trust Deed (the **Guarantee**). The Guarantor guarantees the payment of such amount when such amount becomes due and payable, whether at the stated maturity of the Notes, by declaration or acceleration, call for redemption or otherwise. The obligations of the Guarantor under the Guarantee are unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Guarantor and (save as aforesaid and for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

3. RESTRICTIONS ON SECURITY INTERESTS

So long as any Note remains outstanding, the relevant Issuer and (in the case of Notes issued by TI Finance) the Guarantor shall not create or permit to subsist any Security Interest other than Permitted Encumbrances upon the whole or any part of their present or future revenues or assets to secure any Capital Markets Indebtedness without at the same time or prior thereto taking any and all action necessary to ensure that:

- (i) all amounts payable by it under the Notes, any relative Coupons and the Trust Deed are secured by the Security Interest equally and rateably with the Capital Markets Indebtedness to the satisfaction of the Trustee; or
- (ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution (which is defined in the Trust Deed as a resolution duly passed by a majority of not less than three-quarters of the votes cast thereon) of the Noteholders.

For the avoidance of doubt in respect of asset-backed financings originated by TIM or TI Finance, the expressions “assets” and “obligations for the payment of borrowed money” as used in this Condition do not include assets and obligations of TIM or TI Finance which, pursuant to the requirements of law and accounting principles generally accepted in Italy or Luxembourg, as the case may be, currently need not be, and are not, reflected in the balance sheet of TIM or TI Finance, as the case may be.

As used herein:

Capital Markets Indebtedness means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by, a certificate of indebtedness or in the form of, or represented or evidenced by, bonds, notes or other securities, in each case which is/are listed or traded on a stock exchange or other recognised securities market;

Change of Interest Basis means, if applicable, the change of Interest Basis of the Notes as specified in the relevant Final Terms and in accordance with the provisions set out in Condition 5.3 (*Change of Interest Basis*);

Interest Basis has the meaning given in the applicable Final Terms;

Permitted Encumbrance means:

- (a) any encumbrance existing on the date on which agreement is reached to issue the first Tranche of the Notes;
- (b) any encumbrance over or affecting any asset acquired by the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor after the date on which agreement is reached to issue the first Tranche of the Notes and subject to which such asset is acquired, if:
 - (A) such encumbrance was not created in contemplation of the acquisition of such asset by the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor; and
 - (B) the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition of such asset by the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor;
- (c) any encumbrance over or affecting any asset of any company which becomes an obligor after the date on which agreement is reached to issue the first Tranche of the Notes, where such encumbrance is created prior to the date on which such company becomes an obligor, if:
 - (A) such encumbrance was not created in contemplation of that company becoming an obligor; and

- (B) the amount thereby secured has not been increased in contemplation of, or since the date of, that company becoming an obligor;
- (d) any netting or set-off arrangement entered into by any member of the TIM Group in the normal course of its banking arrangements for the purpose of netting debit and credit balances;
- (e) any title transfer or retention of title arrangement entered into by any member of the TIM Group in the normal course of its trading activities on the counterparty's standard or usual terms;
- (f) encumbrances created in substitution of any encumbrance permitted under subparagraphs (b)(A) and (b)(B) of this definition over the same or substituted assets provided that (1) the principal amount secured by the substitute encumbrance does not exceed the principal amount outstanding and secured by the initial encumbrance and (2) in the case of substituted assets, if the market value of the substituted assets at the time of the substitution does not exceed the market value of the assets replaced;
- (g) encumbrances created to secure:
 - (A) loans provided, supported or subsidised by a governmental agency, national or multinational investment guarantee agency, export credit agency or a lending organisation established by the United Nations, the European Union or other international treaty organisation, including, without limitation, the European Investment Bank, the European Bank for Reconstruction and Development and the International Finance Corporation; or
 - (B) Project Finance Indebtedness,

provided that the encumbrance is created on an asset of the project being financed by such loans (and/or on the shares in, and/or shareholder loans made to, the company conducting such project) or, as the case may be, such Project Finance Indebtedness, and remains confined to that asset (and/or shares and/or shareholder loans);
- (h) encumbrances arising out of the refinancing of any Capital Markets Indebtedness secured by any encumbrance permitted by the preceding sub-paragraphs, provided that the amount of such Capital Markets Indebtedness is not increased and is not secured by an encumbrance over any additional assets;
- (i) any encumbrance arising by operation of law;
- (j) any encumbrance created in connection with convertible bonds or notes where the encumbrance is created over the assets into which the convertible bonds or notes may be converted and secures only the obligation of the issuer to effect the conversion of the bonds or notes into such assets;
- (k) any encumbrance created in the ordinary course of business to secure Capital Markets Indebtedness under hedging transactions entered into for the purpose of managing risks arising under funded debt obligations such as credit support annexes and agreements;
- (l) any encumbrance over or affecting any asset of TIM to secure Capital Markets Indebtedness under a Permitted Leasing Transaction, provided that the aggregate Capital Markets Indebtedness secured by all such encumbrances does not exceed €1,000,000,000;
- (m) any encumbrance created on short-term receivables used in any asset-backed financing;

- (n) any encumbrance on real estate assets of TIM, any of its Subsidiaries or any person to which such real estate assets may be contributed by TIM or any of its Subsidiaries in connection with the issuance of any indebtedness, whether such indebtedness is secured or unsecured by such real estate assets or any other assets of such person to which real estate assets have been contributed by TIM or any of its Subsidiaries; and
- (o) any other encumbrance securing Capital Markets Indebtedness of an aggregate amount not exceeding 10 per cent. of the total net worth of TIM (as disclosed in the most recent audited consolidated balance sheet of TIM);

Permitted Leasing Transaction means one or more transactions or a series of transactions as a result of which TIM disposes of or otherwise transfers (including, without limitation, by way of sale of title or grant of a leasehold or other access, utilisation and/or possessory interest(s)) its rights to possess, use and/or exploit all or a portion of a particular asset or particular assets owned, used and/or operated by TIM (or its rights and/or interests in respect thereof) to one or more other persons in circumstances where TIM or an affiliate shall have the right to obtain or retain possession, use and/or otherwise exploit the asset or assets (or rights and/or interests therein) so disposed of or otherwise transferred;

Person means any individual, corporation, partnership, joint venture, limited liability company, trust, unincorporated organisation or government or agency or political subdivision thereof;

Project Finance Indebtedness means any indebtedness incurred by a debtor to finance the ownership, acquisition, construction, development and/or operation of an asset in respect of which the person or persons to whom such indebtedness is, or may be, owed have no recourse whatsoever for the repayment of or payment of any sum relating to such indebtedness other than:

- (a) recourse to such debtor for amounts limited to the cash flow from such asset; and/or
- (b) recourse to such debtor generally, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation, representation or warranty (not being a payment obligation, representation or warranty or an obligation, representation or warranty to procure payment by another or an obligation, representation or warranty to comply or to procure compliance by another with any financial ratios or other test of financial condition) by the person against whom such recourse is available; and/or
- (c) if such debtor has been established specifically for the purpose of constructing, developing, owning and/or operating the relevant asset and such debtor owns no other significant assets and carries on no other business, recourse to all of the assets and undertaking of such debtor and the shares in the capital of such debtor and shareholder loans made to such debtor;

Security Interest means (i) any mortgage, charge, pledge, lien or other encumbrance securing any obligation of any Person; and (ii) any arrangement providing a creditor with prior right to an asset, or its proceeds of sale, over other creditors in a liquidation;

Subsidiary means a corporation in respect of which more than 50% of the outstanding voting shares or equity interest having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time shares of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by the Guarantor or by one or more of its Subsidiaries, or by the Guarantor and one or more Subsidiaries; and

TIM Group means TIM and its Subsidiaries.

4. MERGERS AND SIMILAR EVENTS

So long as any Note remains outstanding, the relevant Issuer and (in the case of Notes issued by TI Finance) the Guarantor may each consolidate or merge with another company or firm, sell or lease all or substantially all of their respective assets to another company or buy or lease all or substantially all of the assets of another company, provided that the relevant Issuer and (as the case may be) the Guarantor shall not take any of these actions unless:

- (i) where the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor merges out of existence or sells or leases all or substantially all of its assets, the other company assumes all the then existing obligations of the relevant Issuer or (as the case may be) the Guarantor (including, without limitation, all obligations under the Notes and the Trust Deed), either by law or contractual arrangements;
- (ii) if the other company is organised under the laws of a country other than Luxembourg (in the case of TI Finance) or Italy (in the case of TIM), it must indemnify the Noteholders and Couponholders against (A) any tax, assessment or governmental charge imposed on any such Noteholder or Couponholder or required to be withheld or deducted from any payment to such Noteholder or Couponholder as a consequence of such merger, conveyance, transfer or lease and (B) any costs or expenses of the act of such merger, conveyance, transfer or lease; provided that, if such company is incorporated in Italy, such other company shall not be liable under such indemnity to pay any additional amounts either on account of “*imposta sostitutiva*” or on account of any other withholding or deduction in the event of payment of interest or other amounts paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with Italy; and
- (iii) the merger, sale or lease of all or substantially all of the assets of the relevant Issuer or (as the case may be) the Guarantor will not be an Event of Default (as defined in Condition 10) and no Event of Default or other event which, with the giving of notice or lapse of time or other condition (including, without limitation, certification from the Trustee), would be an Event of Default has occurred and is outstanding.

As long as the Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or listed on the official list of the Luxembourg Stock Exchange, in the case of such merger or consolidation, TIM will advise the Luxembourg Stock Exchange, a supplement to the EMTN Programme base prospectus or, where so required by the relevant authority, a new EMTN Programme base prospectus will be prepared and the Noteholders will be notified in accordance with Condition 14.

5. INTEREST

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in these Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
 - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and means, with respect to euro, one cent.

5.2 Interest on Floating Rate Notes

(a) Interest Payment Dates

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls on the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In the Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Business Centre specified in the applicable Final Terms; and
- (b) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than any Additional Business Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is at the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either the London interbank offered rate (**LIBOR**) or the Euro-zone interbank offered rate (**EURIBOR**), as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph. In particular, if the Relevant Screen Page is not available or if, in the case of sub-clause 5.2(b)(B) no offered quotation appears or, in the case of sub-clause 5.2(b)(B), fewer than three offered quotations appear, in each case as at the Specified Time, the Issuer shall request each of the Reference Banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

(c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Principal Paying Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (i) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (ii) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

- (i) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

- (vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

- (vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(e) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of

time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

Designated Maturity means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the relevant Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes are for the time being listed in accordance with the rules of such stock exchange and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth TARGET Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **TARGET Business Day** means a day on which the TARGET2 System is open.

(g) Determination or Calculation by an agent appointed by the Trustee

If for any reason at any relevant time the Principal Paying Agent defaults in its obligation to determine the Rate of Interest or in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above, as the case may be, and in each case in accordance with paragraph (d) and (e) above, the Trustee may (at the expense of the relevant Issuer) appoint an agent to do so and in doing so, such agent shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, such agent shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent.

(h) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2, whether by the Principal Paying Agent or, if applicable, the Calculation Agent or an agent appointed by the Trustee, shall (in the absence of wilful default, bad faith or an error which is manifest or, in the opinion of the Trustee, proven) be binding on the relevant Issuer, the Guarantor (in the case of Notes issued by TI Finance), the Principal Paying Agent, the other Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the relevant Issuer, the Guarantor (in the case of Notes issued by TI Finance), the Noteholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Trustee or any agent appointed by the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 Change of Interest Basis

If Change of Interest Basis is specified as applicable in the applicable Final Terms, the interest payable in respect of the Notes will be calculated in accordance with Condition 5.1 or Condition 5.2, each applicable only for the relevant periods specified in the applicable Final Terms.

If Change of Interest Basis is specified as applicable in the applicable Final Terms, and Issuer's Switch Option is also specified as applicable in the applicable Final Terms, the Issuer may, on one or more occasions, as specified in the applicable Final Terms, at its option (any such option, a **Switch Option**), having given notice to the Noteholders in accordance with Condition 14 (Notices) and delivering such notice to the Paying Agent and the Calculation Agent on or prior to the relevant Switch Option Expiry Date, change the Interest Basis of the Notes from Fixed Rate to Floating Rate or Floating Rate to Fixed Rate or as otherwise specified in the applicable Final Terms with effect from (and including) the Switch Option Effective Date specified in the applicable Final Terms to (but excluding) the Maturity Date (or, where more than one Switch Option Effective Date is specified in the applicable Final Terms, up to and excluding the next following Switch Option Effective Date), provided that (A) the Switch Option may be exercised only in respect of all the outstanding Notes, (B) upon exercise of a Switch Option, the Interest Basis change will be effective from (and including) the relevant Switch Option Effective Date until the Maturity Date (or, where more than one Switch Option Effective Date is specified as applicable in the applicable Final Terms, up to and excluding the next following Switch Option Effective Date to the extent the related Switch Option is exercised), and (C) where a Switch Option has not been exercised prior to the relevant Switch Option Expiry Date, the Issuer shall no longer be entitled to exercise such Switch Option and the Interest Basis shall not change.

Switch Option Expiry Date and **Switch Option Effective Date** shall mean any date specified as such in the applicable Final Terms provided that any date specified in the applicable Final Terms as a Switch Option Effective Date shall be deemed as such subject to the exercise of the relevant Switch Option having been notified by the Issuer pursuant to this Condition and in accordance with Condition 14 (*Notices*) prior to the relevant Switch Option Expiry Date.

5.4 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

6. PAYMENTS

6.1 Method of payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

6.2 Presentation of definitive Notes and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

6.3 Payments in respect of Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

6.4 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the relevant Issuer or, as the case may be, the Guarantor (in the

case of Notes issued by TI Finance) will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the relevant Issuer or, as the case may be, the Guarantor (in the case of Notes issued by TI Finance) to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the relevant Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the relevant Issuer and the Guarantor (in the case of Notes issued by TI Finance), adverse tax consequences to the relevant Issuer or, as the case may be, the Guarantor (in the case of Notes issued by TI Finance).

6.5 Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) in the case of definitive Notes only, the relevant place of presentation;
 - (ii) any Additional Financial Centre specified in the applicable Final Terms; and
- (b) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

6.6 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.6); and
- (f) any premium and any other amounts (other than interest) which may be payable by the relevant Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed at least at par by the relevant Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

7.2 Redemption for tax reasons

Subject to Condition 7.6, the Notes may be redeemed at the option of the relevant Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the relevant Issuer satisfies the Trustee immediately before the giving of such notice that on the occasion of the next payment due under the Notes, the relevant Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 or (in the case of Notes issued by TI Finance) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case either:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and such obligation cannot be avoided by the relevant Issuer or, as the case may be, the Guarantor (in the case of Notes issued by TI Finance) taking reasonable measures available to it; or
- (b) where a Person into which the relevant Issuer or, as the case may be, the Guarantor is merged or to whom it has conveyed, transferred or leased all or substantially all of its assets is required to pay additional amounts, unless the sole purpose of such a merger would be to permit the relevant Issuer to redeem the Notes,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the relevant Issuer or, as the case may be, the Guarantor (in the case of Notes issued by TI Finance) would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the relevant Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (i) a certificate signed by a duly authorised representative of the relevant Issuer or, as the case may be, a duly authorised representative of the Guarantor (in the case of Notes issued by TI Finance) stating that the relevant Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the relevant Issuer so to redeem have occurred, and (ii) an opinion of independent legal advisers of recognised standing to the effect that the relevant Issuer or, as the case may be, the Guarantor (in the case of Notes issued by TI Finance) has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.6 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

7.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Final Terms, the relevant Issuer may, having given (unless otherwise specified in the Final Terms) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

The Optional Redemption Amount will either be the specified percentage of the nominal amount of the Notes stated in the applicable Final Terms or, if Make-Whole Amount is specified in the applicable Final Terms, will be an amount calculated by the Principal Paying Agent equal to the higher of:

- (a) 100 per cent. of the principal amount of the Note to be redeemed; or
- (b) as determined by the Reference Dealers (as defined below), the sum of the then current values of the remaining scheduled payments of principal and interest (not including any interest accrued on the Notes to, but excluding, the Optional Redemption Date) discounted to the Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) by 366) at the Reference Dealer Rate (as defined below) plus the Redemption Margin, plus, in each case, any interest accrued on the Notes to, but excluding, the Optional Redemption Date.

As used in this Condition 7.3:

Redemption Margin shall be as set out in the applicable Final Terms;

Reference Bond shall be as set out in the applicable Final Terms;

Reference Dealers shall be as set out in the applicable Final Terms; and

Reference Dealer Rate means with respect to the Reference Dealers and the Optional Redemption Date, the average of the five quotations of the mid-market annual yield to maturity of the Reference Bond or, if the Reference Bond is no longer outstanding, a similar security in the reasonable judgement of the Reference Dealers at 11.00 a.m. London time on the third business day in London preceding the Optional Redemption Date quoted in writing to the Issuer by the Reference Dealers.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. So long as the Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or listed on the official list of the Luxembourg Stock Exchange, such exchange will be informed once in each year of all Redeemed Notes and the aggregate principal amount of Notes outstanding.

7.4 Redemption at the option of the Issuer (Issuer Maturity Par Call):

If Issuer Maturity Par Call is specified as being applicable in the applicable Final Terms, the relevant Issuer may, having given not less than 30 nor more than 60 days' notice (or such other period of notice as is specified in the applicable Final Terms) in accordance with Condition 14, the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem the Notes then outstanding in whole, but not in part, at any time during the period commencing on (and including) the day that is 90 days prior to the Maturity Date to (but excluding) the Maturity Date, at the Final Redemption Amount specified in the applicable Final Terms, together (if appropriate) with interest accrued but unpaid to (but excluding) the date fixed for redemption.

7.5 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the relevant Issuer not less than 15 nor more than 30 days' notice in accordance with Condition 14, the relevant Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise (which notice shall be irrevocable) in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition and the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note the terms of which require presentation for recording changes to its nominal amount, at the same time

present or procure the presentation of the relevant Global Note to the Agent for notation accordingly. The Luxembourg Stock Exchange will be advised by the Agent of any such Note which has been redeemed.

7.6 Early Redemption Amounts

For the purpose of Condition 7.2 above and Condition 10:

- (a) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and
- (b) each Zero Coupon Note will be redeemed at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

RP means the Reference Price;

AY means the Accrual Yield (as indicated in the relevant Final Terms) expressed as a decimal; and

^y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 30-day months) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or, as the case may be, the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

7.7 Purchases

The relevant Issuer, the Guarantor (in the case of Notes issued by TI Finance), any Subsidiary of the relevant Issuer or (in the case of Notes issued by TI Finance) any Subsidiary of the Guarantor may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor, surrendered to any Paying Agent for cancellation.

7.8 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.7 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

7.9 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2, 7.3, 7.4 or 7.5 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.6(b) as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Principal Paying Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of any Relevant Jurisdiction unless such withholding or deduction is required by law. In such event, the relevant Issuer or, as the case may be, the Guarantor (in the case of Notes issued by TI Finance) will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction, except that no such additional amounts shall be payable:

- (a) in respect of any Note or Coupon presented for payment by or on behalf of a holder who is liable for such Taxes in respect of such Note or Coupon by reason of his having some connection with a Relevant Jurisdiction other than the mere holding of such Note or Coupon; or
- (b) in respect of any Note or Coupon presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.5); or
- (c) in respect of payments made by TIM with respect to any Note or Coupon for or on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. No. 239 of 1 April 1996 (**Decree No. 239**) as amended and/or supplemented or superseded as at the date on which agreement is reached to issue the first Tranche of the Notes.

For the avoidance of doubt, any withholding or deduction for or on account of *imposta sostitutiva* imposed following any amendment or supplement to or replacement of Decree No. 239 after the date on which agreement is reached to issue the first Tranche of the Notes shall not be an exception to the payment by TIM of the relevant additional amounts payable with respect to such Note or Coupon, to the extent that the amount of such withholding or deduction exceeds the amount of *imposta sostitutiva* payable by TIM with respect to such Note or Coupon pursuant to Decree No. 239 as amended and/or supplemented or superseded at the date on which agreement is reached to issue the first Tranche of the Notes.

Furthermore, no additional amount shall be payable by TIM with respect to any Note or Coupon for or on account of *imposta sostitutiva* if the holder becomes subject to *imposta sostitutiva* after the date on which agreement is reached to issue the first Tranche of the

Notes by reason of an amendment or supplement to or replacement of the list of countries which provide for a satisfactory exchange of information with Italy, according to Article 6 of Decree No. 239, as amended and/or supplemented or superseded as at the date on which agreement is reached to issue the first Tranche of the Notes; or

- (d) where such withholding or deduction is imposed on a payment by a Luxembourg paying agent to an individual resident in Luxembourg pursuant to the Law of 23 December 2005, as amended; or
- (e) in respect of any Note or Coupon presented for payment by or on behalf of a holder if such withholding or deduction may be avoided by such holder producing a declaration or other evidence of non-residence in the Relevant Jurisdiction to the relevant taxing authority or making any other claim or filing, unless such holder is not entitled to produce such declaration or other evidence or to make such other claim or filing.

Notwithstanding any other provision of the Terms and Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or any official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a **FATCA Withholding**). Neither the Issuer nor any other person will be required to pay additional amounts on account of any FATCA Withholding.

As used herein:

- (i) **Relevant Jurisdiction** means (A) irrespective of the identity of the Issuer, Italy and/or such other taxing jurisdiction to which TIM becomes subject, or any political subdivision or any authority thereof or therein having power to tax or (B) if the Issuer is TI Finance, the Grand-Duchy of Luxembourg and/or such other taxing jurisdiction to which TI Finance becomes subject, or any political subdivision or any authority thereof or therein having power to tax; and
- (ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

9. PRESCRIPTION

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. EVENTS OF DEFAULT AND ENFORCEMENT

10.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified to its satisfaction) (but only if, except in relation to paragraph 10.1(a) below, the Trustee shall have certified in writing to the relevant Issuer and (in the case of Notes issued by TI Finance) the Guarantor that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the relevant Issuer that the Notes are, and the Notes shall thereupon immediately become, due and repayable at their Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an **Event of Default**) shall have occurred and be continuing:

- (a) *Non-payment*: default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 10 days in the case of principal and 30 days in the case of interest; or
- (b) *Breach of other obligations*: the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and the failure continues for the period of 60 days next following the service by the Trustee on the relevant Issuer or (as the case may be) the Guarantor of notice requiring the same to be remedied; or
- (c) *Cross-default of Issuer or Guarantor*:
 - (i) any Capital Markets Indebtedness of the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor in excess of €100,000,000 (or the equivalent thereof in other currencies) has to be repaid prematurely due to a default under its terms; or
 - (ii) the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor fails to fulfil any payment obligation exceeding €100,000,000 (or the equivalent thereof in other currencies) under any Capital Markets Indebtedness of the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor, or under any guarantee provided for any such Capital Markets Indebtedness in excess of €100,000,000 (or the equivalent thereof in other currencies) of others, and such failure continues for a period of 30 days; or
 - (iii) any security or guarantee relating to Capital Markets Indebtedness in excess of €100,000,000 (or the equivalent thereof in other currencies) provided by the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor is enforced by the lenders and such enforcement is not contested in good faith by the relevant Issuer or (as the case may be) the Guarantor or the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor publicly announces their inability to meet their financial obligations; or
- (d) *Insolvency*:
 - (i) a court opens insolvency or equivalent proceedings against the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor which are not resolved within six months, unless such proceedings are frivolous or vexatious and contested in good faith and appropriately and do not result in court orders or the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor applies for such insolvency or equivalent proceedings; or

- (ii) the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor approves a resolution pursuant to which it goes into liquidation or (in the case of Notes issued by TI Finance) it goes into liquidation or initiates or consents to proceedings under any applicable bankruptcy or insolvency law (including, without limitation, controlled management (*gestion contrôlée*), suspension of payments (*sursis de paiement*), a moratorium or a composition) unless this is done in connection with a merger, or other form of combination with another company and such company assumes all obligations contracted by TI Finance or TIM, in connection with the Notes and the Trust Deed; or
- (e) *Guarantee not in force*: in the case of Notes issued by TI Finance, the Guarantee ceases to be valid or legally binding for any reason.

10.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the relevant Issuer and/or (in the case of Notes issued by TI Finance) the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding and (b) it shall have been indemnified to its satisfaction.

No Noteholder or Couponholder shall be entitled to proceed directly against the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

11. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the relevant Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

12. AGENTS

The initial Agents are set out above. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The relevant Issuer and the Guarantor (in the case of Notes issued by TI Finance) are entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent; and
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such places as the rules of the relevant stock exchange require (which, if the relevant stock exchange is the Luxembourg Stock Exchange, shall be Luxembourg); and

In addition, the relevant Issuer and the Guarantor (in the case of Notes issued by TI Finance) shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances

described in Condition 6.4. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the relevant Issuer and (in the case of Notes issued by TI Finance) the Guarantor and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

All notices regarding the Notes will be deemed to be validly given (a) if published in a leading English language daily newspaper of general circulation in London (it is expected that such publication will be made in the *Financial Times* in London) and (b) if and for so long as the Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or listed on the official list of the Luxembourg Stock Exchange if published on the website of the Luxembourg Stock Exchange: www.bourse.lu or in another manner of publication in accordance with the Luxembourg laws and regulations implementing Directive 2004/109/EC and, if so required, in accordance with the rules of such exchange. The relevant Issuer shall also ensure that notices are duly published in a manner which complies with any applicable laws and regulations and with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to listing including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such websites the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on such day as is specified in the applicable Final Terms after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION, DETERMINATION AND SUBSTITUTION

15.1 Meetings in respect of Notes issued by TI Finance

In respect of Notes issued by TI Finance, the Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by TI Finance, the Guarantor or the Trustee and shall be convened by TI Finance if required in writing by Noteholders holding not less than 5 per cent in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than one-half in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that, at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds or at any adjourned such meeting the quorum shall be one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Trustee may, without the consent of the Noteholders, agree with TI Finance to the substitution in place of TI Finance (or of any previous substitute under this Condition 15.1) as the principal debtor under the Notes, Coupons and the Trust Deed of another company, being either (i) the Guarantor or (ii) a Subsidiary of the Guarantor, subject to (a) (in the case of (ii)) the Notes being unconditionally and irrevocably guaranteed by the Guarantor, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution, (c) the Guarantor or the Subsidiary of the Guarantor substituted in place of TI Finance indemnifying the Noteholders and Couponholders against (A) any tax, assessment or governmental charge imposed on any such Noteholder or Couponholder or required to be withheld or deducted from any payment to such Noteholder or Couponholder as a consequence of such substitution and (B) any costs or expenses of the act of such substitution, except that the Guarantor or, as the case may be, the Subsidiary of the Guarantor (provided that such Subsidiary is incorporated in Italy) shall not be liable under such indemnity to pay any additional amounts either on account of *imposta sostitutiva* or on account of any other withholding or deduction in the event of payment of interest or other amounts paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with Italy and (d) certain other conditions set out in the Trust Deed being complied with. As long as the Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or listed on the official list of the Luxembourg Stock Exchange, in the case of such a substitution, TI Finance will advise the Luxembourg Stock Exchange, a supplement to this EMTN Programme Prospectus will be prepared and the Noteholders will be notified in accordance with Condition 14.

The Trustee may also, without the consent of the Noteholders, agree with TI Finance and the Guarantor to the substitution in place of the Guarantor (or of any previous substitute under this Condition 15.1) as guarantor of the Notes of another company, being any entity that may succeed to, or to which the Guarantor (or any previous substitute under this Condition 15.1) may transfer, all or substantially all of the assets and business of the Guarantor (or any previous substitute under this Condition 15.1) by operation of law, contract or otherwise, subject to (a) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution, (b) the company substituted in place of the Guarantor indemnifying the Noteholders and Couponholders against (A) any tax, assessment or governmental charge imposed on any such Noteholder or

Couponholder or required to be withheld or deducted from any payment to such Noteholder or Couponholder as a consequence of such substitution and (B) any costs or expenses of the act of such substitution, except that (provided that such company is incorporated in Italy) such company shall not be liable under such indemnity to pay any additional amounts either on account of *imposta sostitutiva* or on account of any other withholding or deduction in the event of payment of interest or other amounts paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with Italy and (c) certain other conditions set out in the Trust Deed being complied with.

15.2 Meetings in respect of Notes issued by TIM

In respect of Notes issued by TIM, the Trust Deed contains provisions consistent with the laws, legislation, rules and regulations of the Republic of Italy (including without limitation Legislative Decree No. 58 of 24 February 1998, as amended) for convening meetings of the Noteholders to consider any matter affecting their interests, including any modifications of the Conditions or of any provisions of the Trust Deed. The above provisions are subject to compliance with mandatory laws, rules and regulations of the Republic of Italy in force from time to time.

The quorum and the majorities for passing resolutions at any such meetings are established by Article 2415 of the Italian Civil Code, Legislative Decree No. 58 of 24 February 1998 and TIM's by-laws.

Resolutions passed at any meeting of the Noteholders shall be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders. In accordance with the Italian Civil Code, a *rappresentante comune*, being a joint representative of Noteholders, may be appointed in accordance with Article 2417 of the Italian Civil Code in order to represent the Noteholders' interest hereunder and to give execution to the resolutions of the meeting of the Noteholders.

The Trustee may, without the consent of the Noteholders, agree with TIM to the substitution in place of TIM (or of any previous substitute under this Condition 15.2) as the principal debtor under the Notes, Coupons and the Trust Deed of another company, being any entity that may succeed to, or to which TIM (or any previous substitute under this Condition 15.2) may transfer, all or substantially all of the assets and business of TIM (or any previous substitute under this Condition 15.2) by operation of law, contract or otherwise, subject to (a) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (b) certain other conditions set out in the Trust Deed being complied with. As long as the Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or listed on the official list of the Luxembourg Stock Exchange, in the case of such a substitution, TIM will advise the Luxembourg Stock Exchange, a supplement to this EMTN Programme Prospectus will be prepared and the Noteholders will be notified in accordance with Condition 14.

15.3 Waiver, authorisation, determination and exercise by the Trustee of discretions etc.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct an error which is manifest or, in the opinion of the Trustee, proven. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and the Couponholders and, unless the Trustee otherwise agrees, any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the relevant Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

16. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER AND/OR THE GUARANTOR

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the relevant Issuer, the Guarantor (in the case of Notes issued by TI Finance) and/or any of their respective Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the relevant Issuer, the Guarantor (in the case of Notes issued by TI Finance) and/or any of their respective Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

17. FURTHER ISSUES

The relevant Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing law

The Trust Deed, the Securities and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes and the Coupons are governed by, and shall be construed in accordance with, English law, save, in respect of Notes issued by TIM, for Condition 15 and the provisions of the Trust Deed concerning the meeting of Noteholders and the appointment of the *rappresentante comune* in respect of the Notes which are subject to

compliance with Italian law. The provisions of Articles 84 to 94-8 of the Luxembourg law on commercial companies of 10 August 1915, as amended, are excluded.

19.2 Submission to jurisdiction

- (a) Subject to Condition 19.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes and/or the Coupons including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations which may arise out of or in connection with the Trust Deed, the Notes and/or the Coupons (a **Dispute**) and accordingly each of the relevant Issuer and the Guarantor (in the case of Notes issued by TI Finance), to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition 19.2, each of the relevant Issuer and the Guarantor (in the case of Notes issued by TI Finance) waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) To the extent allowed by law, the Trustee, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

19.3 Appointment of Process Agent

Each of the Issuer and the Guarantor (in the case of Notes issued by TI Finance) irrevocably appoints TI Sparkle UK Limited at 6 New Street Square, London , EC4A 3DJ as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of TI Sparkle UK Limited being unable or unwilling for any reason so to act, it will immediately appoint another person approved by the Trustee as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the relevant Issuer for its general corporate purposes.

DESCRIPTION OF TIM

The legal name of the company is Telecom Italia S.p.A., named also “TIM S.p.A.”.

At the annual shareholders’ meeting that took place on 25 May 2016, shareholders approved an amendment to the company’s by-laws, so that Telecom Italia may also and alternatively be named “TIM S.p.A.”.

TIM is a joint-stock company established under Italian law on 29 October 1908, with its registered office at Via Gaetano Negri 1, 20123 Milan, Italy. Its telephone number is +39 (02) 85951. TIM is recorded in the Milan Companies Register at number 00488410010, R.E.A. (*Repertorio Economico Amministrativo*) at number 1580695 and R.A.E.E. (*Rifiuti di Apparecchiature Elettriche ed Elettroniche*) register at number IT08020000000799.

The duration of TIM, as stated in the company’s by-laws, extends until 31 December 2100.

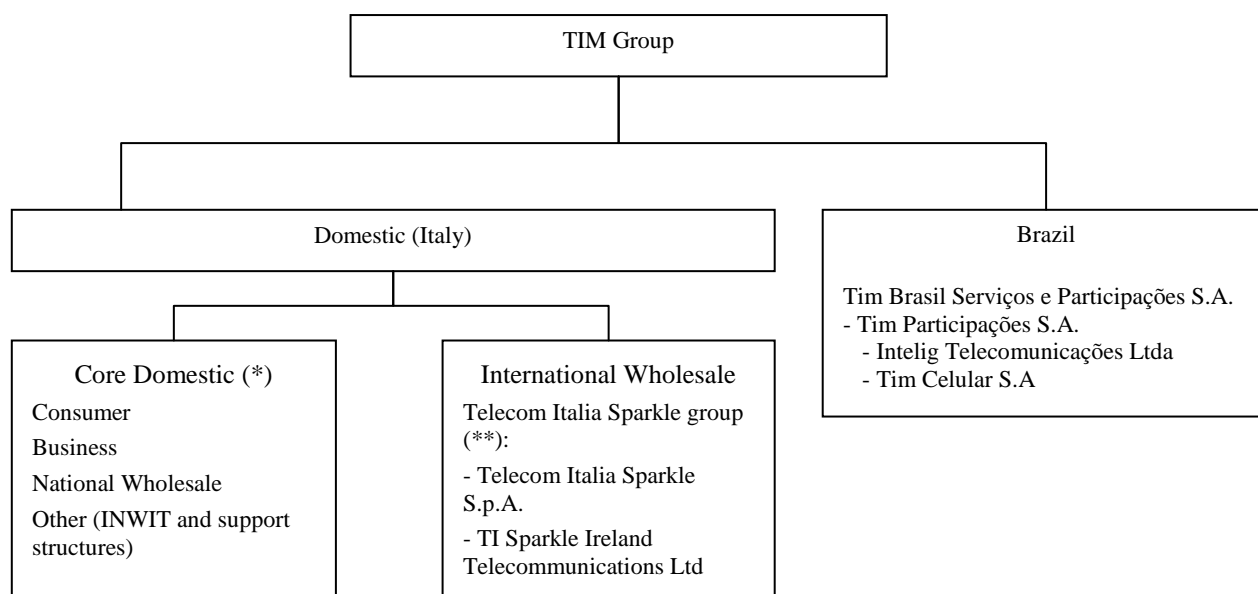
TIM complies with applicable Italian corporate governance rules. For additional details on corporate governance of the TIM Group, reference should be made to the corporate website: www.telecomitalia.com, where, in the “Corporate” channel (under “Governance” –“Governance system”), the Annual report on corporate governance is available.

TIM’s business objectives can be found in article 3 of its by-laws.

Overview of the TIM Group’s Major Business Areas

TIM is the parent company of the TIM Group.

The following is a chart of the TIM Group’s Business Units as of 31 March 2017:



(*) Main subsidiaries: TIM S.p.A., INWIT S.p.A., Telenergia S.p.A., Telecontact Center S.p.A., Olivetti S.p.A., HR Services S.r.l. and Noverca.

(**) The shareholders of TI Sparkle Ireland Telecommunications (“TIS Ireland”) and of Telecom Italia Sparkle S.p.A. (“TIS”) approved the cross-border merger by absorption of TIS Ireland into its sole shareholder TIS on 11 May 2017 and 5 May 2017, respectively; the merger is expected to become effective around the end of July 2017.

Share Capital

The table below contains a breakdown of the share capital of TIM as at 31 March 2017:

	<u>Number of Shares</u>	<u>Value (€)</u>
Issued, paid and relevant filing made with the Company Register		
Ordinary Shares ⁽¹⁾	15,203,122,583	8,361,717,420.65
Savings Shares ⁽¹⁾	6,027,791,699	3,315,285,434.45
Total.....	<u>21,230,914,282</u>	<u>11,677,002,855.10</u>

Note:

(1) All shares are without par value.

Recent developments

The ordinary Shareholders' Meeting of TIM held on 4 May 2017, inter alia, appointed the new Board of Directors establishing the number of Directors at 15, the duration of their term of office at three financial years (until the approval of the financial statements as of 31 December 2019), the total annual compensation of the Board at 2,200,000 euros, to be distributed among its members in compliance with the resolutions approved by the Board itself. The following 10 Directors were appointed from the slate presented by Vivendi (Arnaud Roy de Puyfontaine, Hervé Philippe, Frédéric Crépin, Giuseppe Recchi, Flavio Cattaneo, Félicité Herzog, Franco Bernabè, Marella Moretti, Camilla Antonini and Anna Jones), while the remaining five Directors were appointed from the slate presented by a group of asset management companies and international investors (Lucia Calvosa, Francesca Cornelli, Dario Frigerio, Danilo Vivarelli and Ferruccio Borsani).

The Shareholders' Meeting also approved the proposal to authorise the waiver of the competition prohibition for the Directors imposed by article 2390 of the Italian Civil Code, where applicable.

The Board of Directors of TIM held on 5 May 2017 appointed Giuseppe Recchi as Executive Chairman, Arnaud Roy de Puyfontaine as Deputy Chairman and Flavio Cattaneo as Chief Executive Officer of the Company.

On 1 June 2017 the Board of Directors of TIM met again and appointed Arnaud Roy de Puyfontaine as Executive Chairman and Giuseppe Recchi as Deputy Chairman; Flavio Cattaneo remains the Company's Chief Executive Officer. The Board of Directors has also established internal Committees with the tasks and responsibilities set out in the Company's Corporate Governance Principles.

The composition has been defined as follows:

- Strategy Committee – Chair of the Board of Directors, Chief Executive Officer, Directors Franco Bernabè, Dario Frigerio and Giuseppe Recchi;
- Control and Risk Committee – Directors Lucia Calvosa, Francesca Cornelli, Frédéric Crépin, Félicité Herzog, Marella Moretti;
- Nomination and Remuneration Committee – Directors Ferruccio Borsani, Frédéric Crépin, Anna Jones, Hervé Philippe and Danilo Vivarelli.

Moreover, the Board of Directors has appointed Director Franco Bernabè as Lead Independent Director for the financial year 2017.

Finally, the Board of Directors has reviewed and voluntarily extended the scope of application of the current Procedure for performing transactions with related parties, deciding to fully equate the reference shareholder Vivendi to a parent company for the purposes of identifying the scope of the related parties of TIM.

On 28 June 2017, the AGCM opened the A514 proceeding against TIM aimed at assessing the possible violations of Article 102 of the Treaty on the Functioning of the European Union (**TFEU** or **Treaty**), following the claims raised by Infratel, Enel, Open Fiber, Vodafone and Wind Tre.

In the opening order, AGCM formulated the hypothesis that TIM might have behaved in order to:

- slow down and hinder the carrying out of Infratel tenders with the aim of either delaying or making less profitable the entry of another operator into the wholesale market;
- adopt pre-emptive strategies to lock in the customers in the retail ultra-broadband markets, by means of commercial policies aimed at reducing the contestability of end users for competitors, so reducing the competition.

The proceedings are expected to close by 31 October 2018.

As at the date of this EMTN Programme Prospectus, TIM believes that it has acted in compliance of the antitrust legislation applicable to it and that such compliance will emerge over the course of the proceedings.

Business Unit

Key financial data prepared in accordance with IFRS for the three-month period ended 31 March 2017

As at 31 March 2017, the TIM Group was organised by business segment as follows:

- (i) **Domestic Business Unit:** operates as the consolidated market leader in Italy in voice and data services on fixed-line and mobile networks for final retail customers and other wholesale operators. In the international field, the Business Unit develops fibre optic networks for wholesale customers (in Europe, the Mediterranean and South America). Olivetti, which is now part of the Core Domestic business segment, operates in the area of office products and services for Information Technology. INWIT S.p.A. operates in the electronic communications infrastructure sector, specifically relating to infrastructure for housing radio transmission equipment for mobile telephone networks, both for TIM and other operators.

The main financial and operating highlights of the Domestic Business Unit are reported according to two cash-generating units (**CGU**):

- **Core Domestic:** includes all telecommunications activities pertaining to the Italian market. Revenues are broken down according to the net contribution of each market segment to the CGU's results, excluding intrasegment transactions. The sales market segments defined on the basis of the "customer centric" organisational 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 public telephony; customer care, operating credit support, loyalty and retention activities, sales within its remit, and administrative management of customers; the segment includes the companies 4G, Persidera and Noverca;
 - **Business:** the segment consists of voice, data, 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;

- **Wholesale:** the segment consists of the management and development of the portfolio of regulated and unregulated wholesale services for fixed and mobile telecommunications operators in the domestic market and open access operations connected with delivery and assurance processes for customer services;
 - **Other (INWIT S.p.A. and Support Structures):** includes:
 - **INWIT S.p.A.:** from April 2015 the company has been operating within the operations area in the electronic communications infrastructure sector, specifically relating to infrastructure for housing radio transmission equipment for mobile telephone networks, both for TIM and other operators;
 - **Other operations units:** covering technological innovation and the processes of development, engineering, building and operating network infrastructures, 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;
- (ii) The **Brazil Business Unit (TIM Brasil group)** provides mobile telephone services using UMTS, GSM and LTE technologies. Moreover, with the acquisitions and subsequent integration into the group of Intelig Telecomunicações, Tim Fiber RJ and Tim Fiber SP, the services portfolio has been extended by offering fibre optic data transmission using full IP technology such as DWDM and MPLS, and by offering residential broadband services.
- (iii) **Other Operations:** includes finance companies and other minor companies not strictly related to the core business of the TIM Group.

The table below sets forth revenues, operating profit (loss) and capital expenditures by Business Units, for the three months ended 31 March 2017 and 2016 and number of employees as of 31 March 2017 and 31 December 2016:

	Domestic	Brazil	Other Operations	Adjustments and Eliminations	Consolidated Total
	(millions of euros, except number of employees)				
Revenues ⁽¹⁾					
1st Quarter 2017.....	3,647	1,181	-	(9)	4,819
1st Quarter 2016.....	3,548	897	6	(11)	4,440
Operating profit (loss)					
1st Quarter 2017.....	787	81	(4)	1	865
1st Quarter 2016.....	662	49	(5)	(2)	704
Capital expenditures (on an accrual basis)					
1st Quarter 2017.....	631	200	-	-	831
1st Quarter 2016.....	778	166	-	-	944
Number of employees at period-end ⁽²⁾					
As of 31 March 2017.....	51,163	9,674	93	-	60,930
As of 31 December 2016.....	51,280	9,849	100	-	61,229

(1) Revenues are total revenues of the various business units of the TIM Group before elimination of intercompany sales (but after elimination of sales between companies within the same major business area).

(2) The number of employees at period-end excludes employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale, and includes personnel with temporary work contracts.

Strategy

Strategic Priorities and Objectives for the 2017-2019 Plan

On 6 February 2017, TIM presented its 2017-2019 three-year strategic plan, named “A Transforming Company” (the **Plan**). The Plan aims to significantly transform TIM and establish it as a market leader in terms of quality in fixed and mobile services through an approach based on content, convergence, ICT services, innovation and customer proximity. The Plan includes the strategic priorities listed below over the next three years.

Domestic (Italian) market

The main strategic priorities in the Domestic (Italian) Market are:

- to create an excellent network infrastructure, the roll-out of which will be further accelerated over the Plan period. By the end of 2019, TIM’s business plan aims to reach over 99% of the population with the LTE mobile network (4G) and 95% of the population (household passed) with optic fiber. Moreover, on 23 March 2017 TIM’s Board of Directors approved a project to create a company dedicated exclusively to the selective development of new fiber infrastructure in the areas included in the cluster classifications C and D (the rural or so-called “white areas”) based on EU regulations (the **Project**). The Project is in line with the 2017-2019 Strategic Plan and does not envisage an increase in the level of investment that the TIM Group has already planned. In fact, the Project is expected to be carried out through the creation of a company in collaboration with a financial partner that will act as majority shareholder in such company. Through this partnership TIM will aim to achieve its targets to cover the country with ultrabroadband almost two years ahead of the schedule set out in the Plan. Thanks to this acceleration in Clusters C and D, the target of 95% coverage of the Italian population with UBB connections could be reached in mid-2018, increasing to 99% by the end of the current plan in 2019, due also to the contribution of wireless technologies;
- to develop a commercial approach focused on convergent offers and content, also thanks to the launch of national and international co-productions through TIMVision. Such commercial approach is expected to strengthen the business model, further exploiting best infrastructure and excellent

customer services with an increased focus on the dissemination of premium digital services and content, including on an exclusive basis;

- in the domestic mobile segment, in a context characterised by data consumption that is expected to continue to grow, TIM will focus on speeding up the penetration of mobile ultrabroadband, strengthened by the extensive reach of its 4G network and the dissemination of quality content;
- in the fixed domestic segment, TIM plans to accelerate the spread and adoption of optic fiber. The commercial strategy is expected to play a key role, aimed at retaining current customers through, for example, the supply of technologically evolved home devices connected to the domestic network—Internet of Things—which can be paid for directly in the bill;
- the implementation of efficiency recovery actions, aimed at increasing cash-flow generation through three levers: cost optimisation, streamlined organisation and processes transformation; and
- the relaunch of the main subsidiaries of the TIM Group: synergies with INWIT will be targeted for maximisation; Olivetti is expected to be able to leverage the value of its brand to offer products with a cutting-edge design and ICT services; Telecom Italia Sparkle is expected to continue its growth phase by identifying synergies with the Business department of TIM for the management of international customers and through other growth options.

Brazil

In Brazil the Plan provides for continuing the relaunch of TIM Brasil, repositioning the company through leveraging the quality of the offer and of the networks and through convergence, to compete successfully in the post-paid segment at the same time returning to solid profitability. In particular, a further boost will be given to the creation of the UBB mobile infrastructure. TIM management expects that by the end of the Plan, 95% of the population will have access to 4G with coverage in approximately 3,600 cities. Furthermore, the Plan also provides for the development of convergent offers also thanks to agreements with the main producers of premium content.

Competition in the domestic market

The market

The competitive market remains characterised by the opening of the telecoms market to competition from non-traditional operators (in particular Over the Top companies (OTTs) and producers of electronic and consumer devices) and by the development of new “over the network” services (mainly in the IT and media fields) by traditional telecommunications operators. As such, traditional telecommunications operators not only face ‘core competition’ from other operators in the sector (including mobile virtual operators), which remain the primary competitive force in the market, but must also deal with the emergence of OTTs and device producers, which operate in the digital world, using a different set of assets and competitive strategies. OTTs have been leading the transformation of the methods of use of TLC services (including voice), increasingly integrating them with media and IT.

Over time, therefore, the business models of traditional players are changing to meet the challenges from new entrants and to exploit new opportunities. For example:

- **Media:** with the web becoming increasingly more important as a complementary distribution platform, broadcasters are feeling greater competitive pressure from consumer electronics companies, telecommunications operators and OTTs;
- **Information Technology:** the decline in traditional revenues is driving various players towards cloud computing, with the goal of protecting their core business. Traditional telecommunications operators are strengthening in this sector, including through partnerships;

- Consumer Electronics: producers can develop services that can be used through the Internet, building on handset ownership and management of user experience, breaking the relationship between customers and telecoms operators.

With respect to the current positioning of the telecommunications operators in converging markets, on the other hand, as partially described above, the following is taking place with different levels of progress:

- development of innovative services in the IT market, particularly in cloud services;
- development of new digital services, especially in the areas of Entertainment (e.g. TV, music, gaming), smart home, digital advertising, mobile payment-digital identity.

Competition in Fixed-Line Telecommunications

The fixed-line telecommunications market continues to experience, on one side, a significant decline in access and voice revenues, mainly due to the reduction in use also determined by the progressive shift of voice traffic to mobile, and on the other side, the growth of broadband revenues. In recent years, operators have concentrated mainly on developing the penetration of broadband and attempting to protect voice by introducing bundled voice, broadband and services deals in a highly competitive environment that is characterised by pricing pressures.

The evolution of the competitive product offering has also been influenced by a convergence on an approach based on the control of infrastructure (above all Local Loop Unbundling—**LLU**). The main fixed operators are also offering mobile services, also as Mobile Virtual Operators (**MVOs**). With respect to infrastructure, Open Fiber and Infratel have publicly presented development plans for their telecommunications networks as alternatives to TIM. These plans concern the main Italian cities and “market failure” areas.

Competition in the Italian fixed telecommunications market is characterized by the presence of a number of operators other than TIM, such as Wind-Infostrada, Fastweb, Vodafone, and Tiscali, that have different business models focused on different segments of the market. In 2016, the migration of customers from fixed-line to mobile telephony services continued, as well as the migration to alternative communications solutions (Voice Over IP, messaging applications and social network chat), driven by the use of the Internet, the penetration of broadband, PCs and other connected devices, as well as service quality. At 31 December 2016, fixed accesses in Italy remained stable relative to 2015 at approximately 20.3 million (including infrastructured OLOs and Fixed Wireless Accesses). Competition in the access market led to a gradual reduction in TIM’s market share.

TIM estimates that in the broadband market, as of 31 December 2016, fixed broadband customers in Italy reached a penetration rate on fixed accesses of about 77%. The spread of broadband is driven not only by the penetration of personal computers and other enabled devices (e.g. Smart TVs), but also by the growing demand for speed and access to new IP based services (Voice over IP, content—particularly video, social networking services, etc.).

Competition in Mobile Telecommunications

In the mobile market, which is saturated and mature in the traditional voice services segment, the second and third so-called “Human SIM cards” continued to follow a rationalisation trend while the so-called “Non Human SIM cards” continued to grow. Revenues from traditional services, such as voice and messaging, continued to decline as a result of competition among operators and the increasing spread of over the internet communication apps, such as WhatsApp. In 2016, however, the gradual improvement that had begun in the second half of 2014 consolidated. This, combined with the growth of mobile broadband, which has continued at a sustained rate, caused spending on services to be back to modest growth in 2016.

In 2016, the growth in mobile broadband customers continued due to the development of the LTE and the small screen segment, with a high penetration rate on mobile lines, especially as a result of the increasing spread of smartphones. Alongside innovative services that have already gained traction and are under full-

scale development, there are other market environments, associated with the development of mobile broadband, with major potential for growth in the medium term, such as the Internet of Things and mobile payment.

Competition in the Italian mobile telecommunications market is undergoing significant changes. Wind Tre, formed by the merger between Wind and H3G, is currently operating. The transaction was authorised by the competent regulatory authorities following the implementation by the two companies of structural corrective measures (e.g., the sale of frequencies and the signature of a roaming agreement), which will enable the French operator Iliad to enter the Italian market in the near future, thus becoming the fourth operator with infrastructure, in addition to TIM, Vodafone and, precisely, Wind Tre. In addition to these operators, the field also includes mobile virtual operators (MVO), of which PosteMobile is the most important player. These operators continue to enjoy significant growth compared to infrastructured operators.

Competition in the Brazilian Market

At the end of 2016, the Brazilian mobile market reached 244.1 million lines, 13.7 million lines (or 5.3%) lower than at the end of 2015, and a penetration rate of 118.0% of the population (125.7% in 2015). Consequently the Brazil Business Unit churn rate in 2016 was 52.4% (59.1% in 2015).

* * * *

For further information and updates on the competition in the domestic and Brazilian markets see the TIM Group's Quarterly Report at 31 March 2017 incorporated herein by reference.

REGULATION

THE EU REGULATORY FRAMEWORK

TIM's operations within the European Union (EU) are subject to the EU regulatory framework for electronic communications networks and services, which includes directives, regulations, recommendations and communications. As a Member State of the EU, Italy is required to transpose directives adopted by the Council and European Parliament into national legislation. The regulations adopted by the European Commission (EC) or by the Council and European Parliament are directly applicable and binding in each Member State without any national transposition; recommendations and communications, on the other hand, are not legally binding but they have to be taken into account by each Member State.

National Regulatory Authorities (NRAs) are independent bodies tasked with regulating and supervising the telecommunications sector and compliance with the EU framework in each Member State. In Italy, this body is "Autorità Garante per le Comunicazioni" (AGCom).

The EU Regulatory Framework is based on five directives ("Framework", "Access and Interconnection", "Authorisation", "Universal Service and Users' Rights" "Privacy and Data Protection" (the **Directives**)), which regulate all forms of fixed and wireless telecommunications and data transmission. In Italy the Directives have been transposed into the "Codice delle comunicazioni elettroniche" (Electronic Communications Code—ECC).

A Recommendation issued by the EC on "relevant product and service markets susceptible of ex ante regulation" (Commission's Recommendation on relevant markets) completes this set of legal instruments with the definition of a list of relevant markets "whose characteristics may be such as to justify the imposition of regulatory obligations". The Recommendation currently in effect (no. 2014/710/UE) was published on 9 October 2014, following updates in 2003 and 2007. The number of relevant markets subject to ex ante regulation has been reduced over time from 18 to 4, following the growth of competition in the whole sector (see "*Market Analyses*").

In 2010, the EC adopted a Communication, the "Digital Agenda for Europe" (the **DAE**), setting forth long-term EU strategies for Broadband. The DAE sets non-binding targets in terms of broadband coverage and take-up to be achieved by 2020 namely:

1. Broadband coverage at 30 Mbit/s or more for 100% of EU citizens; and
2. 50% of EU households having subscriptions above 100Mbps.

In September 2016, through the Gigabit Society Communication, the EC set the following (not binding) additional targets for the year 2025:

- connectivity of 1 Gbps (upload and download) for all socio-economic entities (i.e. schools, businesses, public administration, etc.);
- connectivity of 100 Mbps download for all European households and businesses; and
- uninterrupted 5G coverage for all urban areas and major terrestrial transport routes (as an interim target, 5G should be commercially available in at least one major city in each EU Member State by 2020).

On 14 September 2016, the EC issued a legislative proposal for a directive establishing the European Electronic Communication Code (Recast) (the **EECC**), which reviews and combines in one document the "Framework", "Access and Interconnection", "Authorisation" and "Universal Service and Users' Rights" directives. The directive will have to be approved according to the standard co-decision legislative procedure by the European Parliament and the Council and then transposed into national law. The timetable for

agreeing to, enacting and implementing the EECC directive will depend on the levels of support that it receives from the European Parliament and the Council. The transposition into the law of each Member State is unlikely to happen before 2019 and could be as late as 2020.

A new approach to access regulation is the central feature of the proposed EECC. The key elements of the suggested approach are:

- regulatory relief in the presence of co-investment and Very High Capacity (VHC) networks; lighter regulation for wholesale-only vertically separated undertaking with significant market power;
- no price control for wholesale access services in the presence of a demonstrable retail price constraint and effective and non-discriminatory access;
- a more granular geographic approach to the analysis of broadband infrastructure deployment, with the potential for geographic segmentation of remedies; and
- a single EU maximum fixed termination rate and a single EU maximum mobile termination rate.

The EC proposes to include in the scope of the TLC regulatory framework certain categories of over-the-top (OTT) services, thereby addressing the level playing field issue between Telcos and OTTs, albeit only partially, as the majority of the obligations and the authorisation regime are only envisaged for “number-based” interpersonal communication services and services based on the conveyance of signal, typically provided by Telcos.

With respect to spectrum, in order to stimulate investments, the EC proposes a minimum duration of new spectrum licences of 25 years. In addition, Member States will have to submit national measures regarding spectrum assignment procedures and licence conditions, e.g. regarding licence duration, renewal and coverage obligations, to the scrutiny of the EC, BEREC and other NRAs.

As to the Universal Service Obligation (the **USO**), the provision of affordable functional internet access and voice communications services at least at a fixed location would be included in the scope of the USO. Member States have the flexibility to also include the availability obligation at a fixed location in the USO, if access to functional internet and voice communications services is not ensured at the national level by market or public bodies. The provision of directories, directory enquiry services and public payphones (legacy services) is removed from the EU universal service obligation, although Member States have the flexibility to retain them. The net cost of universal service may be financed only with public funds and no longer with a sharing mechanism among Electronic Communication Service (ECS) providers.

International Roaming

Intra-EU roaming services are regulated by the roaming Regulation no. 531/2012 (the **Roaming III Regulation**). The Roaming III Regulation established retail and wholesale caps for voice, SMS and data services. The values valid from 1 July 2014 are:

at retail level:

Voice out (eurocents/min)	19
Voice in (eurocents/min)	5
SMS (eurocents/sms).....	6
DATA (eurocents/MB).....	20

at wholesale level:

Voice (eurocents/min)	5
SMS (eurocents/sms).....	2
DATA (eurocents/MB).....	5

The Telecom Single Market Regulation 2015/2120 (the **TSM Regulation**), approved in November 2015, introduces new rules on intra-EU roaming by amending the Roaming III Regulation.

The TSM Regulation provides for the abolishing of any roaming service surcharge on top of domestic service prices subject to “fair use” limits to avoid abuses, starting from 15 June 2017 (Roam Like at Home—RLAH regime).

For intra-EU traffic exceeding the fair use limits, operators will be allowed to levy a surcharge on top of domestic tariffs. Such a surcharge will be capped at the wholesale caps defined in the Roaming III Regulation as amended by the new regulation on wholesale roaming market.

On 25 April 2017, after the EU Parliament, the Council approved the wholesale roaming regulation setting new wholesale caps to be applied from 15 June 2017 (Voice: 3.2 eurocents/min, SMS 1 eurocents/SMS), and introducing a glide path for wholesale data (7.7 euro/GB in 2017, 6 euro/GB in 2018, 4.5 euro/GB in 2019, 3.5 euro/GB in 2020, 3 euro/GB in 2021 and 2.5 euro/GB in 2022).

New rules introduced by the TSM Regulation on Net Neutrality

The TSM Regulation introduces new rules on Net Neutrality, which apply from April 2016. In particular, the TSM Regulation:

- establishes the right of end-user access to distribute information and content, use and provide applications and services and use terminal equipment of their choice and forbids internet service providers from blocking or slowing down specific content, applications or services, except in a very limited set of circumstances;
- allows reasonable traffic management aimed at improving the quality of the network based on objectively different technical quality of service requirements for specific categories of traffic. However, such traffic management must be transparent, non-discriminatory and proportionate and it must not be based on commercial considerations;
- allows operators to offer services, other than internet access services, that are optimised for specific content, applications or services only if the network capacity is sufficient to provide them in addition to any internet access services provided and the offering of such services is not to the detriment of the availability or general quality of internet access services for end-users; and
- allows commercial practices such as “zero rating”², subject to monitoring by the National Regulatory Authority.

The TSM Regulation also places additional transparency obligations on providers of internet access services in addition to those already included in the Electronic Communications Regulatory Framework.

THE ITALIAN REGULATORY FRAMEWORK

The legal basis

The legal basis for the electronic communications sector in Italy is as follows:

- the “Electronic Communications Code” (ECC), which transposed into national law the EU Access, Authorisation, Framework and Universal Service directives;
- the “Data Protection Code”;

² Zero-rating (also called toll-free data or sponsored data) is the practice of mobile network operators (MNO), mobile virtual network operators (MVNO), and Internet Service Providers (ISP) not to charge end customers for data used by specific applications or internet services through their network, in limited or metered data plans. It allows customers to use provider-selected content sources or data services like an app store, without worrying about bill shocks, which could otherwise occur if the same data was normally charged according to their data plans and volume caps. This has especially become an option to market 4G networks, but has also been used in the past for SMS or other content services.

- the “Consolidated Law on Radio-Television” containing the principles regulating the organisation of radio-television system and its convergence with different means of interpersonal and mass communications;
- Law No. 36 of 22 February 2001 aimed at protecting the population from the effects of the exposure to electric, magnetic and electromagnetic fields and the decree of the President of the Council of Ministers (*Decreto del Presidente del Consiglio dei Ministri*; the **DPCM**) of 8 July 2003, which sets up “Exposure limits, attention values and quality goals to protect the population against electric, magnetic and electromagnetic fields generated by frequencies between 100 KHz and 300 GHz”;
- the “Consumer Code”;
- Law No. 69 of 18 June 2009, providing measures to simplify the procedures for the installation and development of optical fiber networks (Article 1 “Broadband”);
- Decree Law No. 98 of 6 July 2011, enacted by Law No. 111 of 15 July 2011, further simplifying the procedure for the installation of small mobile equipment (0.5 sq. meters of radiator area) and low power equipment (7 watt);
- Decree Law No. 179 of 18 October 2012 (enacted by Law No. 221 of 17 December 2012) providing for further broadband networks funding to cancel the digital divide, measures to accelerate the roll-out of mobile fourth generation networks and administrative simplifications for optical fiber layout;
- implementation Decrees for “Golden Power” rules (Law No. 56/2012) redefining the State powers for the safeguard of national interest in the strategic sectors of energy, transports and telecommunications;
- Legislative Decree No. 21/2014 (implementation of Directive 2011/83/UE on consumers’ rights) defining the rules for distance contracts, with specific reference to the right of withdrawal and the acquisition of consumer’s express consent to be bound to the contract. Furthermore the Decree attributes to the Antitrust Authority (Autorità Garante della Concorrenza e del Mercato; the **AGCM**) the evaluation of sanctions for unfair commercial practices;
- Law No. 183/2014 (Legislative decree of the Italian “Jobs Act”) and its implementing Decree No. 148/2015, setting forth measures to reform the labour market and safety nets in order to secure a generational turnover;
- Decree of 2 December 2014 of the Ministry of Environment, implementing the Decree Law No. 179/2012, setting forth certain guidelines in the area of electromagnetic emissions. Two further decrees on this matter are expected to be published;
- Law No. 115 of 2015 (European Law 2014), amending the contribution fees paid to AGCom by the Operators;
- Legislative Decree No. 33/2016 (implementing 2014/61/UE Directive), setting forth measures for costs reductions in UBB networks installations and promoting the use of existing infrastructures, enabling more efficient deployment of new infrastructures to reduce installation costs of UBB networks;
- Ministry Decree 11 May 2016 (Institution of SINFI—“*Sistema informativo nazionale federato delle infrastrutture*”), implementing Legislative Decree No. 33/2016, through the establishment of a single infrastructures directory;
- Legislative Decree No. 179/2016 (Modifications to Digital Administration Code), which sets users’ right to use the phone credit for electronic micro-payments towards PA;

- Law No. 232/2016 (“*Legge di Bilancio 2017*”), which sets i) rules for delocalisation of call centres in non-EU countries; ii) sets renewal of rights of use of the GSM mobile radio frequencies (900 MHz band) and UMTS (1800 MHz) and iii) supports the implementation of the Digital Agenda.

The MISE is responsible for general policy in the electronic communications sector and AGCom is responsible for ensuring fair competition and protecting customers in the telecom market.

The Italian regulatory framework

In July 2008, TIM proposed to AGCom various undertakings (the **Undertakings**) with respect to the provision of wholesale services for the access to its network aimed at integrating and strengthening the non-discrimination obligations (imposed by AGCom since 2002) amongst TIM’s own retail divisions and the Alternative Network Operators (**AltNets**).

To this end, at the beginning of 2008, TIM created the new Open Access department, a separate operating unit focusing its activities on the implementation of the Undertakings.

The implementation of the Undertakings, their complexity and their impact on the stakeholders’ IT systems and procedures, also required the establishment of a new governance model. Specifically, the following bodies were established: an independent supervisory body (the **Supervisory Board**); the AGCom Undertakings’ Monitoring Group, in charge of the undertaking implementation monitoring (Gruppo per il Monitoraggio degli Impegni **GMI**), the Italian Office of Telecommunications Adjudicator (**OTA Italia**), in charge to prevent and settle any possible disputes amongst AltNets; and the Next Generation Network Committee, in charge of submitting possible solutions for any technical, organisational and economic issues which would be raised due to the transition to the Next Generation Network.

On 5 November 2015, TIM’s Board approved a “plan to introduce a New Equivalence Model (**NEM**), aimed at further strengthening the efficiency and effectiveness of the delivery (provision) and assurance (maintenance) processes” of TIM’s wholesale access services.

The NEM aims to put TIM’s sales divisions on equal footing with AltNets, in order to achieve a more effective internal and external equality of treatment and greater transparency in the management of the line activation requests.

Specifically, the NEM, through the reorganisation of both assurance and delivery processes, aims to improve end-to-end performance and to remove any possible internal-external process asymmetries between TIM Retail and AltNets (such as differences in internal and external reasons for “refusal” of delivery orders, provision times, customer data bases and order workflows) that could produce potential discrimination.

The most important change resulting from the New Equivalence Model is that TIM Retail purchases wholesale access services through the same interface used by the AltNets. TIM Retail and AltNets will use the same processes, IT systems and information databases. A full equality of treatment of the delivery activities is therefore ensured. In particular, the same regulated wholesale access services are provided to all Operators (TIM Retail and AltNets), at the same level of quality and prices, and with the same times.

As an initial step in the process of implementing the NEM, Open Access and TIM’s National Wholesale department have been merged into a single department.

The plan of New Equivalence Model was communicated to AGCom within the proceeding of fixed wholesale access services market analysis (Decision 623/15/CONS—see below) and, after a public consultation (June-July 2016), it was approved by the Italian NRA (Decision 652/16/CONS of December 2016).

The implementation of the NEM was completed on 30 April 2017. TIM retail is already using the new delivery systems. As established by AGCom (decision 652/16/CONS), all operators must migrate to the new delivery systems by December 2017.

MARKET ANALYSES

The EU regulatory framework (Art. 16 of the Framework Directive) obliges National Regulatory Authorities to carry out market analyses before imposing obligations on individual operators having a Significant Market Power (SMP) according to the specific EU guidelines.

According to art. 14.2 of the Directive “*an undertaking is deemed to have SMP when, either individually or jointly with others, it enjoys a position equivalent to dominance, which is a position of economic strength providing the company itself with the power to behave, to an appreciable extent, independently of competitors, customers and ultimately consumers*”. Market shares are normally used as a proxy for market power: while undertakings with market shares of no more than 25% are not likely to enjoy a (single) dominant position, single dominance concerns normally arise in the case of undertakings with market shares of over 40%. Market shares in excess of 50% are in themselves, except in exceptional circumstances, evidence of the existence of a dominant position.

The basis of the market analyses is the Recommendation on “relevant markets susceptible of ex ante regulation” which identifies the “relevant markets”. The first version of the Recommendation was adopted in 2003 and contained a list of 18 relevant markets. In 2007 the EC adopted the second version and reduced the number of markets to 7 (both retail and wholesale markets): retail access at a fixed location (market 1) and, at wholesale level, call origination at a fixed location (market 2); call termination at a fixed location (market 3); wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location (market 4); wholesale broadband access (market 5); wholesale terminating segments of leased lines (market 6) and voice call termination on mobile networks (market 7).

In October 2014, the EC adopted the third version which is currently in force and identifies only five wholesale markets susceptible to ex-ante regulation: call termination at fixed location (market 1), call termination on mobile networks (market 2), local access at fixed location (market 3a), central access at fixed location for mass-market products (market 3b), high-quality access at fixed location (market 4).

The market analyses carried out by the NRAs are subject to the assessment of the EC which, to a certain extent, can challenge the NRAs’ findings, having a “veto power” on the definition of the market and on the identification of SMP operators. Vice-versa, the EC has no veto power on the imposition of the remedies, but can raise serious doubts following which the BEREC is requested to give an opinion. The EC, the BEREC and the NRA must then cooperate to find a solution within three months. Neither the EC nor BEREC are able to make a binding intervention. The NRA can decide not to amend or withdraw its decision on remedies but it must provide a “reasoned justification”.

Following a first round (2006-2007) and a second round (2007-2010) of market analyses, a third round was started by AGCom in 2012. The third round of market analysis ended in October 2016 with the AGCom Decision on fixed voice interconnection market.

With respect to retail markets, despite the fact that they are not included in the current list of the EU relevant markets (Recommendation of 2014), the final AGCom decision of the market analysis on wholesale access markets, retained some obligations, such as the notification of retail charges prior to the commercial launch and the obligation to carry a replicability test of the retail offers (taking into account the most efficient network architecture that could be used by AltNets to compete in a specific context).

A description of the Italian wholesale market analyses is summarised below together with the main recent developments regarding the electronic communications markets.

WHOLESALE MARKETS

Wholesale fixed access markets

In December 2015 (Decision no. 623/15/CONS), AGCom defined the rules for the access to TIM’s copper and fiber fixed networks for the years 2015-17.

The main regulatory measures are the following:

- confirmation of the national scope of remedies imposed on TIM, despite the increasing development of the infrastructure competition in some of the geographic areas;
- substantial upholding of Local Loop Unbundling (LLU) prices together with a reduction of Sub Loop Unbundling (SLU) and Virtual Unbundling Local Access (VULA prices);
- disaggregation of ancillary service provision for provision and maintenance (i.e. delivery and assurance) for LLU and SLU lines, to be implemented through a specific proceeding (in progress);
- introduction of new equivalence measures, according to the NEM;
- stricter constraints on the quality of wholesale services (SLAs and penalties);
- commitment to define switch-off rules in case of decommissioning of TIM local exchanges of the copper access network:
- five years for the switch-off of local exchanges where LLU is available;
- three years for local exchanges where LLU is not available, or for local exchanges where LLU is available as long as TIM provides competitors with a service that is technically equivalent to copper LLU for at least two years after the switch-off.

The following table shows the 2015-2017 wholesale economic prices (2013 and 2014 prices were the same):

<u>Service</u>	<u>2013/14</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
LLU (euro/month/line)	8.68	8.61	8.61	8.61
SLU (euro/month/line).....	5.79	5.57	5.43	5.3
SA (euro/month/line)	0.86	0.73	0.73	0.73
WLR POTS (euro/month/line).....	11.14	11.06	11.06	11.06
WLR ISDN (euro/month/line)	13.78	13.67	13.67	13.67
Bitstream shared (euro/month/line)	6.74	4.96	4.63	4.29
Bitstream naked (euro/month/line).....	15.14	13.59	12.8	12.46
VULA FTTC shared (30 Mbps) (euro/month/line)	13.94	7.92	7.90	7.88
VULA FTTC shared (50 Mbps) (euro/month/line)	13.94	9.73	9.68	9.63
VULA FTTC naked (30 Mbps) (euro/month/line)	20.63	13.58	13.42	13.27
VULA FTTC naked (50 Mbps) (euro/month/line)	20.63	15.38	15.20	15.02
VULA FTTH (100 Mbits/10 Mbits) (euro/month/line).....	24.9	23.15	22.64	22.12
VULA FTTH (40 Mbits/40 Mbits) (euro/month/line)	34.53	32.08	31.36	30.65
VULA FTTH (100 Mbits/100 Mbits) (euro/month/line).....	86.49	81.37	79.57	77.77

NGA³ wholesale physical access Monthly fees (euro)	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Miniduct access—new infrastructures—(IRU 15 years euro/miniduct/meter).....	10.60	10.60	10.1	9.61	9.11
Miniduct access—existing infrastructures—(IRU 15 years euro/miniduct/meter).....	6.44	6.44	6.36	6.29	6.21
Entries to buildings (IRU 15 years euro/miniduct)	385.46	385.46	382.70	379.95	377.19
Dark fiber—primary section (IRU 15 years/fiber)	3,900.35	3,900.35	3,639.97	3,379.58	3,119.20
Dark fiber—secondary section (IRU 15 years/fiber).....	1,700.91	1,700.91	1,697.32	1,693.72	1,690.13
End to End service (euro/month/line).....	65.10	65.10	61.53	57.96	54.39
Fiber terminating segment (euro/month/line)	5.96	5.96	5.84	5.72	5.60

The access service fees are cost-oriented according to BU-LRIC+/CCA (Bottom-Up—Long Run Incremental Cost Plus/Current Cost Accounting) methodology and Weighted Average Cost of Capital (WACC) has been reduced from 9.36% to 8.77%. Moreover New Generation Access (NGA) risk premium has been set equal to 3.2% for Fiber to the Home (FTTH) and 1.2% for Fiber to the Cabinet (FTTC).

³ New Generation Access.

Within the framework of the rules to access the fixed copper and fiber networks for the years 2015-17, AGCom also defined new measures to strengthen the equality of treatment guarantees in the provision of regulated wholesale access services at a fixed location. AGCom asked TIM to present a proposal to improve the efficiency of its own equivalence model in the provision of wholesale services to competitors and to its own commercial divisions. Consequently, in February 2016, the New Equivalence Model, in accordance with the TIM Board decision taken on 5 November 2015, was communicated to AGCom. With Decision 652/16/CONS (December 2016), AGCom approved both TIM's New Equivalence Model and some "voluntary" undertakings adopted by TIM to favour the suspension of two sanctioning proceedings started by AGCom as a result of alleged inefficiencies in the wholesale access services provision processes which caused excessive delivery delays.

Additionally, with Decision 623/15/CONS, AGCom asked TIM to present a proposal to introduce an unbundling and externalisation model for the delivery and assurance activities of the local loop and sub-loop unbundling lines. TIM's proposal (sent to AGCom in February 2016 and submitted to public consultation by AGCom in April 2016) is based on the extension of the "System Unico" (i.e., the recourse to external companies by the competing operators) to the above-mentioned delivery and assurance activities. The proceeding is still ongoing and AGCom's final decision, after notification of the draft decision to the European Commission (EC), is expected by the end of the second quarter of 2017 unless the EC raises doubts and opens an investigation phase which can extend the proceedings by four months.

In February 2017, with Decision 43/17/CONS, AGCom started the fourth market analysis for the wholesale fixed network access services (markets 3a and 3b of the 2014/710/EU Recommendation).

Terminating segment of leased lines

In July 2015, the Italian NRA approved the decision on terminating a segment of leased lines services, essentially confirming the rules laid down at the end of the previous round of market analysis. In particular, regarding Synchronous Digital Hierarchy/Plesiochronous Digital Hierarchy (**SDH/PDH**) leased lines with capacities less than or equal to 155 Mbit/s and Ethernet over SDH leased lines, TIM is subject to a network price cap (for Access rentals CPI-6%, for Internet Protocol—"IP"—transport—8.6%) for 2015, 2016 and 2017. Regarding SDH/PDH leased lines with capacities greater than 155 Mbit/s and Ethernet over optical fiber leased lines, as well as ancillary services, prices are to be oriented to the costs resulting from the regulatory cost accounting.

In February 2017, with Decision 44/17/CONS, AGCom started the fourth market analysis for the wholesale high quality wholesale access market (market 4 of the 2014/710/EU Recommendation).

Wholesale fixed interconnection markets

In October 2016, AGCom issued the final decision of the third round of analysis of fixed voice interconnection market, specifically fixed call termination, origination and transit services.

AGCom established:

- to confirm SMP designation for TIM in the origination market, although this market has been removed from the EC Recommendation;
- to set stable fixed call termination rates of 0.043 eurocents/min for TIM and alternative network operators valid until the end of 2018, and 0.041 eurocents/min from 1 January 2019;
- to exclude from the scope of price regulation the termination rates of calls originated outside the European Economic Area, including the EU Member States and Iceland, Liechtenstein and Norway;
- to remove the existing obligations imposed on TIM in the wholesale market for district-level transit; and

- to remove the obligation imposed on TIM to notify its retail call services that rely on the regulated interconnection services 30 days before the commercialisation.

Wholesale mobile markets

In September 2015, AGCom issued a new Decision on termination on mobile networks. Compared to AGCom's previous market analysis, the full Mobile Virtual Network Operators (**full MVNOs**), i.e., BT Italia, Lycamobile, Noverca and Poste Mobile, have SMP in addition to the mobile network operators (**MNO**) and termination rates of calls originated outside EEA are explicitly excluded from the scope of price regulation.

In addition, WACC has been set at 10.25%, while the termination rate cap has been set at 0.98 eurocents/min for the period 2014-2017 (for full MVNOs from 30 September 2015).

In February 2017, with Decision 45/17/CONS, AGCom started the fifth market analysis for the wholesale mobile market (market 2 of the 2014/710/EU Recommendation).

ACCOUNTING SEPARATION AND NETWORK COST ACCOUNTING

SMP operators are required to have a transparent accounting of their costs and to provide AGCom, on a yearly basis, with a description and a report on their cost accounting system, to enable AGCom to assess their compliance with the requirements of the electronic telecommunications regulatory framework.

Moreover, SMP fixed and mobile operators must maintain an accounting system that separates the activities in each of the relevant wholesale and retail markets defined by AGCom according to the periodic market analyses.

The "rules" on regulatory accounting in Italy are set in accordance with EC Recommendations, particularly with Recommendation on "Cost Accounting and Accounting Separation", issued in September 2005.

Changes in the regulation on cost accounting and accounting separation follow rules set out in the market analyses.

Through Decision 623/15/CONS on fixed access market analyses for the period 2015–2017, AGCom set the Weighted Average Cost of Capital (WACC) for fixed networks at 8.77% (nominal pre-tax).

Through Decision 497/15/CONS on mobile termination for the period 2015–2017, AGCom set the WACC for the mobile network at 10.25% (nominal pre-tax).

The regulatory accounting report for the year 2014 was produced in 2015 and delivered to AGCom in January 2016.

The regulatory accounting report for the year 2015 was produced in 2016 and delivered to AGCom in September 2016 while the regulatory accounting report for the year 2016 is ongoing and will be delivered to AGCom in August 2017.

RETAIL FIXED MARKETS

Retail offers

Despite the removal of retail markets from the current list of the EU relevant markets (Commission's Recommendation on relevant markets of 2014), through its decision on the market analysis on wholesale access markets (Decision 623/15/CONS), AGCom confirmed that TIM is subject to the following obligations regarding its publicly available stand-alone and bundled retail offers: a 30-day notification prior to the commercial launch and an assessment by AGCom of the offer "replicability" (i.e. margin squeeze test

and availability of adequate wholesale inputs); if the offer does not meet the replicability requirement, TIM must revise the offer conditions.

The replicability of TIM's retail offers for private tenders and public procurement bids (including either narrowband or UBB fixed access, both stand-alone and in bundling with other services) is verified only after the contract signature, on the basis of either AltNets complaints or AGCom autonomous initiative. Therefore, these retail offers have to be communicated to AGCOM within 30 days after the contract signature.

In December 2016 (Decision 584/16/CONS), AGCom updated the "replicability" tests (margin squeeze tests) methodology.

In the new guidelines, applicable from 1 April 2017, AGCom introduces the possibility to verify TIM's "local" retail offers, evaluating the wholesale costs as a mix of TIM's wholesale services actually used in the specific area where the offer is provided.

With respect to retail offers, AGCom must apply two different replicability assessment models respectively for copper and fiber (ultrabroadband). For the fiber offers, AGCom also applies an ex-post test. If the fiber offer does not pass such ex-post test, AGCom may open a sanctioning proceeding for infringement of the non-discrimination obligation.

QUALITY OF SERVICES

The measures to test the quality of data services on fixed networks

AGCom Decision 244/08/CSP and its modifications, namely Decision 151/12/CONS introduced the "Misura Internet Fisso" project with the following obligations on quality measures:

- Internet Service Provider (**ISP**) measurements: the measures of the access quality of the most common retail offers are made by an independent body, in the geographical areas of the main towns, for each ISP; and
- End-user measurements: it allows a user to measure his own fixed broadband line performances with dedicated software called "Ne.Me.Sys". Each customer can formally certify the quality of his own fixed-line broadband access using this software and can compare the results with the advertised performances. If the results are lower than those advertised, the user may submit a complaint to the provider which is obliged to improve the quality within 30 days. The user may terminate the contract without economic burdens if a second measure confirms the parameters.

Both measurement methods employ the same Network Measurement System, based on a software agent running on a standard Personal Computer. The project is entirely funded by fixed operators.

The measures to test the quality of data services on mobile networks

AGCom Decisions 154/12/CONS and 580/15/CONS provide for the "Misura Internet Mobile" project to assess the performance of Internet access of the Italian mobile infrastructure operators (MNOs) through two annual drive test campaigns, with:

- static measurements (with stationary vehicle) to be carried out in 40 cities of all the Italian regions;
- dynamic measures (with moving vehicle) on urban/extra urban/highway roads. Each campaign covers approximately 6,000 km.

The campaigns are carried out by an independent body (Fondazione Ugo Bordonì). Campaign results can be viewed online by users on geographic maps. In addition to the most common measurements, such as

downloading and uploading speeds of a file and web page opening speeds, the quality of the video streaming service is also measured. The project is entirely funded by mobile operators.

THE UNIVERSAL SERVICE

The Universal Service (**US**) is a minimum set of services of a certain quality, which must be made available to all customers, regardless of their geographical location in Italy and must be offered at a reasonable price, taking into account specific national conditions. To date, TIM is the only operator obliged by the Code of Electronic Communications (art. 58) to provide the Universal Service under the Universal Service Obligation (**USO**) throughout Italy. Currently the services included in the USO are the provision of access at a fixed location and of telephone service, the directory inquiry service and the directories, the availability of public payphones, and the provision of specific measures for disabled users.

A Fund (The Universal service Fund), established by the Ministry of Communications, is used to finance the net cost for the provision of Universal Service sustained by the designated operator (TIM) by means of contributions paid by the other operators. All the main companies active in the sector, including TIM, must contribute to this fund.

AGCom is responsible for verifying the net cost of the USO provision and to assess whether this amount represents an unfair burden for the operator. The designated operator can receive compensation only if the burden is determined to be unfair.

AGCom assessed the net cost and authorised the funding mechanism until the year 2005 and did not recognize any contribution for the years 2006 and 2007.

The net cost for the provision of USO for the years 2004-2007 have been calculated on the basis of a methodology established by AGCom in 2008 (Decision 01/08/CIR) with retroactive effect, which led to a significant decrease of the amount to be financed.

The Council of State, with a decision published on 2 October 2015, rejected the retroactivity of the criteria introduced by AGCom's Decision 01/08/CIR, so the Italian NRA has been called upon to renew all the procedures for the years 2004 to 2007, applying the net cost calculation methodologies which were in effect at the time.

In accordance with the judgment of the Council of State, during the current year, AGCom initiated the process for calculating the net cost for the years 2006 and 2007. TIM will deliver its assessments by September 2017. After that, AGCom will launch the recalculation activities for the years 2004 and 2005.

TIM submitted net cost calculations of the USO for the years 2008, 2009, 2010, 2011 and 2012 to AGCom. The audit of the 2008 and 2009 net costs was completed in March 2014, but AGCom has not yet issued a final decision.

With respect to past litigation, the Council of State, with a decision published on 7 July 2015, rejected the appeal filed by TIM against the decision of the Regional Administrative Court (**TAR**) on AGCom's decisions of 2010 by which AGCom had reviewed the proceedings for the years 1999-2000 and 2001-2003. As a result, the Council of State annulled AGCom's Decision of 2010 establishing a possible new renewal of the proceedings for the calculation of the contributions of the years 1999-2000 and 2001-2003.

Following the State Council decision, Vodafone requested TIM to refund the amounts paid for 1999-2000, 2002-2003 and subsequent periods.

The Ministry of Economic Development is responsible for reviewing the scope and definition of the USO every two years and, in September 2014, together with AGCom, opened a formal proceeding concerning the identification of the criteria for designating one or more operators responsible for providing the universal service. The proceeding remains ongoing.

With Decision 456/16/CONS (October 2016), AGCom, dismissing TIM's proposal to increase the "Voce" offer prices (April 2016), introduced a strict procedure for future variations of the retail prices regulated under the USO, providing, for example, a time period of at least one year between two subsequent tariff changes and the possibility to change the prices only with reference to: (i) increase in wholesale costs; (ii) inflation recovery; and (iii) socio-economic conditions. TIM reserved the right to challenge the Decision on the "Voce" offer before the TAR of Lazio.

Finally, with Decision 46/17/CONS, issued on 24 February 2017, AGCom introduces new measures on concessional economic conditions to access fixed and mobile services to the benefit of specific categories of disabled customers. The provisions of the measure, applying to deaf, blind and partially sighted people, extend the current concessions, both in terms of concessional services (for example, flat voice and data offers) and of the relevant disabled categories (for example, partially sighted people).

Public Telephony

In 2010, AGCom established that the criteria regarding the distribution of public payphones in Italy was no longer consistent with the current social needs and removed any "quantitative" obligations for TIM (i.e. the obligation to install a specified number of payphones). As a consequence, TIM is authorised to remove the unprofitable coin-boxes after a consultation with the city councils and the interested citizens. At the end of 2016, the total number of public payphones was about 50,000.

CONTRIBUTION FEES FOR THE FUNCTIONING OF AGCOM

TIM and the other operators are required to pay contribution fees to fund the running costs of AGCom. These fees are calculated on the basis of each operator's revenues and they have given rise to a series of litigation proceedings and appeals among TIM, AGCom and other operators.

With respect to the 2016 contribution fee, AGCom confirmed, notwithstanding the judgment of the Administrative Court (TAR) of Lazio and the following judgment of the Council of State, issued in 2015 and 2016, the methodology used in the previous years rather than applying the principle that administrative charges imposed on the undertakings should only finance costs related to activities exclusively related to *ex ante* regulation and that there should be balance between these administrative costs imposed on undertakings and the total cost related to these activities.

In October 2016, the Cassation Court dismissed the appeal brought by AGCom against the ruling of the Council of State confirming the withdrawal of Decision 99/11/CONS (AGCom's request of the alleged recoverable amounts on AGCom contribution for the years 2006-2010, equal to approximately 27 million euros) and Decision 599/10/CONS (determination of AGCom contribution for the year 2011).

On 19 October 2016, AGCom issued Decision 463/16/CONS on the payment of AGCom contribution for the year 2017 (calculated on the 2015 financial statement data). The guidelines for the calculation of contribution fee are unchanged from the guidelines for the calculation of the 2016 fee.

For the 2017 contribution fee, on 31 March 2017, TIM paid 19.3 million euros calculated on a revenue basis, under reserve, applying the 2017 AGCom rate of 1.4 per thousand (Decisions 463/16/CONS and 62/17/CONS).

BROADBAND AND DIGITAL DIVIDE

Government's plans for UBB networks

In June 2016, the EU Commission authorised the Italian Government UBB State Aid Plan for a total amount of 4 billion euros aimed at covering almost 25% of the population living in about 7,200 municipalities belonging to the so called UBB "white areas" of Italy (the **Tender**). Approximately 2.9 billion euros of this amount have been allocated. The 7,200 municipalities are grouped into two clusters, C and D. In Cluster C, 70% of connections have to reach at least 100 Mbit/s for download and 50 Mbit/s for upload, while the

remaining 30% have to reach at least 30 Mbit/s for downloads and 15 Mbit/s for uploads. In Cluster D, 100% of connections have to reach at least 30 Mbit/s for downloads and 15 Mbit/s for uploads.

On 3 June 2016, Infratel published a first call for tender (the **First Tender**) of 1.4 billion euros for deploying and managing under concession a UBB “passive” infrastructure (ducts and dark fiber) in the white areas of six regions (Abruzzo, Molise, Emilia Romagna, Lombardia, Toscana and Veneto) and, on 17 October 2016, the qualified operators (TIM, Open Fiber S.p.A. (**OF**), E.Via S.p.A. and Estra S.p.A.) submitted their technical-economical offers.

On 7 March 2017, Infratel Italia awarded the company OF with all the five lots of the first tender after technical and economic sustainability analyses (in the light of the Public Procurement Code—Decree by Law 50/2016) carried out on the OF offers made public on 24 January 2017. The publicly subsidised infrastructure is to remain public property and to be allocated under a 20-year concession to the operator awarded the tender lots.

On 8 August 2016, Infratel Italia called for a second tender on the ultrabroadband “white areas” identified in 10 other Italian regions (Piemonte, Valle d’Aosta, Friuli Venezia Giulia, Liguria, Marche, Umbria, Lazio, Campania, Basilicata and Sicilia) and in the Trento Autonomous Province, for a total value of public financing equal to approximately 1.25 billion euros (the **Second Tender**). TIM decided to not participate to the Second Tender.

Despite the fact that TIM was also pre-qualified for the Second Tender, the Company did not submit any bids in line with what it communicated to the Ministry of Economic Development and Infratel Italia. In fact, TIM updated its investment plan at the end of 2016, planning to roll out ultrabroadband network coverage selectively to some white areas of the Regions included in the Infratel tender process. This choice was confirmed in the 2017-2019 Strategic Plan already presented by the company to the financial community.

PRIVACY AND DATA PROTECTION

TIM must comply with Italy’s Personal Data Protection Code (Legislative Decree No. 196 of 30 June 2003), which has been in force since 1 January 2004.

The Privacy Code is divided into three parts: (1) general data protection principles; (2) additional measures applicable to organisations in certain areas, including telecommunications’ services; and (3) sanctions and remedies.

The Privacy Code applies to all data processing within Italy and also affects organisations not based in Italy but using equipment located in Italy, such as computer-based systems.

According to the Code, personal data shall be processed lawfully and fairly, retained accurately and up to date and must not be excessive or stored for a longer period than needed. Therefore, information systems shall be configured in order to minimize the use of personal data.

The “data subject” (any natural person that is the subject of the personal data) and the “subscriber” (any natural or legal person who or which is party to a contract with the provider of publicly available electronic communications services, or is the recipient of such services by means of pre-paid cards) shall receive preliminary information on the purposes and modalities of data processing.

Prior consent of the “data subject” is needed to process personal data, except in specific cases (e.g. obligations imposed by law or by a contract with the data subject). Furthermore, the data subject has the right to access his/her personal data and to obtain information on the purposes and methods of the processing.

Italy's Privacy Provisions Related to Specific Processing Operations in the Electronic Communications Sector

Italian Communication Service Providers (CSPs) must comply with strict specific obligations that apply only to the electronic communication sector, which are provided by a specific section of the Privacy Code that transposes the relevant EU Directives.

Notably, with respect to data retention, CSPs are allowed to retain traffic data for a six-month period in order to deal with disputes over billing and subscriber services. CSPs are also required to retain telephone and electronic communications traffic data for the purpose of detecting and preventing crimes. The data retention terms for crime prevention and prosecution provided by the Italian Data Protection Code are: 24 months for telephony traffic (fixed and mobile); 12 months for electronic communications traffic; and 30 days for unsuccessful call attempts. However, over the course of 2015 and 2016, Decree no. 7/2015, on urgent antiterrorism measures, and the subsequent Law no. 21/2016, introduced transitional rules according to which telephone and electronic communication traffic data, as well as unsuccessful call attempts, generated after 21 April 2015 must be retained until 30 June 2017. Such transitional provisions ceased to apply on 30 June 2017. Therefore, in the absence of an extension to the transitory regime, which is not expected as at the date of this EMTN Programme Prospectus, TIM will undertake the process for the deletion of retained data which exceeds the standard requirements of the Privacy Code.

Traffic data must be kept and controlled in compliance with general provisions issued by the Italian Data Protection Authority ("*Garante per la protezione dei dati personali*"), which requires CSPs to adopt strict security measures.

Moreover, customer profiling in the electronic communications sector is regulated by provisions issued by the Italian Data Protection Authority. CSPs must obtain the consent of the data subject for profiling based on individual and detailed personal data, while prior approval of the Italian Data Protection Authority is needed for profiling which is performed by means of aggregated personal data without the data subject's consent.

Concerning direct marketing activities, the general rule is the "opt-in system". Nevertheless the Privacy Code also allows the processing of personal data obtained from directories of subscribers, in order to carry out operator-assisted telephone calls for commercial purposes. Such processing is possible in respect of any entities (i.e. subscriber) that have not exercised their right to object by having the respective telephone numbers entered in a public "opt-out register", which came into force on 1 February 2011.

Finally, CSPs must adopt technical and organisational measures that are adequate in the light of the existing risk, in order to safeguard the security of their services and to take measures when breaches of personal data occur. Such measures must protect personal data against the risk of their accidental or unlawful destruction or loss and of unauthorised access to the data or of processing operations that are either unlawful or inconsistent with the purposes for which the data have been collected.

Under the Privacy Code, in case of a personal data breach (a security breach leading, accidentally or not, to the destruction, loss, alteration, unauthorised disclosure or access to personal data transmitted, stored or otherwise processed in the context of the provision of a publicly available communications service) the provider shall inform without delay the Italian Data Protection Authority (currently the Italian Data Protection Authority specified the term in 24 hours for the first communication and in other 3 days for the communication of further details). Moreover, where the breach is likely to adversely affect the personal data or privacy of a subscriber or other individuals, the provider must also inform them within 3 days.

As for cookies, Article 122 of the Privacy Code sets out that storing information, or accessing information already stored in the terminal equipment of subscriber/user (i.e. by cookies or similar tools such as web beacons, web bugs, clear GIFs or others), shall only be permitted on condition that the subscriber/user has given his prior consent after being informed by simplified arrangements. Subscriber/users' prior consent is not necessary to install the "technical cookies", which are those used exclusively with a view to "carrying out the transmission of a communication on an electronic communications network, or insofar as this is

strictly necessary to the provider of an information society service that has been explicitly requested by the contracting party or user to provide the said service”.

On 8 May 2014, the Data Protection Authority adopted a general provision relating to “Simplified Arrangements to Provide Information and Obtain Consent Regarding Cookies”, requiring that concerned entities be compliant with the simplified arrangements, pursuant to the above mentioned Article 122 of the Privacy Code.

TIM implemented the requested measures to comply with the above mentioned provision.

Regulation EU 2016/679

EU Regulation no. 2016/679 on the protection of natural persons in connection with the processing of personal data and to the free movement of such data “General Data Protection Regulation” (**GDPR**), published on 4 May 2016 in the Official Journal of the EU, shall be directly applicable in all Member States from 25 May 2018.

The GDPR will:

- apply both to companies established in the EU and to companies not established in the EU but that offer their services in the EU or that monitor the behaviour of individuals in the EU;
- include a right to data portability;
- contain new obligations for companies, for instance notifying personal data breaches and designating a Data Protection Officer (**DPO**);
- set up a one-stop-shop whereby companies will only have to deal with a single national data protection authority (**DPA**) in cross-border data protection cases;
- establish a new European Data Protection Board (**EDPB**) bringing together the heads of national DPAs (replacing the current Article 29 Working Party) and with the power to adopt binding decisions; and
- contain fines up to 4% of the total worldwide turnover of a company.

TIM has put in place a specific project, in order to carry out all the activities needed to ensure its compliance with the new rules that the GDPR will introduce.

ePrivacy Regulation

In January 2017 the European Commission made a proposal for a Regulation on ePrivacy, which will replace the current Directive 2002/58/EC on privacy in the electronic communications sector and will complement the GDPR. The proposal confirms the principle of confidentiality of communications (which is not specifically included in the GDPR) and addresses specifically the processing of traffic and location data (metadata) generated by providers of e-communications networks and services. The text also proposes the principle of confidentiality to be extended to new services provided by OTTs such as e-mail services and messaging services.

The legislative process between European Parliament and Council aims at a swift adoption, so that the new Regulation applies from 25 May 2018 (the same day of the GDPR).

ANTITRUST ISSUES

Antitrust in Italy

Legislation on competition

TIM is subject to Italian competition law, and namely the Law of 10 October 1990 no. 287 (“Provisions aiming at protecting competition and the market”) which set up the AGCM, or “Antitrust Authority”.

The Antitrust Authority is responsible for:

- (i) applying Law 287/1990 and supervising: (a) restrictive agreements; (b) abuses of a dominant position; and (c) concentrations of enterprises;
 - applying, whenever the necessary conditions are met, the relevant EU provisions (i.e., Articles 101 and 102 of the Treaty on the Functioning of the European Union);
 - applying Legislative Decree 6 September 2005 no. 206 concerning unfair commercial practices; and,
 - monitoring conflicts of interest in the case of individuals holding government positions.

In addition, the Antitrust Authority may:

- (ii) adopt interim measures; and
- (iii) enforce commitments binding upon the proposing parties in order to dispel identified anticompetitive concerns closing the investigation without any finding of a violation.

Proceedings

In 2016, there were two antitrust proceedings involving TIM before AGCM:

- Proceeding “A428C”: on 17 July 2015, TIM received the filing from a proceeding concerning a possible infringement of the order contained in the A428 Decision from May 2013 with reference to the abuse of dominant position related to the supply of wholesale services to AltNets. On 13 January 2017, the Antitrust Authority (**AGCM**), notified TIM of its decision acknowledging that TIM had fully complied with resolution A428 and that the conditions for imposing sanctions for non-compliance did not apply. AGCM also acknowledged that TIM’s conduct following the 2013 resolution has been focused on improving performance in connection with the provision of wholesale access services that concerned the services subject to investigation and new ultrabroadband access services. AGCM also acknowledged the positive impact of the implementation of TIM’s New Equivalence Model (**NEM**), which was completed on 30 April 2017. AGCM’s decision required TIM to: i) implement NEM (which was completed on 30 April 2017) and ii) inform the AGCM on the levels of performance of the wholesale access services provisioning systems and on the completion of the related project of internal re-organisation, which was completed in May 2017. At the end of May, TIM filed the information required, providing evidence of the NEM implementation completion and data about the performance level of wholesale access services.
- Proceeding “A500B”: on 16 November 2016, AGCM notified TIM regarding the opening of an investigation for alleged abusive behaviours in the market of Bulk SMS services. TIM would have hampered competition by abusing its dominant position in the market of SMS termination on its own network. The proceeding was initiated by a notification of the operator Ubiquity, active in the segment of the SMS alert services for the banking and financial sectors, in competition with TIM and other mobile operators, Vodafone included. In the complaint Ubiquity claims that TIM is

applying wholesale prices that make unprofitable the provision of the retail services for the non-vertically integrated competitors such as Ubiquity. AGCM set 30 November 2017 as the deadline to close the procedure. An analogous charge has been addressed to Vodafone, against which AGCM started a separate enquiry, assuming an alleged analogous abuse of dominant position. In April 2017, AGCM decided to extend the investigation to Telecom Italia Sparkle, the international service provider of the TIM Group, wholly owned by TIM.

- Proceeding “I799”: in February 2017 the Antitrust Authority launched an investigation into the new partnership “Flash Fiber” between TIM and Fastweb. The partnership is aimed at accelerating the creation of ultrabroadband infrastructure with FTTH (Fiber to the Home) technology in 29 Italian cities. The investigation aims to verify whether the agreement violates Art.101 of the Treaty on the Functioning of the European Union by examining the possible effects of the commercial coordination activities by the two entities. The investigation is expected to conclude by 31 December 2017.

Antitrust issues at the European level

Legislation on competition

TIM is subject to the European competition law. European competition policy was developed from rules set out in the Treaty and covers anticompetitive practices and abuse of dominance, mergers and state aid:

- anticompetitive practices: agreements between two or more independent market operators which restrict competition are prohibited by Article 101 of the Treaty on the Functioning of the European Union. This provision covers both horizontal agreements (between actual or potential competitors operating at the same level of the supply chain) and vertical agreements (between firms operating at different levels, i.e. agreement between a manufacturer and its distributor). Only limited exceptions are foreseen in the general prohibition. The most obvious example of illegal conduct infringing Article 101 is the creation of a cartel between competitors (which may involve price-fixing and/or market sharing);
- abuse of dominance: Article 102 of the Treaty prohibits firms holding a dominant position on a determined market to abuse that position, for example by charging unfair prices, by limiting production, or by refusing to innovate to the prejudice of consumers;
- mergers: the EC is responsible for reviewing mergers if the annual turnover of the combined businesses exceeds specified thresholds in terms of global and European sales. In such cases, the EC must be notified of the transaction. Transactions falling below these thresholds may be reviewed by the national competition authorities in the EU Member States; and
- state aids: public aid distorting competition and trade within the EU are prohibited (Art. 107 of the Treaty). State aid is defined as an advantage in any form whatsoever conferred on a selective basis to undertakings by national public authorities. Therefore, subsidies granted to individuals or general measures open to all enterprises do not constitute State aid. Furthermore, the EC Treaty provides that in some circumstances, government interventions are necessary for a well-functioning and equitable economy, stating some exceptions and sector specific rules. The “Guidelines for the application of State aid rules in relation to rapid development of broadband networks” establish that public funding of broadband projects is not considered state aid if one of three exemptions are used:
 - the public authority invests under the same conditions that would be applied to a private investor (Market Economy Investor Principle—**MEIP**);
 - the public contribution is limited to the compensation of the provision of a service of general economic interest (Services of General Economic Interest principle—**SGEI**);

- it meets certain conditions (promoting the economic development of underdeveloped areas, promoting the execution of an important project of common European interest or to remedy a serious disturbance in the economy of a Member State, facilitating the development of certain activities or areas, promoting culture and heritage conservation).

The EC is empowered by the Treaty to apply these prohibition rules and holds a number of investigative powers to that end (e.g. inspection at business and non-business premises, written requests for information, etc.). It may also impose fines on undertakings which infringe the EU antitrust rules. The main rules on procedures on the implementation of the competition rules set forth in Art. 101 and 102 of the Treaty are set out in Council Regulation (EC) 1/2003.

Since 1 May 2004 all National Competition Authorities have also been empowered to fully apply EU Antitrust rules (i.e. Art. 101 and 102 of the TFEU) in order to ensure that competition is not distorted or restricted. National courts may also apply these provisions in order to protect the individual rights conferred on citizens by the Treaty. State aids rules, on the contrary, can only be applied by the EC.

As part of the overall enforcement of EU competition law, the EC has also developed and implemented a policy on the application of EU competition law to actions for damages before national courts. It also cooperates with national courts in order to ensure the coherent application of the EU competition rules within the Member States.

TELECOMMUNICATION REGULATORY FRAMEWORK IN BRAZIL

TIM Group's operations in Brazil are subject to the 1997 General Law on Telecommunications (Lei Geral de Telecomunicações — **LGT**) and to a comprehensive regulatory framework for the provision of telecommunications services adopted by the Regulatory Agency for Telecommunications—Agência Nacional de Telecomunicações (**ANATEL**).

ANATEL is responsible for the regulation and implementation of national policies in matter of telecommunications. It is a quasi-independent body (the relationship with the Ministry of Communication is institutional, but not hierarchical) enjoying financial and operational autonomy and a wide range of functions and powers, to ensure competition and to avoid concentration of services. The board members have a fixed term, are selected and appointed by the President under approval by the Senate.

ANATEL has the power to impose restrictions, limitations or conditions on concessions, permits or authorisations. ANATEL has the authority to propose and issue legally binding regulations on telecommunications service providers. The rules issued by ANATEL are subject to periodic updates. Any proposed regulation or action by ANATEL is subject to a period of public consultation, which may include public hearings, and can be challenged in Brazilian courts.

ANATEL privatised the former public monopolistic operator and progressively opened the market to competition, in addition to promoting universal access to basic telecommunications services.

With regard to the operational activity of TIM Brasil, ANATEL developed regulations for mobile communication services (**SMP**—Personal Mobile Services), fixed communications services (“Serviço Telefónico Fixo Comutado” or **STFC**) and data transmission and multimedia services (**SCM**).

In 2010 virtual mobile operators were allowed to enter the market upon commercial agreements with the established operators.

Authorisations

ANATEL carried out the privatisation of the former public monopoly operator and gradually opened the sector to competition, in addition to fostering universal access to basic telecom services. According to the General Telecommunications Law and to the regulations issued by ANATEL, licences to provide telecommunications services are granted either under the public regime, by means of a Concession or a

Permission, or under the private regime, by means of an authorisation. Only certain fixed-line service providers are currently operating under the public regime (Telefónica, Embratel and Oi, commonly referred to as “Concessionaires”). All the other telecommunications services providers in Brazil are currently operating under the private regime, including all the mobile and data service providers.

Since the launch of GSM mobile services in 2002, four main players operate in the mobile market (Claro, Vivo, Oi and TIM) and compete nationwide. Third generation mobile services were introduced in 2008 while fourth generation mobile services started in 2012.

The authorisations for fixed and mobile services give the TIM Group (which operates under the brand name TIM Brasil) coverage of the entire country of Brazil allowing it to provide fixed, mobile, long distance and multimedia services.

According to Brazilian law, Internet access is considered a value-added service, and providers of Internet services are not considered to be telecommunications operators.

The rules require that all telecommunications services’ operators allow network access to any interested party to provide value-added services, without discrimination, unless technically impossible. The voice service providers can also provide value-added service through their own networks.

Interconnection rules

Telecommunication operators must publish a public interconnection offer highlighting both economic and technical conditions and are subject to the “General Interconnection Regulatory Framework” enforced by ANATEL in 2005.

Until 2016, the interconnection charges for fixed network (“TU-RL”: Tarifa de Uso da Rede Local) amount to a percentage of retail prices for the incumbent operators. Alternative operators (including TIM) can apply asymmetrical interconnection rates exceeding up to 20 per cent. of the one applied by the incumbents. From 2016, the fixed interconnection rates follow a cost oriented approach.

In May 2012, ANATEL approved a new regulation which, from January 2014, requires the application of the “Bill and Keep” system for local fixed termination rates, i.e., operators take rights of tariffs generated on their networks, and no interconnection remuneration will be owed for local calls between two different networks.

The values of mobile termination rate (called “Value to Use the Mobile network”—**VU-M**) are freely negotiated by operators. The National Regulatory Authority has, however, arbitration power in case of disagreement and it can determine a reference value according to criterion set up by regulation. From January 2013, the reference values set by ANATEL comply with a “glide path” which would lead to cost orientated values starting from 2016 until 2019.

Interconnection agreements are subject to prior approval by ANATEL.

In 2016 Anatel launched a public consultation in order to alter the current interconnection regulation. The process is still under Anatel’s analysis.

General Competition Plan

In November 2012, ANATEL published the General Plan for Competition Targets (the **PGMC**), introducing tools for market analysis, identification of operators with market power and the imposition of ex-ante obligations.

The decision opened the networks of the operators with SMP to unbundling and wholesale broadband access. It also improved transparency measures through the creation of a Supervisory Board to ensure the respect of the wholesale service quality levels.

Fixed networks in fiber optics are benefiting from a regulatory “holiday” of nine years

In each market, ANATEL imposed a set of asymmetrical obligations to operators having SMP.

In the fixed access market an access obligation on copper networks (e.g., Leased Lines, bitstream and full unbundling) for the vertically integrated, fixed operators having SMP (Oi, Telefónica and Telmex) was introduced.

TIM Brasil has been identified as having SMP in the wholesale markets of mobile termination, national roaming and access to Towers. The measures applied to a SMP operator in those markets include:

- a glide path on mobile termination rates based on a price cap system;
- an obligation to offer the service of national roaming to operators not having SMP: regional licensed CTBC and Sercomtel and national licensed Nextel; and
- an obligation to present a Reference Offer of Towers, with regulated price and conditions.

The second analysis and definition of SMP operators was held in 2015 confirming the previous decision of 2012 and the remedies imposed on TIM Brasil remained unchanged.

The review of the markets susceptible to be regulated and the remedies applicable to SMP operators is ongoing. Public consultation was due on 22 March 2017.

Cost models' implementation

In 2005, ANATEL issued a ruling for “Accounting Separation and Cost Accounting”. This ruling introduced the obligation to present the Accounting Separation and Allocation Document (“Documento de Separação e Alocação de Contas”—**DSAC**) for licence holders and groups holding SMP in the fixed and/or mobile network interconnection and wholesale leased lines markets (“Exploração Industrial De Linha Dedicada”—**EILD**). Operators, including TIM, are providing ANATEL with the requested information since 2006 for fixed services and since 2008 for mobile services. In July 2014, ANATEL published the final decision regarding the costing models to set the wholesale reference values for the fixed and mobile access and interconnection services, as well as the reference values for the leased lines **EILD**.

ANATEL established that Fixed Termination Rates (**FTRs** or **TU-RL**) and Mobile Termination Rates (**MTRs**) will be cost oriented beginning in 2016 to achieve the efficient cost level based on BU-LRIC model in 2019. For EILD, the efficient cost level will be reached in 2020.

ANATEL signalled that all products (not only call termination rates and Leased Lines) will be cost oriented from the revision of the PGMC. In October 2016, all operators were required to answer a Data Request from ANATEL, which intended to raise the necessary data to update the cost model for all the products in the PGMC, such as national roaming and passive infrastructure.

Fixed termination rates

In February 2016, fixed termination rates of local incumbent operators (Telefonica, Oi, CTBC, Sercomtel) decreased by almost 70% on average. Interconnection rates in Brazil vary per region and operator. They will continue to decrease, reaching 0.0044 reais/min (0.12 eurocents) in 2019. The sharp decrease is the result of ANATEL implementing a BU-LRIC model to set cost oriented interconnection rates.

Mobile interconnection rate glide path

In November 2012, TIM Brasil, along with other national mobile operators Vivo, Claro and Oi, were identified by ANATEL as having Significant Market Power (SMP) in the wholesale mobile termination market.

The remedies applied to SMP mobile operators included a glide path on mobile termination rate (VU-M), based on a price cap system.

In July 2014, ANATEL published a final decision regarding the cost model and the reference values of the mobile termination rates that will apply over the period from 2016 to 2019 for SMP operators. For 2016, MTRS were set with a Top Down methodology, and 2017-2018 MTRs will be based on linear progressive reductions until convergence to the BU-LRIC model is reached in 2019. The 2019 MTR (based on a full LRIC cost model) of 0.017 reais/min (0.47 eurocents) will be lower than the current European MTR average of approximately 1.1 eurocents, although the latter is based on pure LRIC cost model.

Under the glide path of reductions defined by ANATEL, from February 2016, SMP operator MTRs (TIM Brasil, Vivo, Claro and Oi) are about 0.10 reais/min on average. These termination rates represent a decrease of 37% relative to 2015 rates.

Between operators with SMP a “full billing” scheme is applied (i.e. each operator charges the total amount of the traffic terminated on its network). Conversely, between SMP and non-SMP operators, an asymmetric scheme applies (so called “partial bill&keep”): each operator only pays the portion of the terminated traffic on the other network that exceeds a threshold percentage determined by the regulator with respect of the total traffic exchanged at the interconnection. Until February 2015, this threshold was set at 80% (i.e. a non-SMP operator pays only if the terminated traffic on the SMP operator network is more than 80% of the total traffic exchanged at the interconnection).

According to the previous rules, by February 2015, the “partial bill and keep” threshold between SMP and non-SMP operators would have decreased to 60% and from February 2016 the “full billing” scheme would have been adopted. To harmonize the evolution of the values of mobile interconnection with the introduction of cost-oriented values, in February 2015 ANATEL postponed to 2019 the introduction of the “full billing” scheme in the interconnection between operators with market power and without market power, with a progressive decrease of the mentioned threshold over the next years.

Lower fixed to mobile call prices for incumbent operators

Under the Brazilian regulation, MTR reductions must translate into reductions in retail fixed to mobile call prices. Accordingly, ANATEL established new fixed to mobile retail call rates for fixed telephony concessionaries reflecting the lower mobile termination rates applicable starting on 25 February 2016.

Allocation of the 700 MHz band

The auction for the allocation of the 700MHz band (698-806 MHz), the provision of the fourth generation mobile services and high speed internet was held in September 2014.

TIM Brasil, Claro and Vivo were granted three of the four auctioned national blocks of 10 + 10 MHz. TIM Brasil offered 1,947 million reais. The auction also ordered the winning bidders to constitute an entity responsible for the spectrum clean-up process. A total amount of 3.6 billion reais is designated for the completion of the process and TIM shall pay 1,199 million reais.

The frequencies will be available in all Brazilian cities that could face interference in simultaneous TV and LTE operations within nine months of the complete “switch-off” of analogue television channels.

The initial forecast contemplated 5,570 cities with a switch-off in 2018; however, Ministry Ordinance nº 3493/2016, established that:

- approximately 1,500 cities can have an immediate LTE activation since the frequencies are already free;
- approximately 2,700 cities only need analog channel relocation (switch-off not necessary now); and

- approximately 1,400 cities would have a switch-off by 2018.

Bid winners are required to cover the costs for the implementation of the measures to overcome any spectrum interference and the expenses resulting from the reallocation of Digital TV channels.

On 29 February 2016 Rio Verde in Goiás was the first city to become “100% digital”. In October, the Analog TV switch-off process was initiated in Brasilia and the process for the region was completed on 17 November. Also, São Paulo switched off on 29 March 2017 and Goiânia on 21 June 2017. Commercial LTE already implemented.

Spectrum auction in the 1800 MHz, 1900 MHz and 2500 MHz bands

On 19 April 2016, ANATEL’s auction committee assigned the multi-band local spectrum (135 MHz in the 1800 MHz, 1900 MHz and 2500 MHz bands, including 60 MHz of unpaired Time Division Duplex spectrum) auctioned in December 2015 for mobile and fixed-wireless broadband services.

TIM was awarded Frequency Division Duplex (**FDD**) spectrum in the 2500 MHz band enabling the provision of 4G/LTE services in the metropolitan areas of Recife and Curitiba. Authorisation Terms were signed in July 2016 for 15 years, and can be renewed for an additional 15.

TIM and other incumbent mobile operators (Vivo, Claro and Oi) were not eligible to bid for any spectrum in the 1800 MHz band because of existing spectrum caps.

“Marco Civil de Internet”

The “Marco Civil de Internet”, which went into effect in June 2014, constitutes a kind of “Constitution” on the use of the Internet in Brazil.

Key topics covered in the new regulations include net neutrality, collection, use and storage of personal data, confidentiality of communications, freedom of expression and the treatment of illegal, immoral or offensive contents.

The “Marco Civil de Internet” has been elaborated upon by the issuance of a government decree of implementation and enforcement. The ministry’s decree (issued on 11 May 2016) addresses three main aspects:

- clarification of the scope and implementation of the net neutrality rules;
- implementation of the rights and obligations for the protection of personal data; and
- governance of the Marco Civil de Internet, including authorities in charge of its enforcement.

The decree went into effect on 10 June 2016.

Review of the current regulatory model for the provision of telecom services

The Brazilian government aims to review the 1997 General Telecommunication Law and to transform the old fixed telephony Concessions into Authorisations, modifying the relevant and related obligations.

On 11 April 2016, following a public consultation that closed on 15 January 2016, the Ministry of Communications issued guidelines for ANATEL on how to carry out this transformation and move to a more market-oriented licensing approach.

The Ministry recommended that public authorities should promote access to broadband service at affordable costs and levels, putting broadband at the centre of public policies.

ANATEL is directed to:

- propose concrete rules and criteria to enable the phasing-out of concessions;
- highlight the consistency of the new licensing rules with the existing infrastructure coverage obligations;
- ensure service provision (including broadband) in less attractive economic areas;
- give incentives to concessionaires to migrate to the new licensing framework;
- lessen the universal service obligations for fixed telephony;
- schedule the phasing-out of the retail price control over retail fixed telephony services;
- withdraw recurring licensing fees;
- schedule the phasing-out of the asset reversion scheme (foreseeing that the network assets used to provide services under a concession must be returned to the state upon the expiry of the concession); and
- establish suitable mechanisms to ensure regulation compliance control.

As a result of the on-going debate regarding the licensing regime, ANATEL was tasked with reviewing concession contracts by December 2016. However, after the publication of Resolution 673, approved on 30 December 2016, the deadline for reviewing these contracts was postponed to 30 June 2017. New contracts were approved on 8 June 2017 (Resolution 678/2017).

Additionally, a Bill of Law (PLC—Projeto de Lei da Câmara—79/2016 (the **Bill**)) is under review, which amends Law 9.472/1997 (LGT), allowing ANATEL to change the licensing model of telecommunications service. The concession agreement shall be replaced by an authorisation form following ANATEL's approval. ANATEL is responsible for attesting the criteria of “effective competition” and “proof of fulfillment of universal service targets in the provision of Serviço Telefônico Fixo Comutado or Fixed Switched Telephony Service (**STFC**).

This Bill also changes radiofrequency rules, establishing subsequent and unlimited renewals of up to 20 years and creates a Spectrum Secondary Market, allowing Radiofrequency trading among players.

The Bill has been approved by the Lower House but has neither been approved at the Senate nor at presidential levels. On 22 December 2016, a number of senators from opposition parties filed a petition for writ of injunction (“Mandado de Segurança”). Legislative discussion returned in February 2017 and the Bill now awaits for the Senate approval.

LITIGATION

The most significant arbitration cases and legal or fiscal disputes in which the TIM Group is involved as of the date of this EMTN Programme Prospectus are presented below.

As at 31 March 2017, the TIM Group has accrued provisions totalling 478 million euros for those disputes described below where the risk of losing the case has been considered probable.

a) Significant disputes and pending legal actions

Telecom Italia Sparkle – Relations with I-Globe, Planetarium, Acumen, Accrue Telemedia and Diadem: investigation by the Public Prosecutor’s Office of Rome

The Rome Public Prosecutor’s Office has challenged the judgment of the Court of Rome of October 2013 with which the three former managers of Telecom Italia Sparkle were fully acquitted of the charges of transnational conspiracy for the purpose of tax evasion and false declarations through the use of invoices or other documents for non-existent transactions (“carousel fraud”), also in relation to the position of the Telecom Italia Sparkle employees; currently, judgment is pending in the Court of Appeal in Rome. Telecom Italia Sparkle is still being investigated for the administrative offence pursuant to Legislative Decree 231/2001, with the predicate offence of conspiracy and transnational money laundering.

Following the outcome of the initial trial, Telecom Italia Sparkle fully released the provisions for risk in the profit and loss account during 2014 and obtained from the judicial authority the release and return of all the sums issued to guarantee any obligations deriving from the application of Legislative Decree 231/2001; the sum of 1,549,000 euros, which corresponds to the maximum fine applicable for the administrative offence, still remains under seizure.

As for risks of a fiscal nature, it should be noted that in February 2014 the Revenues Agency (Lazio Regional Office) served three formal notifications of fines for the years 2005, 2006 and 2007, based on the assumption that the telephone traffic in the “carousel fraud” did not exist. The amount of the fines – 25% of the “crime related costs” unduly deducted – total 280 million euros. In this respect Telecom Italia Sparkle has filed an appeal to the Provincial Tax Commission in April 2014. The Commission rejected the appeal with a decision filed in May 2016.

Telecom Italia Sparkle lodged an appeal with the Regional Tax Commission in October 2016, opposing the judgment in the first instance, requesting a suspension of the enforcement of this first instance judgment subject to the presentation of an appropriate guarantee. In December 2016, the Regional Tax Commission granted this suspension, fixing the date for a hearing on the merits in April 2017.

On 5 April 2017, the appeal was discussed before the Regional Tax Commission of Lazio. On 26 April 2017, the second tier ruling was filed (2310/2017 - sec. 11) which rejected Telecom Italia Sparkle’s appeal.

In the meantime Telecom Italia Sparkle obtained the automatic cancellation of 2/3 of the total fines, benefitting of a law recently approved by the Italian Parliament.

As a consequence, the risk – which, following the second-level negative judgment, should be qualified as probable – amounts to 93 million euros, namely the remaining 1/3 of the total fine.

For a discussion of: (a) the international tax and regulatory disputes; (b) the administrative offence charge pursuant to Legislative Decree 231/2011 for the so-called “TIM Security Affair”; and (c) the irregularities concerning transactions for the leasing/rental of assets, see pages 231-233 of the Audited Consolidated Financial Statements for the financial year ended 31 December 2016 of the TIM Group, as incorporated by reference in this EMTN Programme Base Prospectus (see “*Documents Incorporated by Reference*” herein).

For some of the disputes described below, on the basis of the information available at the date of this EMTN Programme Prospectus 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 the case in which the disclosure of information relative to the dispute could seriously jeopardise the position of TIM or its subsidiaries, only the general nature of the dispute is described.

Of the disputes with the aforementioned characteristics, no significant facts have emerged in respect of the disputes listed below other than as disclosed in the Audited Consolidated Financial Statements for the financial year ended 31 December 2016 of the TIM Group:

- Italian Competition Authority Case I-761;
- WIND (I-761);
- VODAFONE (A428);
- VODAFONE;
- Investigation by the Monza Public Prosecutor's Office;
- COLT TECHNOLOGY SERVICES;
- KPNQ West Italia S.p.A.;
- TELEUNIT;
- EUTELIA and VOICEPLUS;
- SKY;
- Vodafone Dispute – Universal Service;
- Olivetti – Asbestos exposure;
- POSTE;
- Elinet S.p.A. Bankruptcy;
- Dispute relative to "Adjustments on license fees" for the years 1994-1998;
- Brazil – Docas/JVCO Arbitration; and
- Brazil – CAM JVCO Arbitration.

For further information in respect of such disputes, see pages 234-240 of the Audited Consolidated Financial Statements for the financial year ended 31 December 2016 of the TIM Group, as incorporated by reference in this EMTN Programme Base Prospectus (see "*Documents Incorporated by Reference*" herein).

Antitrust Case A428

At the conclusion of case A428, in May 2013, Italian Competition Authority AGCM imposed two administrative sanctions of 88,182,000 euros and 15,612,000 euros on TIM for abuse of its dominant position. TIM allegedly (i) hindered or delayed activation of access services requested by OLOs through unjustified and spurious refusals; and (ii) offered its access services to final customers at economic and technical conditions that allegedly could not be matched by competitors purchasing wholesale access

services from TIM itself, only in those geographic areas of the country where disaggregated access services to the local network are available, and hence where other operators can compete more effectively with TIM.

TIM appealed against the decision before the Regional Administrative Court (TAR) for Lazio, applying for payment of the fine to be suspended. In particular, it alleged: infringement of its rights to defend itself in the proceedings, the circumstance that the organisational choices challenged by AGCM and allegedly at the base of the abuse of the OLO provisioning processes had been the subject of specific rulings made by the industry regulator (AGCom), the circumstance that the comparative examination of the internal/external provisioning processes had in fact shown better results for the OLOs than for the TIM retail department (hence the lack of any form of inequality of treatment and/or opportunistic behaviour by TIM), and (regarding the second abuse) the fact that the conduct was structurally unsuitable to reduce the margins of the OLOs.

In May 2014, the judgment of the Lazio TAR was published, rejecting TIM's appeal and confirming the fines imposed in the original order challenged. In September 2014 TIM appealed against this decision.

In May 2015, with the judgment no. 2497/15, the Council of State found the decision of the court of first instance did not present the deficiencies alleged by TIM and confirmed the AGCM ruling. TIM had already proceeded to pay the fines and the accrued interest.

In a decision notified in July 2015, AGCM started proceedings for non-compliance against TIM, to ascertain if TIM had respected the notice to comply requiring it to refrain from undertaking behaviours analogous to those that were the object of the breach ascertained with the concluding decision in case A428 dated May 2013.

On 13 January 2017, TIM was notified of the conclusive assessment of the Italian Competition Authority (AGCM), acknowledging that TIM has fully complied with the judgment in proceedings A428 and that therefore the conditions do not exist for the imposition of any sanctions for non-compliance.

AGCM recognises, furthermore, that TIM's behaviour subsequently to the 2013 proceedings has been directed towards continuous improvement of its performance in the supply of wholesale access services concerning not only the services which were the subject of the investigation, but also the new super-fast broadband access services. In assessing compliance, AGCM recognised the positive impact of the implementation, albeit not yet completed, of TIM's New Equivalence Model (NME). AGCM's decision forces TIM to: (i) proceed with the implementation of the NME until its completion which was completed on 30 April 2017; and (ii) to inform the Authority about the performance levels of the systems for providing wholesale access services and about the completion of the corresponding internal reorganisation plan which was completed in May 2017.

Vodafone lodged an appeal with the Regional Administrative Court of Lazio against the final decision in the proceedings for non-compliance taken by AGCM. TIM filed an appearance, as it did in the trials brought in the month of March 2017 by the operators CloudItalia, Kpnqwest and Digitel.

VODAFONE (I-761)

With a writ of summons before the Milan Court, Vodafone has sued TIM and some network companies, bringing claims for compensation from TIM for around 193 million euros for damages arising from alleged anti-competitive conduct censured in the known AGCM case I-761 (on corrective maintenance) referring to the period from 2011 to 2017.

Like Wind before it, with which a similar judgment is pending, Vodafone contests the abuse of a dominant market position allegedly carried out by TIM in the wholesale markets giving access to its fixed network (LLU lines; Bitstream; WLR), through an unlawful agreement with the maintenance companies to maintain the monopoly on the offer of corrective maintenance services on its network. In particular, this restrictive agreement would have concerned the coordination, by TIM, of the financial conditions contained in the offers formulated by the aforementioned companies with respect to the OLOs, for the maintenance service, at artificially high prices with respect to the cost of the maintenance included in the regulated access

subscription charge, in order to make it seem as if the unbundling of the service itself were not convenient. TIM will file an appearance, contesting all of the other party's requests.

Formal Notice of Assessments against TIM

On 29 October 2015 the Guardia di Finanza concluded a tax investigation into TIM S.p.A., started in 2013, regarding the years 2007 to 2014. The formal notice of assessment (Processo Verbale di Constatazione, or PVC) contained two substantial findings. The first relates to the presumed non-debiting of royalties to the company's indirect subsidiary Tim Brasil, for the use of the "TIM" brand. The second regards the alleged non-application of withholding tax on interest paid to the subsidiary Telecom Italia Capital S.A.

In this regard, on the basis of the aforementioned formal notice of assessment, the Milan Revenues Agency in December 2015 served assessment notices on the company for the 2010 tax year, and in December 2016 it served assessment notices for the tax years 2007 and 2011.

While believing, on the basis of opinions issued by established professionals, that it has acted correctly in fulfilling all its tax obligations, TIM has attempted to reach a tax settlement with the Revenues Agency. Having failed to reach an agreement, TIM has filed an appeal to the Provincial Tax Commission against the assessment notices for the 2007, 2010 and 2011 tax years. TIM is still pursuing negotiations with the tax office with a view of reaching an out-of-court tax settlement, which would relate to all open-years, including those for which it has not yet received a notice of assessment.

Brazil - Opportunity Arbitration

In May 2012, TIM and Telecom Italia International N.V (now merged in Telecom Italia Finance) were served with a notice of arbitration proceedings brought by the Opportunity group, claiming compensation for damages allegedly suffered for presumed breach of a settlement agreement signed in 2005. Based on the claimant's allegations, the damages relate to circumstances that emerged in the criminal proceedings pending before the Milan Court regarding, *inter alia*, unlawful activities undertaken by former employees of TIM.

The investigatory phase having been completed, the hearing for oral discussion took place in November 2014, after which the parties filed their concluding arguments in preparation for the decision on the case.

In September 2015, the Board of Arbitration declared the proceedings closed, as the award was going to be filed.

Subsequently, the Board of Arbitration allowed the parties to exchange short arguments and the ICC Court extended the term for the filing of the award.

In September 2016, the ICC Court notified the parties of its judgment, based on which the Board of Arbitration rejected all the claims made by the Opportunity group and decided that the legal costs, administrative costs and costs for expert witnesses should be split between the parties.

In April 2017, the Opportunity group filed an appeal against the arbitration award before the Court of Appeal of Paris.

b) Other information

With reference to the cases listed below, no significant facts have emerged with respect to that published in the 2016 TIM Annual Report:

- Dispute concerning the licence fees for 1998,
- Vodafone (previously TELETU),

Mobile telephony - criminal proceedings

In March 2012 TIM was served notice of the conclusion of the preliminary enquiries, which showed that TIM was being investigated by the Public Prosecutor of Milan pursuant to the Legislative Decree n. 231/2001, for the offences of handling stolen goods and counterfeiting committed, according to the alleged allegations, by fourteen employees of the so-called “ethnic channel”, with the participation of a number of dealers, for the purpose of obtaining undeserved commissions from TIM.

TIM, as the injured party damaged by such conduct, had brought two legal actions in 2008 and 2009 and had proceeded to suspend the employees involved in the criminal proceedings (suspension later followed by dismissal). It has also filed an initial statement of defence, together with a technical report by its own expert, requesting that the proceedings against it be suspended, and that charges of aggravated fraud against TIM be brought against the other defendants. In December 2012, the Public Prosecutor’s Office filed a request for 89 defendants and TIM itself to be committed for trial.

During the preliminary hearing, TIM was admitted as civil party to the trial and, in November 2013, the conclusions in the interest of the civil party were filed, reaffirming TIM’s total lack of involvement in the offences claimed.

At the end of the preliminary hearing, which took place in March 2014, the Judge for the Preliminary Hearing committed for trial all the defendants (including TIM) who had not asked for their situation to be settled with alternative procedures, on the grounds that “examination in a trial” was needed. In April 2016, at the end of the first part of the trial, the Public Prosecutor asked for TIM to be sentenced to pay an administrative fine of 900 thousand euros, but decided not to ask for confiscation of any of the presumed profits of the offences (quantified in the committal proceedings as totalling several million euros), based on the assumption that TIM had in any event remedied the presumed organisational inadequacies. While acknowledging the considerable re-dimensioning of the accusations, TIM has reiterated its total non-involvement in the facts at issue. In November 2016, the Court gave a verdict acquitting TIM on the grounds that there was no case to answer. All the individuals charged were also acquitted on various grounds. The acquittal judgment is not final, as it was challenged in April 2017 by the Public Prosecutor who sought appeal before the Court of Cassation.

TIM GROUP – SELECTED FINANCIAL INFORMATION AND STATISTICAL OPERATING DATA

Financial information prepared in accordance with IFRS as of and for the years ended 31 December 2016 and 2015

The selected financial data set forth below is consolidated financial data of the TIM Group as of and for each of the years ended 31 December 2016 and 2015, which has been extracted or derived from the audited Consolidated Financial Statements of the TIM Group included in the 2016 TIM Annual Report (which is incorporated by reference herein) and which have been audited by PricewaterhouseCoopers S.p.A. as independent auditors.

In 2016, the TIM Group applied the accounting policies on a basis consistent with those of the previous years, except for the new standards and interpretations adopted by the Group since 1 January 2016, described in the audited Consolidated Financial Statements of the TIM Group included in the 2016 TIM Annual Report and incorporated by reference herein.

The financial information described below should be read in conjunction with the 2016 TIM Annual Report.

Following certain corrections of errors made in 2016 with respect to the Brazil Business Unit, the financial data for the year 2015 has been appropriately adjusted and referred to as “revised” (for further details please see the Note “Form, Content and other general information—The correction of errors” of the 2016 TIM Annual Report incorporated by reference herein).

Amounts presented in this section are prepared in accordance with IFRS.

The selected financial data set forth below includes, in addition to the conventional financial performance measures established by IFRS, certain alternative performance measures (such as Operating profit (loss)/Revenues (ROS), Net Financial Debt) that are presented for purposes of a better understanding of the trend of operations and the financial condition. Such measures should, however, not be considered as a substitute for those required by IFRS.

In particular, as regards to Operating profit (loss)/Revenues (ROS), TIM believes that such measure represents an accurate indicator of how efficiently the Group is generating profits from its top-line revenues. In fact, ROS measures the performance of an entity by analysing the percentage of total revenues that is converted into operating profit. This financial measure is used by TIM in internal and external presentations to analysts and investors. ROS is also used to compare current period calculations with calculations from previous periods. This allows TIM to conduct trend analysis and compare internal efficiency performance over time.

For further details about Net Financial Debt please also see note 5 below.

	Year ended 31 December	
	2016 (*)	2015 (Revised) (*)
	<i>(millions of euros, except percentages, ratios, employees and per share amounts)</i>	
Separate Consolidated Income Statement Data:		
Revenues	19,025	19,719
Operating profit (loss)	3,722	2,963
Profit (loss) before tax from continuing operations	2,799	453
Profit (loss) from continuing operations	1,919	50
Profit (loss) from Discontinued operations/Non-current assets held for sale ..	47	611
Profit (loss) for the year	1,966	661
Profit (loss) for the year attributable to owners of the Parent ⁽¹⁾	1,808	(70)
Capital expenditures	4,876	5,197
Financial Ratios:		
Operating profit (loss)/Revenues (ROS).....	19.6%	15.0%
Employees, average number in the Group, including personnel with temporary work contracts:		
Employees (excluding employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale) (average number).....	57,855	61,553
Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale (average number).....	2,581	15,465
Basic and Diluted Earnings per Share (EPS)⁽²⁾:		
Ordinary Share	0.08	0.00
Savings Share	0.09	0.00
Dividends:		
per Ordinary Share	— ⁽³⁾	— ⁽³⁾
per Savings Share	0.0275 ⁽³⁾	0.0275 ⁽³⁾

	As of 31 December	
	2016	2015 (Revised)
	<i>(millions of euros, except employees)</i>	
Consolidated Statement of Financial Position Data:		
Total Assets	70,446	71,268
Equity:		
Equity attributable to owners of the Parent	21,207	17,554
Non-controlling interests	2,346	3,695
Total Equity	23,553	21,249
Total Liabilities	46,893	50,019
Total Equity and Liabilities	70,446	71,268
Share Capital⁽⁴⁾	11,587	10,650
Net Financial Debt carrying amount⁽⁵⁾	25,955	28,475
Adjusted Net Financial Debt⁽⁵⁾	25,119	27,278
Employees, number in the Group at year-end, including personnel with temporary work contracts:		
Employees (excluding employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale) (number at year-end)	61,229	65,867
Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale (number at year-end)	-	16,228

	As of 31 December	
	2016	2015
	<i>(thousands)</i>	
Statistical Data:		
Domestic (Italy) Business Unit		
Physical accesses ⁽⁶⁾	18,963	19,209
<i>Of which physical accesses (retail)</i>	<i>11,285</i>	<i>11,742</i>
Broadband accesses	9,206	8,890
<i>Of which retail broadband accesses</i>	<i>7,191</i>	<i>7,023</i>
Mobile lines	29,617	30,007
Brazil Business Unit		
Mobile lines ⁽⁷⁾	<u>63,418</u>	<u>66,234</u>

Notes:

- (*) On 13 November 2013, TIM accepted the offer of Fintech Group to acquire the entire controlling interest of TIM Group in the Sofora—Telecom Argentina group. The agreements made in connection with this transaction were subsequently modified in October 2014. As a result and in accordance with IFRS 5 (*Non-current Assets Held for Sale and Discontinued Operations*), as of the fourth quarter of 2013, the Sofora—Telecom Argentina group has been treated as Discontinued operations/Non-current assets held for sale. On 8 March 2016, the TIM Group completed the sale of Sofora—Telecom Argentina group.
- (1) “Parent”, as used in this EMTN Programme Prospectus and in the 2016 TIM Annual Report, means TIM S.p.A.
- (2) In accordance with IAS 33 (Earnings per share), basic earnings per Ordinary Share is calculated by dividing the TIM Group’s profit (loss) attributable to owners of the Parent by the weighted average number of shares outstanding during the year excluding treasury shares. Since TIM has both Ordinary and Savings Shares outstanding, the calculations also take into account the requirement that holders of Savings Shares are entitled to an additional dividend equal to 2 per cent. of 0.55 euros per share above dividends paid on the Ordinary Shares.
For the purpose of these calculations, the weighted average number of:
- Ordinary Shares was 15,039,128,128 for the year ended 31 December 2016 and 14,889,773,009 for the year ended 31 December 2015;
 - Savings Shares was 6,027,791,699 for the year ended 31 December 2016 and 6,026,677,674 for the year ended 31 December 2015.
- For diluted earnings per share the weighted average number of shares outstanding is adjusted assuming conversion of all dilutive potential shares. Potential shares are those securities that, if converted into shares, would increase the total number of shares outstanding and reduce the earnings attributable to each share. Potential shares include options, warrants and convertible securities. The TIM Group’s profit (loss) is also adjusted to reflect the impact of the conversion of potential shares net of the related tax effects.
- (3) TIM’s dividend coupons for its Savings Shares for the year ended 31 December 2016, was clipped on 19 June 2017, and was payable from 21 June 2017.
- (4) Share capital represents share capital issued net of the accounting par value of treasury shares; accounting par value is the ratio of total share capital and the number of issued shares.
- (5) In order to present a more realistic analysis of net financial debt, in addition to the usual indicator (renamed “Net Financial Debt carrying amount”), “Adjusted Net Financial Debt” is also shown; such indicator excludes effects that are purely accounting and non-monetary in nature deriving from the fair value measurement of derivatives and related financial assets and liabilities. Net Financial Debt is one of the alternative performance measures presented in addition to the conventional financial performance measures established by IFRS for purposes of a better understanding of the trend of operations and the financial condition of the TIM Group. Specifically, TIM believes that Net Financial Debt provides 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. Net Financial Debt is also used in presentations to investors and analysts. Adjusted Net Financial Debt as of 31 December 2016 and 31 December 2015 is calculated as follows:

	As of 31 December	
	2016	2015
	<i>(millions of euros)</i>	
Non-current financial liabilities.....	30,469	30,518
Current financial liabilities.....	4,056	6,224
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale.....	-	348
Gross Financial Debt (A)	34,525	37,090
Non-Current Financial Assets (B)	(2,698)	(2,989)
Current financial assets:		
– Securities other than investments.....	(1,519)	(1,488)
– Financial receivables and other current financial assets.....	(389)	(352)
– Cash and cash equivalents.....	(3,964)	(3,559)
– Financial assets relating to Discontinued operations/ Non-current assets held for sale.....	-	(227)
Total Current Financial Assets (C)	(5,872)	(5,626)
Financial Assets (D = B + C)	(8,570)	(8,615)
Net Financial Debt Carrying Amount (A + D)	25,955	28,475
<i>Reversal of fair value measurement of derivatives and related financial liabilities/assets</i>	<i>(836)</i>	<i>(1,197)</i>
Adjusted Net Financial Debt	25,119	27,278

(6) “Physical accesses” does not include full-structured OLOs and FWA-Fixed Wireless Access.

(7) Data also includes company lines (active SIM cards used by the TIM Brasil group and its employees).

Financial information prepared in accordance with IFRS as of and for the three months ended 31 March 2017 and 2016

The summary selected financial data set forth below, which has been extracted or derived from the Unaudited Condensed Consolidated Financial Statements as of 31 March 2017, is consolidated financial data of the TIM Group as follows:

- (i) with respect to the separate consolidated income statement information, the unaudited financial data for the three month periods ended 31 March 2017 and 2016; and
- (ii) with respect to the statement of financial position information, the unaudited financial data as of 31 March 2017 and the audited financial data as of 31 December 2016.

The accounting policies and consolidation principles adopted in the preparation of the Unaudited Condensed Consolidated Financial Statements as of 31 March 2017 are the same as those adopted in the TIM Group annual Audited Consolidated Financial Statements as of 31 December 2016, to which reference can be made. As described in the notes to the Unaudited Condensed Consolidated Financial Statements as of 31 March 2017, there are no new standards or interpretations effective from 1 January 2017.

In the opinion of the management of TIM, the unaudited interim consolidated financial data of the TIM Group reflects all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the TIM Group's consolidated results of operations for the unaudited interim periods. Results for the three month period ended 31 March 2017 are not necessarily indicative of results that may be expected for the entire year.

There were no material events or transactions (e.g. business combinations, disposals, significant transactions with related parties, including intragroup transactions) which would have required specific disclosure in this EMTN Programme Prospectus.

The selected financial data set forth below includes, in addition to the conventional financial performance measures established by IFRS, certain alternative performance measures (such as Operating profit (loss)/Revenues (ROS), Net Financial Debt) that are presented for purposes of a better understanding of the trend of operations and the financial condition. Such measures should, however, not be considered as a substitute for those required by IFRS.

In particular, as regards to Operating profit (loss)/Revenues (ROS), TIM believes that such measure represents an accurate indicator of how efficiently the Group is generating profits from its top-line revenues. In fact, ROS measures the performance of an entity by analysing the percentage of total revenues that is converted into operating profit. This financial measure is used by TIM in internal and external presentations to analysts and investors. ROS is also used to compare current period calculations with calculations from previous periods. This allows TIM to conduct trend analysis and compare internal efficiency performance over time.

For further details about Net Financial Debt please also see note 4 below.

	Three months ended 31 March	
	2017 (Unaudited)	2016 (Unaudited)
<i>(millions of euros, except percentages, ratios, employees and per share amounts)</i>		
Separate Consolidated Income Statement Data:		
Revenues	4,819	4,440
Operating profit (loss)	865	704
Profit (loss) before tax from continuing operations	481	678
Profit (loss) from continuing operations	225	457
Profit (loss) from Discontinued operations/Non-current assets held for sale	-	47
Profit (loss) for the period	225	504
Profit (loss) for the period attributable to owners of the Parent ⁽¹⁾	200	433
Capital expenditures	831	944
Financial Ratios		
- Operating profit/Revenues (ROS)(%).....	17.9%	15.9%
Employees, average number in the Group, including personnel with temporary work contracts:		
Employees (excluding employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale) (average number).....	55,313	59,369
Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale (average number).....	-	10,322
Earnings per Share (EPS)⁽²⁾:		
<i>Basic</i>		
Ordinary Share	0.01	0.02
Savings Share	0.02	0.03
<i>Diluted</i>		
Ordinary Share	0.01	0.01
Savings Share	0.02	0.02

	As of 31 March 2017 (Unaudited)	As of 31 December 2016
	<i>(millions of euros, except employees)</i>	
Consolidated Statement of Financial Position Data:		
Total Assets	70,491	70,446
Equity:		
— Equity attributable to owners of the Parent	21,555	21,207
— Non-controlling interests.....	2,395	2,346
Total Equity	23,950	23,553
Total Liabilities	46,541	46,893
Total Equity and Liabilities	70,491	70,446
Share Capital ⁽³⁾	11,587	11,587
Net Financial Debt carrying amount ⁽⁴⁾	25,923	25,955
Adjusted Net Financial Debt ⁽⁴⁾	25,235	25,119
Employees, number in the Group at period-end, including personnel with temporary work contracts:		
Employees (excluding employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale) (number at period-end)	60,930	61,229
Employees relating to the consolidated companies considered a Discontinued operations/Non-current assets held for sale (number at period-end)	-	-
	As of 31 March 2017	As of 31 December 2016
	<i>(thousands)</i>	
Statistical Data:		
Domestic (Italy) Business Unit		
Physical accesses ⁽⁵⁾	19,040	18,963
<i>Of which retail physical accesses</i>	<i>11,230</i>	<i>11,285</i>
Broadband accesses ⁽⁶⁾	9,435	9,206
<i>Of which retail broadband accesses</i>	<i>7,310</i>	<i>7,191</i>
Mobile lines	29,417	29,617
Brazil Business Unit		
Mobile lines ⁽⁷⁾	61,868	63,418

Notes:

- (1) “Parent”, as used in this EMTN Programme Prospectus, means TIM S.p.A.
- (2) In accordance with IAS 33 (*Earnings per share*), basic earnings per Ordinary Share is calculated by dividing the TIM Group’s profit (loss) attributable to owners of the Parent by the weighted average number of shares outstanding during the period, excluding treasury shares. Since TIM has both Ordinary and Savings Shares outstanding, the calculations also take into account the requirement that holders of Savings Shares are entitled to an additional dividend equal to 2 per cent. of 0.55 euros per share above dividends paid on the Ordinary Shares.
For the purpose of these calculations, the weighted average number of:
- Ordinary Shares was 15,039,368,195 for the three months ended 31 March 2017 and 14,896,594,305 for the three months ended 31 March 2016;
 - Savings Shares was 6,027,791,699 for the three months ended 31 March 2017 and 31 March 2016.
- For diluted earnings per share the weighted average number of shares outstanding is adjusted assuming conversion of all dilutive potential shares. Potential shares are those securities that, if converted into shares, would increase the total number of shares outstanding and reduce the earnings attributable to each share. Potential shares include options, warrants and convertible securities. The TIM Group’s profit is also adjusted to reflect the impact of the conversion of potential shares net of the related tax effects.
- (3) Share capital represents share capital issued net of the accounting par value of treasury shares; accounting par value is the ratio of total share capital and the number of issued shares.

- (4) In order to present a more realistic analysis of net financial debt, in addition to the usual indicator (renamed “Net Financial Debt carrying amount”), “Adjusted Net Financial Debt” is also shown; such indicator excludes effects that are purely accounting and non-monetary in nature deriving from the fair value measurement of derivatives and related financial assets and liabilities. Net Financial Debt is one of the alternative performance measures presented in addition to the conventional financial performance measures established by IFRS for purposes of a better understanding of the trend of operations and the financial condition of the TIM Group. Specifically, TIM believes that Net Financial Debt provides 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. Net Financial Debt is also used in presentations to investors and analysts. Adjusted Net Financial Debt as of 31 March 2017 and 31 December 2016 is calculated as follows:

	As of 31 March 2017 (Unaudited)	As of 31 December 2016
	<i>(millions of euros)</i>	
Non-current financial liabilities.....	31,025	30,469
Current financial liabilities.....	3,587	4,056
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale.....	-	-
Gross Financial Debt (A)	34,612	34,525
Non-Current Financial Assets (B)	(2,596)	(2,698)
Current financial assets:		
– Securities other than investments.....	(1,069)	(1,519)
– Financial receivables and other current financial assets.....	(563)	(389)
– Cash and cash equivalents.....	(4,461)	(3,964)
– Financial assets relating to Discontinued operations/Non-current assets held for sale.....	-	-
Total Current Financial Assets (C)	(6,093)	(5,872)
Financial Assets (D = B + C)	(8,689)	(8,570)
Net Financial Debt Carrying Amount (A + D)	25,923	25,955
<i>Reversal of fair value measurement of derivatives and related financial liabilities/assets</i>	<i>(688)</i>	<i>(836)</i>
Adjusted Net Financial Debt	25,235	25,119

- (5) “Physical accesses” does not include full-infrastructured OLOs and FWA-Fixed Wireless Access.
(6) “Broadband accesses” does not include LLU and NAKED, satellite and full-infrastructured OLOs and FWA-Fixed Wireless Access.
(7) Data also includes company lines (active SIM cards used by the TIM Brasil group and its employees).

DIRECTORS, EXECUTIVE OFFICERS AND STATUTORY AUDITORS

Directors

On 4 May 2017 the Shareholders' Meeting of the Issuer elected the Board of Directors of TIM which will remain in office until approval of the 2019 annual financial statements.

The Shareholders' Meeting established the number of Directors at 15; set the overall annual remuneration for the Board of Directors at 2,200,000 euros (to be divided among the members thereof in accordance with the resolutions to be adopted by the Board itself); released them from restrictions on competition, as permitted under Article 2390 of the Italian Civil Code.

The Board of Directors of TIM, at a meeting held on 5 May 2017 appointed Giuseppe Recchi as Executive Chairman, Arnaud Roy de Puyfontaine as Deputy Chairman and Flavio Cattaneo as Chief Executive Officer of the Issuer.

On 1 June 2017 the Board of Directors of TIM met again and appointed Arnaud Roy de Puyfontaine as Executive Chairman and Giuseppe Recchi as Deputy Chairman; Flavio Cattaneo remains the Issuer's Chief Executive Officer.

As at the date of this EMTN Programme Prospectus, the Board of Directors was composed of the following:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Appointed</u>
Arnaud Roy de Puyfontaine.....	53	Chairman/Director	2017
Flavio Cattaneo.....	54	Chief Executive Officer/Director	2017
Giuseppe Recchi	53	Vice President/Director	2017
Camilla Antonini ⁽¹⁾	51	Director	2017
Franco Bernabè ⁽¹⁾	68	Director	2017
Ferruccio Borsani ⁽¹⁾	59	Director	2017
Lucia Calvosa ⁽¹⁾	56	Director	2017
Francesca Cornelli ⁽¹⁾	54	Director	2017
Frédéric Crépin.....	47	Director	2017
Dario Frigerio ⁽¹⁾	55	Director	2017
Félicité Herzog ⁽¹⁾	49	Director	2017
Anna Jones ⁽¹⁾	42	Director	2017
Marella Moretti ⁽¹⁾	51	Director	2017
Hervé Philippe.....	58	Director	2017
Danilo Vivarelli ⁽¹⁾	53	Director	2017

Note:

(1) Independent Directors.

The business address of each of the members of the Board of Directors is Via Gaetano Negri 1, 20123 Milan, Italy.

Description of Directors' Outside Interests (in companies that (i) are listed and included in the FTSE/MIB index, (ii) operate prevalently in the financial sector on a public basis (and are entered in the lists referred to in Articles 106 and 107 of 1 September 1993, Legislative Decree n. 385) or (iii) engage in banking or insurance).

Arnaud Roy de Puyfontaine

Arnaud Roy de Puyfontaine is Chairman of the Management Board of Vivendi, Member of the Supervisory Board of Canal+ Group, Member of the Supervisory Board of StudioCanal and Chairman of the Supervisory

Board of Universal Music France. He is also an Independent Director of Schibsted Media Group, a member of the Advisory Committee of Innit, a permanent representative of Vivendi on the Supervisory Board of Banijay Group (SAS), non-executive Chairman of Gloo Networks plc. and Chairman of the French-American Foundation.

Flavio Cattaneo

Flavio Cattaneo is currently a Director of NTV S.p.A.

Giuseppe Recchi

Giuseppe Recchi is a member of the Board of Directors of UnipolSai Assicurazioni S.p.A. and Esaote S.p.A. He is also a member of the General Committee of Confindustria (where he chaired the Foreign Investment Committee); the Italian Institute of Technology; the Corporate Governance Committee; and the Board of Assonime (Italian Joint Stock Companies). He is Chair of the B20 Task Force on Improving Transparency and Anti-Corruption.

Franco Bernabè

Franco Bernabè is Chairman of the Board of Directors of CartaSi S.p.A. and Istituto delle Banche Popolari Italiane S.p.A. and Chairman of FB Group.

Lucia Calvosa

Since April 2015, Lucia Calvosa has been an independent member of the Board of Directors of Banca Monte dei Paschi di Siena S.p.A.

Francesca Cornelli

Francesca Cornelli is a member of the board of Banca Intesa SanPaolo, Swiss Re Europe and Swiss Re International.

Frédéric Crépin

Frédéric Crépin was appointed to the Vivendi Management Board on 10 November 2015 and is a member of the Supervisory Board of the Groupe Canal+, Studiocanal, Universal Music France; he is a Director of Dailymotion, Wengo, Canal Olympia, L'Olympia and Vivendi Holding LLC. Mr. Crépin is a Chairman of SIG 116 Sas, SIG 117 Sas, SIG 119 Sas and SIG 120 Sas.

Dario Frigerio

Dario Frigerio is Vice President of Fondazione Fiera Milano, which owns the majority of Fiera Milano S.p.A., a listed company.

Félicité Herzog

Félicité Herzog is a board member of Gaumont, the film production company.

Marella Moretti

Since 2009, Marella Moretti has been Managing Director (*Directeur General délégué*) and Board member of CNH Industrial Financial Services, the captive finance company for CNH Industrial in Europe region, regulated by the French Central Bank Authority ACPR. Since 2011, she has also been Chief Executive Officer and Board member of CNH Industrial Finance France. Since 2011, she has served as a member of the Board of Directors of Fiat Chrysler Finance Europe.

Hervé Philippe

Hervé Philippe is a member of the Management Board of Vivendi; Vice-Chairman of the Supervisory Board of Canal+ Group; Chairman of Compagnie Financière du 42 Avenue De Friedland (SAS); Director and member Audit Committee of Dailymotion; Member of the Supervisory Board of Universal Music France and permanent representative of Vivendi on the Supervisory Board of Banijay Group.

Executive Officers

As of the date of this EMTN Programme Prospectus, the executive officers of TIM and their respective functions were as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Appointed</u>
Directors:			
Arnaud Roy de Puyfontaine.....	53	Executive Chairman	2017
Flavio Cattaneo.....	54	Chief Executive Officer	2016
Managers:			
Lorenzo Forina	44	Head of Business and Top Client	2016
Agostino Nuzzolo	49	Head of Legal Affairs	2017
Piergiorgio Peluso.....	49	Chief Financial Officer and Head of Administration Finance and Control;	2012
		Head a.i. of Business Support Office	2016
Francesco Micheli.....	71	Head of Progetti Speciali di Gruppo and Head a.i. of Human Resources and Organisational Development	2016
Cristoforo Morandini.....	54	Head of Regulatory Affairs	2015
Giovanni Ferigo.....	57	Head of Technology	2016
Stefano Azzi	48	Head of Consumer & Small Enterprise	2016
Stefano Ciurli.....	55	Head of Wholesale	2014
Stefano De Angelis.....	49	CEO Tim Participacoes	2016

The business address of each of the executive officers is Via Gaetano Negri 1, 20123 Milan, Italy.

Other Principal Activities

Piergiorgio Peluso

Mr. Peluso is currently a director of Inwit S.p.A.

* * *

In February 2016, the District Court of Milan issued an indictment against Mr. Piergiorgio Peluso and 11 other individuals in connection with an investigation stemming from the bankruptcy of Imco S.p.A. (**Imco**) in 2012. The principal allegation against Mr. Peluso is that, as CEO of UniCredit Corporate Banking S.p.A. (**UniCredit**) (the position he held before joining TIM in September 2012), he approved a complex restructuring transaction, which had, according to the allegation, the effect of decreasing the net asset value of Imco. The trial in this matter is scheduled to begin in March 2018.

Board of Statutory Auditors

On 20 May 2015, the Shareholders' Meeting appointed the present Statutory Board of Auditors that will remain in office until approval of the 2017 financial statements. Based on the slates submitted by the shareholders, five Acting Auditors and four Alternate Auditor have been appointed.

The Shareholders' Meeting also appointed Auditor Roberto Capone as Chairman of the Board of Statutory Auditors.

The following table lists the members of the Board of Statutory Auditors as of the date of this EMTN Programme Prospectus:

Name	Position	Appointed
Roberto Capone (1)	Chairman	2015
Vincenzo Cariello (1)	Acting Auditor	2015
Paola Maiorana	Acting Auditor	2015
Gianluca Ponzellini	Acting Auditor	2015
Ugo Rock	Acting Auditor	2015
Francesco Di Carlo	Alternate Auditor	2015
Gabriella Chersicla	Alternate Auditor	2015
Piera Vitali (1)	Alternate Auditor	2015
Riccardo Schioppo (1)	Alternate Auditor	2015

Note:

(1) Elected by minority shareholders.

The business address of each of the members of the Board of Statutory Auditors is Via Gaetano Negri 1, 20123 Milan, Italy.

Below is a list of the functions held by members of the Board of Statutory Auditors in other listed companies:

Name	Position
Roberto Capone	Chairman of the Board of Auditors of Bonifiche Ferraresi
Vincenzo Cariello	Director OVS S.p.A.
Gianluca Ponzellini	Chairman of the Board of Auditors of De Longhi S.p.A.

Pursuant to Italian law, the Board of Statutory Auditors supervises compliance by the company with the law, the by-laws, the principles of proper administration and controls and the suitability of the structure and the functioning of the company's management, administrative and accounting functions. The Board of Statutory Auditors additionally supervises suitability of the instructions given by TIM to its subsidiaries. The Board of Statutory Auditors must receive timely disclosures, at least on a quarterly basis, from the Board of Directors in relation to the company's business and significant transactions performed by the company and its subsidiaries, including related parties transactions. The Board of Statutory Auditors must inform CONSOB of any irregularity they find in the course of their duties and are required to attend meetings of the Shareholders, the Board of Directors and the Executive Committee. In addition, pursuant to Legislative Decree 231/2001, the Board of Auditors carries out the function of the Supervisory Committee.

TIM has adopted "Procedures for Information to Directors and Auditors", in order to make available to the Board of Auditors the necessary information.

Legislative Decree no. 39/2010, implementing directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, imposes on listed Italian companies the obligation to establish Internal Control and Audit Committees. Since TIM adopted the Italian "traditional" system of administration and control, the role of this Committee is performed by the Board of Statutory Auditors. Pursuant to Legislative Decree no. 39/2010, the Board of Statutory Auditors is responsible for monitoring: (i) the financial reporting process; (ii) the suitability of internal control, internal audit and risk management systems; (iii) the statutory audit of the annual and consolidated accounts; and (iv) the independence of the statutory auditor or independent audit firm, particularly insofar as non-audit services are concerned.

In addition, according to Rule 10A-3 under the 1934 Act and NYSE listing standards, the Board of Statutory Auditors has been identified to act as TIM's Audit Committee. The Board of Statutory Auditors meets the requirements of the general exemption contained in Rule 10A-3(c)(3):

- the Board of Statutory Auditors is appointed pursuant to applicable Italian law and TIM's by-laws;
- pursuant to Italian law, the Board of Statutory Auditors is independent from the Board of Directors;
- the Board of Statutory Auditors is not elected by the management of TIM and no executive officer is a member of the Board of Statutory Auditors;
- each member of the Board of Statutory Auditors meets specific independence requirements with respect to the company and its Group, the management and the auditing firm, in compliance with the law;
- the Board of Statutory Auditors, in accordance with and to the extent permitted by Italian law, is responsible for the appointment, retention (via proposals to the shareholders' meeting) and oversight of the work of TIM's external auditors appointed to prepare and deliver the auditors' report on the annual financial statements;
- the Board of Statutory Auditors is authorised to appoint independent counsels and other advisers, as it deems appropriate; and
- the Board of Statutory Auditors has adopted a complaints procedure in accordance with Rule 10A-3 of the 1934 Act.

In view of its responsibilities under Italian Law and the obligations deriving from U.S. law, the Board of Auditors has adopted a complaints procedure for receiving, retaining and treating the "reports" it receives. Such reports can be of the following kinds:

- statements of violations submitted by shareholders concerning matters deemed to be improper;
- complaints by any person, thus including non-shareholders, concerning alleged irregularities, improper facts or, more generally, any problem or issue deemed to merit investigation by the control body;
- complaints specifically regarding accounting, internal accounting controls, or auditing matters; and
- confidential, possibly anonymous submissions of "concerns" by employees of TIM or the TIM Group regarding questionable accounting or auditing matters.

Potential Conflicts of Interest

The Shareholders' Meeting of 4 May 2017 authorised the waiver of the competition prohibition for the Directors imposed by article 2390 of the Italian Civil Code, where applicable.

Some of the Directors and Statutory Auditors of TIM, in addition to their functions in TIM, hold management and/or supervisory functions in other companies and/or institutions (see "Directors", "Description of Directors' Outside Interests" and "Board of Statutory Auditors"); namely, this is true for the Chairman and Directors Mr. Crépin and Mr. Philippe, who are Chairman and members of the Management Board of Vivendi, respectively. Consequently, it cannot be excluded that potential conflicts of interests may arise in the future, should any of these companies and/or institutions enter into commercial or other types of transactions with TIM which are not at arms' length and within the ordinary course of business and/or are capable of influencing significantly the profits and losses, assets and liabilities and financial situation of TIM or the TIM Group.

As at the date of this Base Prospectus, there are no potential conflicts of interest between the duties to TIM or its directors and executive officers and their private interests and/or duties.

DESCRIPTION OF TI FINANCE

The legal and commercial name of the company is Telecom Italia Finance.

TI Finance was incorporated on 2 June 2000 for an unlimited duration in the Grand-Duchy of Luxembourg as a *société anonyme*, governed by the Luxembourg law on commercial companies of 10 August 1915, as amended, and is a 100 per cent. owned subsidiary of TIM. As of 31 December 2016 the TI Finance subsidiaries were the following:

- Telecom Italia Finance Ireland Limited in voluntary liquidation, 100 per cent. owned by TI Finance;
- TIM Brasil Servicos & Participacoes S.A., 99.99% owned by TI Finance, and
- Tierra Argentea S.A. in voluntary liquidation, 69.37% owned by TI Finance.

For the description of TIM Brasil Servicos & Participacoes S.A. and its participations see *Description of TIM*.

One of TI Finance's principal purposes as a subsidiary of TIM is to raise funds for the TIM Group. TI Finance is registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés de Luxembourg*) under number B-76448. TI Finance's Articles of Incorporation were published in the *Mémorial C, Journal Officiel du Grand-Duché de Luxembourg, Recueil des Sociétés et Associations n. 773* on 21 October 2000. The Articles of Incorporation have been modified several times. The latest modifications to the Articles of Incorporation of TI Finance were made on 28 July 2016 and were published in the *Recueil Electronique des Sociétés et Associations n. RESA 2016_053 le 01/08/2016* on 1 August 2016.

TI Finance's registered office and postal address is 12 rue Eugène Ruppert, L-2453 Luxembourg, and its telephone number is +352 45 60601.

Capitalisation

The subscribed share capital of TI Finance is €1,818,691,978.50, consisting of 185,960,325 ordinary shares, nominal value €9.78 per share; all of the shares have been issued and are fully paid-up.

Business

The corporate object of TI Finance, as set forth in Article 3 of its Articles of Incorporation, is to provide financial assistance to TIM, as well as to companies in which TIM has a direct or indirect interest. Such assistance includes the providing of loans and the granting of guarantees or securities of any kind or in any form. The object of TI Finance is further to provide domiciliation and administration services to companies forming part of the TIM Group and to exercise any activity in relation thereto as provided in the law of 31 May 1999 on the domiciliation of companies, as amended. TI Finance may acquire and hold interests in Luxembourg and/or in foreign undertakings, as well as the administration, development and management of such holdings. TI Finance may also use its funds to invest in real estate and in intellectual property rights of any kind or in any form. TI Finance may participate in the creation and development of any other companies and entities and provide them with financial assistance of any kind or in any form. TI Finance may borrow in any form whatsoever and may issue bonds or notes. TI Finance may carry out any commercial, industrial or financial transaction which it may deem useful in the development and accomplishment of its purposes.

TI Finance's activities are not dependent on patents, licences, commercial contracts or new manufacturing processes. TI Finance concludes financial contracts on its own behalf. No legal or arbitration proceedings have had a significant effect on TI Finance's financial position in the recent past.

Furthermore, potential conflicts of interest may exist between the Calculation Agent (if any) and Noteholders (including where a Dealer acts as a calculation agent), including with respect to certain determinations and judgements that such Calculation Agent may make pursuant to the Conditions that may influence amounts receivable by the Noteholders during the term of the Notes and upon their redemption.

Board of Directors

The mandate of all board members shall expire at the shareholders' general meeting to be called to approve the TI Finance financial statements for the year ended 31 December 2019. TI Finance complies with applicable Luxembourg corporate governance rules.

The following are the directors of TI Finance:

- Mr Andrea Balzarini, Chairman, resident in Italy – Manager.
- Mr Adriano Trapletti, Managing Director, resident in Luxembourg – Manager.
- Ms Karen Wauters, Director, resident in Luxembourg – Advisor.
- Mr Tom Loesch, Director, resident in Luxembourg – “*Avocat à la cour*” (Solicitor).
- Mr Roberto Moro, Director, resident in Italy – Manager.
- Mr Antonio Sica, Director, resident in Luxembourg – Manager.

Ms Wauters and Mr Loesch qualify as independent directors.

The remuneration of the Directors is from time to time determined by the general meeting of shareholders of TI Finance. Only the independent Directors are remunerated in their capacity as Directors. The total gross remuneration of independent members' amounts to €30,000.00 per annum. No Director has an interest in the share capital of TI Finance.

For the purposes of their mandate, the business address of each of the Directors is c/o Telecom Italia Finance S.A., 12 rue Eugène Ruppert, L-2453, Luxembourg.

Description of Directors' Outside Interests

Mr Tom Loesch is an “*avocat à la cour*” (solicitor) at the law firm Etude Loesch in Senningerberg (Luxembourg).

Ms Karen Wauters is an Independent Director and Advisor.

Independent Auditor

Telecom Italia Finance's approved audit firm (“*cabinet de révision agréé*”) is PricewaterhouseCoopers, *Société coopérative*.

Potential Conflicts of Interest

No potential conflicts of interest exist between (i) any duties to Telecom Italia Finance of the Telecom Italia Finance Directors and (ii) the private interests, and/or other duties, of such persons.

Financial Year

The financial year of TI Finance is the calendar year.

Financial Information

The first statutory financial statements of TI Finance to be externally audited were those for the year ended 31 December 2000. As from 31 December 2016 TI Finance is required to prepare and publish consolidated financial statements and six-month period interim consolidated financial statements under the Luxembourg law dated 11 January 2008, as amended, implementing Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC. Until the aforementioned date TI Finance was obliged to prepare, file and publish financial information (annual and six-month interim) on an unconsolidated basis only.

The consolidated and the unconsolidated financial statements are available at the offices of the Luxembourg Paying Agent (Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg).

On 15 June 2017, TI Finance paid a dividend of €190 million. Such dividend was the first dividend to be paid since the date of its incorporation.

SELECTED UNCONSOLIDATED FINANCIAL INFORMATION OF TI FINANCE FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

Balance Sheets

	As of 31 December 2016 (1)	As of 31 December 2015 (€)
A) Subscribed capital unpaid	-	-
B) Formation expenses	3,214,589.70	10,554,232.53
C) Fixed assets		
Intangible assets	41,378.02	-
Tangible assets	108,778.14	152,324.82
Financial assets:		
— Shares in affiliated undertakings	4,647,223,862.03	1,500,102,114.29
— Loan to affiliated undertakings	1,174,680,790.34	2,859,479,169.08
— Participating interests	33,826.37	42,485.23
— Investments held as fixed assets	633,821.39	2,576,031.94
Total C)	5,822,722,456.29	4,362,352,125.36
D) Current assets		
Debtors:		
— Amounts owed by affiliated undertakings	1,116,992,417.09	1,301,013,499.61
— Other debtors	359,762,987.15	343,719,260.95
Other investments	1,117,313,023.11	1,177,764,698.87
Cash at bank and in hand	1,313,306,810.07	1,083,897,276.58
Total D)	3,907,375,237.42	3,906,394,736.01
E) Prepayments	946,952.58	531,042.38
Total Assets	9,734,259,235.99	8,279,832,136.28
A) Capital and reserves		
Subscribed capital	1,818,691,978.50	542,090,241.00
Share premium account	3,147,555,262.50	-
Reserves:		
— Legal reserve	25,201,659.13	21,799,229.82
— Other reserves	863,753,481.50	865,769,812.13
Profit or loss brought forward	448,721,535.97	384,075,379.07
Profit or loss for the financial year	137,927,425.46	68,048,586.21
Total A)	6,441,851,343.06	1,881,783,248.23
B) Provisions		
Provision for taxation	1,883,011.35	1,798,277.58
Other provisions	1,501,184.31	1,522,117.81
Total B)	3,384,195.66	3,320,395.39
C) Creditors		
Debenture loans:		
— Convertible loans	-	1,310,225,068.31
— Non convertible loans	1,089,535,733.93	1,089,573,126.64
Amounts owed to credit institutions	446,618,864.00	500,001,723.81
Trade creditors	299,216.54	543,958.70
Amounts owed to affiliated undertakings	1,727,858,314.51	3,431,520,575.52
Other creditors	24,679,658.29	34,979,431.93
Total C)	3,288,991,787.27	6,366,843,884.91
E) Deferred Income	31,910.00	27,884,607.75
Total Shareholders' Equity and Liabilities	9,734,259,235.99	8,279,832,136.28

Income Statement

	Year ended 31 December 2016 ⁽¹⁾	Year ended 31 December 2015
	(€)	
Net turnover	150,599.04	200,474.69
Other operating income	81,010.38	9,391.96
Raw materials and consumables and other external expenses:		
— Raw materials and consumables	15,747.00	15,032.09
— Other external expenses	4,098,247.67	1,165,048.71
Staff costs:		
— Wages and salaries	1,178,750.56	925,279.30
— Social security costs	226,763.38	153,312.89
Value adjustments:		
— in respect of formation expenses and of tangible and intangible fixed assets	7,421,560.55	9,137,805.43
Other operating expenses	280,581.00	147,480.19
Income from participating interests:		
— derived from affiliated undertakings	202,064,427.33	29,512,748.86
Income from other investments and loans forming part of the fixed assets:		
— derived from affiliated undertakings	130,606,189.85	153,972,420.76
— becoming due and payable after more than one year	-	1,219,475.60
Other interest receivable and similar income:		
— derived from affiliated undertakings	119,734,810.93	270,582,723.26
— other interest and similar income	255,618,172.34	509,433,188.18
Value adjustments in respect of financial assets and of investments held as current assets	44,528,963.45	7,586,944.16
Interest payable and similar expenses:		
— concerning affiliated undertakings	99,194,133.98	156,953,993.08
— other interest and similar expenses	399,026,260.94	722,359,901.89
Tax on profit or loss	13,914,192.82	180,797.36
Profit or loss after taxation:	138,370,008.52	66,304,828.21
Other taxes not shown under previous items	442,583.06	-1,743,758.00
Profit or loss for the financial year	137,927,425.46	68,048,586.21

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF TI FINANCE GROUP FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

	As of 31 December 2016 ⁽²⁾	As of 31 December 2015
	<i>(millions of euros, except employees)</i>	
Separate Consolidated Income Statement Data:		
Revenues.....	4,047	4,636
Operating profit (loss).....	361	628
Profit (loss) before tax from continuing operations.....	325	661
Profit (loss) for the year.....	243	384
Profit (loss) for the year attributable to owners of the Parent (TI Finance)	179	195
Capital expenditures	1,166	1,288
Employees, average number in the Group	10,439	11,946

	Year Ended 31 December 2016 ⁽²⁾	Year Ended 31 December 2015
	<i>(millions of euros, except employees)</i>	
Consolidated Statement of Financial Position Data:		
Total Assets	16,493	17,052
Equity:		
— Equity attributable to owners of the Parent (TI Finance).....	7,350	6,410
— Non-controlling interests	1,704	1,330
Total Equity	9,054	7,740
Total Liabilities.....	7,439	9,312
Total Equity and Liabilities.....	16,493	17,052
Share Capital	1,819	542
Net Financial Debt carrying amount	-2,440	-2,534
Employees, number in the Group at year-end	9,859	13,058

Note:

- (1) TI Finance's selected financial data as of and for the year ended 31 December 2016 have been extracted from Telecom Italia Finance's audited financial statements for the year ended 31 December 2016 (the **2016 Financials**) prepared in accordance with Luxembourg GAAP, which have been approved by the shareholder of Telecom Italia Finance at its Annual Meeting held on 21 April 2017.
- (2) TI Finance's Group selected financial data as of and for the year ended 31 December 2016 have been extracted from Telecom Italia Finance's audited consolidated financial statements for the year ended 31 December 2016 (the **2016 Consolidated Financials**) prepared in accordance with IFRS, which have been approved by the shareholder of Telecom Italia Finance at its Annual Meeting held on 21 April 2017.

TAXATION

The following overview contains a description of certain Italian, EU and Luxembourg tax consequences in respect of the purchase, ownership and disposal of the Notes. This overview is based on the laws in force in Italy, the EU and Luxembourg as at the date of this EMTN Programme Prospectus (as they are currently applied by the relevant tax authorities) and is subject to any changes in such laws occurring after such date, which changes could be made also on a retroactive basis.

The following overview does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

Italian taxation

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Italy, though it is not intended to be, nor should it be constructed to be, legal or tax advice. It does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes, including the application to their particular situation of the tax considerations discussed below.

The statements herein regarding Italian taxation are based on the laws in force in Italy as of the date of this EMTN Programme Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis.

On 7 December 2016, the Italian Parliament approved Law No. 232 of 11 December 2016, published in the Ordinary Supplement to the Official Gazette No. 297 of 21 December 2016 (**Finance Act 2017**).

Tax treatment of Notes issued by TIM

Decree No. 239 provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by Italian listed companies.

Italian resident Noteholders

Where an Italian resident Noteholder is (i) an individual not engaged in entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the “*risparmio gestito*” regime – see under “*Capital gains tax*” below), (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a tax withheld at source, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent.

Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be exempt from any income taxation (including from the 26 per cent. *imposta sostitutiva*) if the Noteholder is an Italian resident individual not engaged in entrepreneurial activity and the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets all the requirements set forth in Article 1(100-114) of Finance Act 2017.

If the Noteholders described under (i) and (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Noteholder is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva* but must be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the status of Noteholder, also to regional tax on productive activities - IRAP).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 (**Decree No. 351**) converted into law with amendments by Law No. 410 of 23 November 2001, Article 32 of Law Decree No. 78 of 31 May 2010, converted into law with amendments by Law No. 122 of 30 July 2010, and Article 2(1)(c) of Decree No. 239, payments of interest, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds qualifying as such from a legal and regulatory perspective are subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund, but a withholding or substitute tax of 26 per cent. will apply, in certain circumstances, to income realised by unitholders in case of distributions, redemption or sale of the units.

Pursuant to Article 9 of Legislative Decree No. 44 of 4 March 2014 (**Decree No. 44**), the same regime is applicable to Italian real estate SICAFs qualified as such from a civil law perspective.

Where an Italian resident Noteholder is an open-ended or a closed-ended investment fund (a **Fund**), a *Società di Investimento a Capitale Fisso (SICAF)* or a *Società di Investimento a Capitale Variabile (SICAV)* established in Italy and either (i) the fund, the SICAF or the SICAV or (ii) their manager is subject to the supervision of a regulatory authority and the Notes are deposited with an authorised intermediary, interest, premium and other income accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund, the SICAF or the SICAV. The Fund, the SICAF or the SICAV will not be subject to taxation on such result, but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, which will be subject to a 20 per cent. substitute tax.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Economy and Finance (each an "**Intermediary**").

An Intermediary must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (ii) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited. Where the Notes are not deposited with an Intermediary, *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are effectively connected, an exemption from *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either: (i) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with the Republic of Italy as listed in the Italian Ministerial Decree of 4 September 1996, as amended from time to time, or in any other decree to be issued in the future under the authority of

Article 11(4)(c) of Decree No. 239, as amended by Legislative Decree No. 147 of 14 September 2015 (the **White List**); or (ii) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (iii) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (iv) an institutional investor which is incorporated in a country included in the White List, even if it does not possess the status of a taxpayer in its own country of residence.

In order to ensure gross payment, non-Italian resident Noteholders must (i) be the beneficial owners of the payments of interest, premium or other income, (ii) deposit the Notes with a resident bank or SIM, or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance and (iii) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from the *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by the Ministerial Decree of 12 December 2001, as subsequently amended.

Imposta sostitutiva will be applicable at the rate of 26 per cent. (or, in any case, at the reduced rate provided for by the applicable double tax treaty, if any) to interest paid to Noteholders who do not fall in any of the above mentioned categories or do not timely and properly comply with the set procedural requirements.

Tax treatment of Notes issued by TI Finance

Decree No. 239 also provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by non-Italian resident issuers.

Italian resident Noteholders

Pursuant to Decree No. 239, an *imposta sostitutiva* equal to 26 per cent. is applied on any payment of interest, premium and other income accrued during the relevant holding period in respect of the Notes issued by TI Finance if payments are made to (i) an Italian individual, (ii) an Italian non-commercial partnership, (iii) an Italian non-commercial private or public institution, or (iv) an Italian investor exempt from Italian corporate income taxation. If the Noteholders described under (i) and (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional tax.

Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be exempt from any income taxation (including from the 26 per cent. *imposta sostitutiva*) if the Noteholder is an Italian resident individual not engaged in entrepreneurial activity and the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets all the requirements set forth in Article 1(100-114) of Finance Act 2017.

Where an Italian resident Noteholder is a company or similar commercial entity and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva* but must be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the status of Noteholder, also to IRAP).

Where an Italian resident Noteholder is an Italian real estate investment fund or a real estate SICAF, a Fund, a SICAV, a SICAF or a pension fund, the applicable tax treatment is the one described above under paragraph "*Tax treatment of Notes issued by TIM — Italian resident Noteholders*" with regard to the same categories of Noteholders.

Non-Italian resident Noteholders

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident Noteholder of interest, premium and other income relating to the Notes issued by TI Finance provided that, if such Notes are held in Italy, the non-Italian resident Noteholder declares itself to be non-Italian resident according to Italian tax regulations.

Payments made by an Italian resident guarantor

With respect to payments on the Notes made to Italian resident Noteholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Notes may be subject to a provisional withholding tax at a rate of 26 per cent. pursuant to Presidential Decree No. 600 of 29 September 1973, as subsequently amended. In case of payments to non-Italian resident Noteholders, a final withholding tax may be applied at 26 per cent. Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax. In accordance with another interpretation, any such payment made by the Italian resident guarantor will be treated, in certain circumstances, as a payment by the relevant Issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

Atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 26 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

In the case of Notes issued by TIM, where the Noteholder is (i) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (ii) an Italian company or a similar Italian commercial entity, (iii) a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected, (iv) an Italian commercial partnership or (v) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, the withholding tax is a final withholding tax. For non-Italian resident Noteholders, the withholding tax rate may be reduced under the applicable tax treaty.

Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be exempt from any income taxation (including from the 26 per cent. *imposta sostitutiva*) if the Noteholder is an Italian resident individual not engaged in entrepreneurial activity and the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets all the requirements set forth in Article 1(100-114) of Finance Act 2017.

If the Notes are issued by a non-Italian resident Issuer, the withholding tax mentioned above does not apply to interest payments made to a non-Italian resident Noteholder and to an Italian resident Noteholder which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), (ii) a commercial partnership or (iii) a commercial private or public institution.

Capital gains tax

Italian resident Noteholders

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity, including the permanent establishment in Italy of foreign entities to which the Notes are effectively connected, or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is (i) an individual holding the Notes not in connection with an entrepreneurial activity, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to *imposta sostitutiva*, levied at the rate of 26 per cent. Noteholders may set off losses with gains.

Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains realised upon sale or redemption of the Notes may be exempt from any income taxation (including from the 26 per cent. *imposta sostitutiva*) if the Noteholder is an Italian resident individual not engaged in entrepreneurial activity and the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets all the requirements set forth in Article 1(100-114) of Finance Act 2017.

In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

- a) “*Regime della dichiarazione*”. Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Pursuant to Law Decree No. 66 of 24 April 2014 (**Decree No. 66**), converted with amendments into Law No. 89 of 23 June 2014, capital losses realised from 1 January 2012 to 30 June 2014 may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of 76.92 per cent. of the capital losses.
- b) “*Regime del risparmio amministrato*”. As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return. Pursuant to Decree No. 66, capital losses realised from 1 January 2012 to 30 June 2014 may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of 76.92 per cent. of the capital losses.
- c) “*Regime del risparmio gestito*”. Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called *risparmio gestito* regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any decrease

in value of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return. Pursuant to Decree No. 66, decreases in value of the managed assets registered from 1 January 2012 to 30 June 2014 may be carried forward to be offset against any subsequent increase in value accrued as of 1 July 2014 for an overall amount of 76.92 per cent. of the decreases in value.

Any capital gains realised by a Noteholder that is an Italian real estate investment fund or any Italian real estate SICAF to which the provisions of Decree No. 351 or Decree No. 44 as subsequently amended apply will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund or the real estate SICAF. However, a withholding tax or a substitute tax at the rate of 26 per cent. will apply, in certain circumstances, to income realised by unitholders or shareholders in case of distributions, redemption or sale of the units or shares.

Any capital gains realised by an Italian Noteholder that is a Fund, a SICAF or a SICAV will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio accrued at the end of the relevant tax period. Such result will not be taxed at the level of the Fund, the SICAF or the SICAV, but income realised by unitholders or shareholders in case of distributions, redemption or sale of the units or shares, may be subject to a withholding tax of 26 per cent.

Any capital gains realised by a Noteholder that is an Italian pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax.

Non-Italian resident Noteholders

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are effectively connected, from the sale or redemption of Notes traded on regulated markets are not subject to *imposta sostitutiva*.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are effectively connected, from the sale or redemption of the Notes not traded on regulated markets are not subject to *imposta sostitutiva* provided that the beneficial owner (i) is resident for income tax purposes in a country included in the White List; or (ii) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (iii) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (iv) is an institutional investor which is incorporated in a country included in the White List, even if it does not possess the status of a taxpayer in its own country of residence. If none of the conditions described above is met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of the Notes not traded on regulated markets are subject to *imposta sostitutiva* at the current rate of 26 per cent.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double tax treaty with Italy providing that capital gains realised upon the sale or redemption of the Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of the Notes.

Gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by TI Finance (whether or not traded on regulated markets) are not subject to Italian taxation, provided that the Notes are held outside Italy.

Inheritance and gift taxes

The transfers of any valuable asset (including the Notes) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

- (i) transfers in favour of the spouse and of direct descendants or ascendants are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding €1,000,000 (per beneficiary);
- (ii) transfers in favour of the brothers or sisters are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the value of the inheritance or the gift exceeding €100,000 (per beneficiary);
- (iii) transfers in favour of all other relatives up to the fourth degree or relatives-in-law up to the third degree, are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the entire value of the inheritance or the gift; and
- (iv) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the beneficiary of any such transfer is a disabled individual, whose handicap is recognised pursuant to Law No. 104 of 5 February 1992, the tax is applied only on the value of the assets (including the Notes) received in excess of € 1,500,000 at the rates illustrated above, depending on the type of relationship existing between the deceased or donor and the beneficiary.

With respect to listed Notes, the value for inheritance and gift tax purposes is the average stock exchange price of the last quarter preceding the date of the succession or of the gift (increased by the interest accrued meanwhile). With respect to unlisted Notes, the value for inheritance and gift tax purposes is determined by reference to the value of listed debt securities having similar features or based on other certain elements.

Wealth Tax on Financial Products Held Abroad

In accordance with Article 19 of Decree No. 201 of 6 December 2011, converted with Law No. 214 of 22 December 2011, Italian resident individuals holding financial products – including the Notes – outside of the Italian territory are required to pay a wealth tax at the rate of 0.2 per cent (the tax is determined in proportion to the period of ownership). The tax applies on the market value at the end of the relevant year or – in the lack of the market value – on the nominal value or redemption value of such financial products held outside of the Italian territory. Taxpayers can generally deduct from the tax a tax credit equal to any wealth taxes paid in the State where the financial products are held (up to the amount of the Italian wealth tax due).

Stamp taxes and duties

Pursuant to Article 13(2-ter) of the Tariff, Annex A, Part I, attached to Presidential Decree No. 642 of 26 October 1972, a proportional stamp duty applies on a yearly basis at the rate of 0.2 per cent on the market value or – in the lack of a market value – on the nominal value or the redemption amount of any financial product (including the Notes). The stamp duty cannot exceed €14,000, for taxpayers different from individuals. Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy and Finance on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy of 29 July 2009, as subsequently amended and restated) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Transfer tax

Contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarised deeds are subject to fixed registration tax at rate of €200; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

Tax monitoring

Pursuant to Law Decree No. 167 of 28 June 1990, ratified and converted by Law No. 227 of 4 August 1990, as amended, individuals, non-commercial partnerships and non-commercial entities which are resident of Italy for tax purposes and which over the fiscal year hold or are beneficial owners of investments abroad or have financial activities abroad must, in certain circumstances, disclose such investments or financial activities to tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return), regardless of the value of such assets (save for deposits or bank accounts having an aggregate value not exceeding a € 15,000 threshold throughout the year, which *per se* do not require such disclosure). This requirement applies even if the taxpayer during the tax period has totally divested such assets. No disclosure requirements exist for investments and financial activities (including the Notes) under management or administration entrusted to Italian resident intermediaries and for contracts concluded through their intervention, provided that the cash flows and the income derived from such activities and contracts have been subject to Italian withholding or substitute tax by intermediaries themselves.

Luxembourg taxation

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be constructed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisors as to the effect of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu*) generally. Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Withholding tax

Under Luxembourg tax law currently in effect and subject to the exception below, there is no Luxembourg withholding tax on payments of principal, premium or interest (including accrued but unpaid interest) in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes.

In accordance with the law of 23 December 2005, as amended (the **Law**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a 20 per cent. withholding tax. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for withholding such tax will be assumed by the Luxembourg paying agent. Payment of interest under the Notes coming within the scope of the Law will be subject to a withholding tax at a rate of 20%.

Income Taxation

(i) Luxembourg tax residency of the Noteholders

Noteholders will not be deemed to be resident, domiciled or carrying on business in Luxembourg solely by reason of the holding, execution, performance, delivery, exchange and/or enforcement of the Notes.

(ii) Taxation of Luxembourg non-residents

Noteholders who are non-residents of Luxembourg and who do not have a permanent establishment, a permanent representative or a fixed base of business in Luxembourg to which the Notes are attributable are not liable to pay any Luxembourg income tax, whether they receive payments of principal, payments of interest (including accrued but unpaid interest), payments received upon the redemption, repurchase of the Notes, or realise capital gains on the sale of any Notes.

Non-resident corporate Noteholders or individual Noteholders acting in the course of the management of a professional or business undertaking, who have a permanent establishment or permanent representative in Luxembourg to which or to whom such Notes are attributable, are subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes and on any gains realised upon the sale or disposal, in any form whatsoever, of the Notes.

(iii) Taxation of Luxembourg residents

Noteholders who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

(a) Luxembourg resident individuals

Luxembourg resident individuals, acting in the course of the management of their private wealth, are subject to Luxembourg income tax at progressive rates in respect of interest received unless the interest has been subject (i) to withholding tax (see “*Withholding tax*” above) or (ii) to the self applied tax, if applicable. Luxembourg resident individual Noteholders acting in the framework of the management of their private wealth, can opt to self-declare and pay a 20 per cent. tax on interest payments made by paying agents located in an EU Member State other than Luxembourg, or a Member State of the EEA other than an EU Member State.

The withholding tax or self-applied tax are the final tax liability for the Luxembourg individual resident taxpayers receiving the interest payment in the framework of their private wealth management. Luxembourg resident individual Noteholders receiving interest as business income must include interest income in their taxable basis. If applicable, the 20 per cent. Luxembourg withholding tax levied will be credited against their final income tax liability.

Luxembourg resident individual Noteholders are not subject to taxation on capital gains upon the disposal of the Notes, unless the disposal of the Notes precedes the acquisition of the Notes or the Notes are disposed of within six months of the date of their acquisition. Upon the sale, redemption or exchange of the Notes, accrued but unpaid interest will be subject to the 20 per cent. withholding tax or the self-applied tax, if applicable. Individual Luxembourg resident Noteholders receiving the interest as business income must include the portion of the price corresponding to this interest in their taxable income. The 20 per cent. Luxembourg withholding tax levied will be credited against their final income tax liability.

(b) Luxembourg resident companies

Luxembourg resident corporate Noteholders must include in their taxable income any interest income (including accrued but unpaid interest) and the difference between the sales price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

A corporate Noteholder that is governed by the law of 11 May 2007 on family estate management companies, as amended, or by the law of 17 December 2010 on undertakings for collective investment, as amended, or by the law of 13 February 2007 on specialised investment funds, as amended, or by the law of 23 July 2016 on reserved alternative investment funds (provided it is not foreseen in the incorporation

documents that (i) the exclusive object is the investment in risk capital and that (ii) article 48 of the aforementioned law of 23 July 2016 applies) is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium or issue discount, nor on gains realised on the sale or disposal, in any form whatsoever, of the Notes.

Net wealth taxation

A corporate Noteholder, whether it is resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment or a permanent representative in Luxembourg to which/whom such Notes are attributable, is subject to Luxembourg wealth tax on such Notes, except if the Noteholder is governed by (i) the law of 11 May 2007 on family estate management companies, as amended, or (ii) the law of 17 December 2010 on undertakings for collective investment, as amended or (iii) the law of 13 February 2007 on specialised investment funds, as amended, or (iv) the law of 22 March 2004 on securitisation, as amended, or (v) the law of 15 June 2004 on venture capital vehicles, as amended, or (vi) the law of 23 July 2016 on reserved alternative investment funds.⁴

An individual Noteholder, whether he/she is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

Other taxes

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by Noteholders as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, repurchase or redemption of the Notes, unless the documents relating to the Notes are voluntarily registered in Luxembourg or appended to a document that requires obligatory registration in Luxembourg.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

No gift, estate or inheritance taxes are levied on the transfer of the Notes upon death of a Noteholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes, or in the case of a gift, the gift is neither recorded in a Luxembourg notarial deed nor registered in Luxembourg.

Where a Noteholder is a resident of Luxembourg for tax purposes at the time of his/her death, the Notes are included in his/her taxable estate of inheritance for tax assessment purposes.

The proposed European financial transactions tax (FTT)

The European **Commission** has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia. In December 2015, Estonia withdrew from the group of states willing to introduce the FTT (the **Participating Member States**).

The proposed FTT has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt. The issuance and subscription of Notes should, however, be exempt.

⁴ Please however note that securitisation companies governed by the law of 22 March 2004 on securitisation, as amended, or capital companies governed by the law of 15 June 2004 on venture capital vehicles, as amended, or reserved alternative investment funds governed by the law of 23 July 2016 and which fall under the special tax regime set out under article 48 thereof may, under certain conditions, be subject to minimum net wealth tax.

Under the current proposals, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

However, the FTT proposal remains subject to negotiation between the Participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

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Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. Telecom Italia Finance S.A. or TIM S.p.A. each may be a foreign financial institution for these purposes. A number of jurisdictions (including Italy and Luxembourg) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding, in either case unless materially modified after such date (including by reason of a substitution of the relevant Issuer). However, if additional Notes that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 13 July 2017 agreed with the Issuers a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuers have agreed to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended (the **Code**) and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether United States Treasury Regulation § 1.163-5(c)(2)(i)(C) (or any successor provision in substantially similar form that are applicable for purposes of Section 4701 of the Code) (the **TEFRA C Rules**) or United States Treasury Regulation § 1.163-5(c)(2)(i)(D) (or any successor provision in substantially similar form that are applicable for purposes of Section 4701 of the Code) (the **TEFRA D Rules**) apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of sales to EEA Retail Investors

From 1 January 2018, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression **retail investor** means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or

- (b) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II,

Prior to 1 January 2018, in relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this EMTN Programme Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the issuer has consented in writing to its use for the purpose of that Non-exempt offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- (i) the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and
- (ii) the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any

Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or (in the case of Notes issued by TI Finance) the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, each of the Dealers has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell, promote, advertise or deliver any Notes or distribute copies of this EMTN Programme Prospectus or of any other document relating to the Notes in Italy, except:

- (i) to qualified investors (*investitori qualificati*), as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**), and defined in Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (**Regulation No. 11971**); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Moreover, each of the Dealers has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that any offer, sale, promotion, advertising or delivery of the Notes or distribution of copies of this EMTN Programme Prospectus or any other document relating to the Notes in Italy under (i) or (ii) above must:

- (a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**);
- (b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including, to the extent applicable to such Dealer, the reporting requirements pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable Italian laws and regulations.

France

Each of the Dealers and the Issuers has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this EMTN Programme Prospectus, the relevant Final Terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to (i) providers of investment services

relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (ii) qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**) and each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this EMTN Programme Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuers, the Guarantor (in the case of Notes issued by TI Finance), the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuers, the Guarantor (in the case of Notes issued by TI Finance), the Trustee and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

Dealers Transacting with the Issuers

Certain Dealers and/or their affiliates (including parent companies) may have engaged in various general financing and banking transactions with, and provided financial advisory and investment banking services to, and may hold equity interests and be entitled to appoint board members and/or other corporate bodies members in the TIM Group and/or its affiliates in the past and may do so again in the future.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuers or the Guarantor, or the Issuers' or the Guarantor's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers or the Guarantor routinely hedge their credit exposure to the Issuers or the Guarantor consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purposes of this paragraph the term "affiliates" includes also the relevant parent companies of the Dealers.

GENERAL INFORMATION

Authorisation

The establishment and update of the Programme and the giving of the Guarantee in respect of the Notes issued by TI Finance have been duly authorised by resolutions of the Board of Directors of TIM dated 10 October 2003, 21 December 2005, 25 February 2010, 17 January 2013, 6 February 2014, 12 May 2014, 19 February 2015 and 16 December 2016.

The issue of each Tranche of Notes by TIM under the Programme will be required to be authorised by a resolution of the Board of Directors of TIM. The issue of the Notes by TIM under the Programme, up to a maximum aggregate amount equal to €3 billion and until 28 February 2018, has been duly authorised by the resolution of the Board of Directors of TIM dated 16 December 2016.

The establishment and update of the Programme and the issue of Notes under the Programme by TI Finance have been duly authorised by resolutions of the board of directors of TI Finance dated 16 December 2003, 24 January 2006, 4 May 2010 and 1 August 2014.

Manager responsible for financial reporting

The manager responsible for preparing the corporate financial reports of TIM (Piergiorgio Peluso – Head of Administration, Finance and Control) declares, pursuant to paragraph 2 of art. 154-*bis* of the Consolidated Law on Financial Intermediation (Legislative Decree No. 58 of 24 February 1998), that the accounting information contained in this EMTN Programme Prospectus corresponds to the documents results, book and accounting records.

Listing, admission to trading and approval

Application has been made to the CSSF in its capacity as competent authority under the Prospectus Act 2005, to approve this document as two base prospectuses, the base prospectus of TIM and the base prospectus of TI Finance. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of this EMTN Programme Prospectus to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange. The Luxembourg's Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Documents Available

For the period of 12 months following the date of this EMTN Programme Prospectus, the Base Prospectus and the documents incorporated by reference have been published on the website of the Luxembourg Stock Exchange (www.bourse.lu). Furthermore, copies of the following documents will be available from the registered office of each Issuer and from the specified office of the Paying Agent for the time being in Luxembourg:

- (a) the constitutional documents (with an English translation thereof) of each of TIM and TI Finance;
- (b) the 2016 TIM Annual Report and the 2015 TIM Annual Report;
- (c) the audited consolidated financial statements of TI Finance in respect of the financial year ended 31 December 2016;
- (d) the audited unconsolidated financial statements of TI Finance in respect of the financial years ended 31 December 2016 and 31 December 2015;

- (e) the TIM Group's Quarterly Report at 31 March 2017;
- (f) the Trust Deed, the Agency Agreement, the Guarantee and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (g) a copy of this EMTN Programme Prospectus, free of charge;
- (h) in the case of each issue of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or listed on the official list of the Luxembourg Stock Exchange subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document) and the Final Terms relating to such Notes, which shall be available free of charge; and
- (i) in the case of each issue of Notes which is neither admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or listed on the official list of the Luxembourg Stock Exchange, the Final Terms, which shall be available free of charge but only to a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer or the Paying Agent, as the case may be, as to its holding of Notes and identity.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.

Significant or Material Adverse Change

Save as disclosed in the sections "*Description of TIM – Recent developments*" and "*Description of TI Finance – Recent developments*" respectively on pages 83-84 and pages 133-138 of this Base Prospectus, there has been no significant change in the financial or trading position of TIM since 31 March 2017 and there has been no significant change in the financial or trading position of TI Finance since 31 December 2016. There has been no material adverse change in the financial position or prospects of each of the Issuers since 31 December 2016.

Legal and Arbitration Proceedings

Save as disclosed in the section "*Description of TIM – Litigation*" on pages 113-117 of this Base Prospectus, neither TIM nor any of its subsidiaries (including TI Finance) is or has been involved in any governmental, legal or arbitration proceedings during the 12 months preceding the date of this EMTN Programme Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of TIM, TI Finance or the TIM Group.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Auditors

The consolidated financial statements of TIM Group for the years ended 31 December 2016 and 31 December 2015, prepared under IFRS, were audited, without qualification and in accordance with the International Standards on Auditing drawn up pursuant to article 11, paragraph 3, of Legislative Decree

No.39 of January 27, 2010 (ISA Italia), by PricewaterhouseCoopers S.p.A. independent accountants, as stated in their reports incorporated by reference elsewhere herein.

PricewaterhouseCoopers S.p.A. is registered under No. 119644 in the Register of Accountancy Auditors (*Registro dei Revisori Legali*) by the Italian Ministry of Economy and Finance, in compliance with the provisions of the Legislative Decree of 27 January 2010, No. 39. PricewaterhouseCoopers S.p.A., which is located at Via Monte Rosa 91, 20149 Milan, Italy, is also a member of ASSIREVI (the Italian association of audit firms).

The TI Finance consolidated financial statements at 31 December 2016, prepared under IFRS, and the unconsolidated financial statements at 31 December 2016 and 31 December 2015, prepared under Luxembourg GAAP's were audited, without qualification and in accordance with generally accepted auditing standards in Luxembourg by PricewaterhouseCoopers, Société coopérative at 2, rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg, Grand Duchy of Luxembourg, independent auditors (*réviseur d'entreprises agréé*), as set forth in their reports thereon and included therein, and incorporated by reference elsewhere herein. PricewaterhouseCoopers, Société coopérative is a member of the *Institut des Réviseurs d'Entreprises* and is on the public register report of the *Commission de Surveillance du Secteur Financier*.

Trustee's Reliance on Certificates and Reports

The Trust Deed provides that the Trustee may rely on certificates or reports from the auditors of either Issuer or, as the case may be, the Guarantor, or any other expert provided to the Trustee (whether or not addressed to the Trustee) in accordance with the provisions of the Trust Deed as sufficient evidence of the facts stated therein notwithstanding that any such certificate or report or any engagement letter or other document entered into by the Trustee and such auditors or such other expert in connection therewith contains any limit on the liability of such auditors or such other expert.

**REGISTERED AND HEAD OFFICE OF TIM
S.p.A.**

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20123 Milan
Italy

**REGISTERED AND HEAD OFFICE OF
TELECOM ITALIA FINANCE S.A.**

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L-2453 Luxembourg

TRUSTEE

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England

ISSUING AND PRINCIPAL PAYING AGENT

Deutsche Bank AG, London Branch

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London EC2N 2DB
England

LUXEMBOURG PAYING AGENT

Deutsche Bank Luxembourg S.A.

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To the Issuers as to Italian tax law

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Allen & Overy

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ARRANGER

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BNP Paribas

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Citigroup Global Markets Limited

Citigroup Centre
Canada Square
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England

Crédit Agricole Corporate and Investment Bank

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France

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London EC2N 2DB
England

J.P. Morgan Securities plc

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Canary Wharf
London E14 5JP
United Kingdom

**Mediobanca - Banca di Credito Finanziario
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Société Générale

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United Kingdom

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Germany

LUXEMBOURG LISTING AGENT

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To Telecom Italia Finance S.A.

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