



SHAREHOLDERS' MEETING ON 24 APRIL 2018

*LONG TERM INCENTIVE PLAN 2018
INFORMATION MEMORANDUM*



TIM S.p.A.

A company directed and coordinated by Vivendi S.A.

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Share capital 11,677,002,855.10 euros fully paid up

Tax Code/VAT Registration Number and

Milan Business Register Number 00488410010

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INFORMATION MEMORANDUM

*Pursuant to art. 84 bis Consob Regulation no. 11971 of 14 May 1999
(Memorandum approved by the Board of Directors at its meeting of 06 March 2018
available on the website www.telecomitalia.com)*

INTRODUCTION

On 6 March 2018, the Board of Directors of Telecom Italia S.p.A. ("TIM", the "Company" or the "Issuer"), based on the investigations made by the Nomination and Remuneration Committee, approved the proposal for the 2018 Long Term Incentive Plan (the "Plan") to be submitted to the Shareholders' Meeting called for 24 April 2018. This is a substantially new measure for TIM, which currently does not have a variable long term remuneration tool (also since the measure called the Special Award, approved by the Shareholders' Meeting on 25 May 2016, is now substantially superseded).

This information document has been drawn up pursuant to the Issuers' Regulations (Consob resolution 11971/1999 and subsequent amendments) to illustrate the terms and conditions of the Plan, in its two tranches, the first for the Chief Executive Officer of TIM (the "First Tranche"), the second for part of the Group's management (the "Second Tranche").

Information, not available at the time the present proposal for the Shareholders' Meeting has been approved, will in due course be disseminated in the ways prescribed by the applicable regulations.

DEFINITIONS

- Adhesion Document - The specific document to be delivered by the Company to the Beneficiaries, with annexed Regulations constituting an integral part thereof, signature and return of which by the Beneficiaries to the Company shall constitute full and unconditional acceptance of the Plan to all effects.
- Base Salary - The fixed annual remuneration granted to the Beneficiary for her/his employment relationship, plus the fixed component of compensation assigned to the Chief Executive Officer for his role within the Board of Directors.
- Beneficiaries - The Chief Executive Officer and the senior executives working for the Company or the Subsidiaries, who will be offered Performance Shares.
- Chief Executive Officer - Amos Genish, the Chief Executive Officer of the Company at the time the proposal for the Shareholders' Meeting has been approved, assuming he is confirmed in office.
- Group - TIM and the Subsidiary Companies.
- Lock-up - The period of two calendar years in which the Shares obtained as accrued Performance Shares remain unavailable, non-transferable and blocked in the share deposit accounts created for this purpose by the Issuer, to which the Shares will be credited upon Maturity. The premature death of the Beneficiary excludes out and/or releases the Shares transferred by the Company from the Lock-up.
- Maturity (of the Performance Shares) - The moment the Board of Directors approves the consolidated financial statements of the Group at 31 December 2020, with the concurrent ascertainment of the degree to which the Performance Parameters have been reached.
- Normal Value - The arithmetic mean of the official Share prices as from the thirtieth ordinary calendar day up to the previous trading day before assignment, both included, as registered on the electronic share market organised and operated by Borsa Italiana S.p.A., calculated using as denominator only those days to which the prices used for the basis of the calculation apply, up to two decimal places.
- Performance Parameters are: (i) the performance of the Shares on the stock market in the Vesting Period (except for cases of either early termination with the right to accrue Shares maintained, or subsequent allocation), compared to a basket of securities issued by a panel of peers (weight: 70%); and (ii) the adjusted

free cash flow cumulated over the Vesting Period (with the exceptions mentioned) as per the 2018-2020 strategic plan (weight: 30%).

- Performance Shares - The Shares that are pledged to be allocated free of charge to the Beneficiaries upon Maturity in a number commensurate with the Base Salary of the individual Beneficiary, and varying from a minimum to a maximum depending on the degree to which the Performance Parameters have been achieved, and in any event not exceeding the total of 85,000,000 Shares.
- Regulations - The regulations of the Plan, as defined (and if necessary updated) by the Board of Directors.
- Shares - The ordinary shares of the Company, without par value, listed on the MTA electronic share market organised and managed by Borsa Italiana S.p.A.
- Subsidiary Companies - Each of the companies that are at any given time directly or indirectly controlled by the Company, pursuant to Article 2359 of the Italian Civil Code.
- Vesting Period - The period of time between the moment the Plan is assigned and the Maturity of the Performance Shares, corresponding to the 2018, 2019 and 2020 financial years.

1. BENEFICIARIES

The First Tranche of the Plan is reserved to the Chief Executive Officer, while the Second Tranche is addressed to members of the management of the Group, as identified by the Board of Directors at its own discretion (at the proposal of the Executive Chair and the Chief Executive Officer), after the approval of the Plan by the Shareholders' Meeting, from among those executives holding organisational positions that are strategic to the aims of the company's business deemed to be deserving of incentivisation and retention based on operational considerations.

1.1. Names of the Beneficiaries who are members of the Board of Directors of the Issuer or the Issuer's controlling companies or the Subsidiary Companies

The Beneficiary of the First Tranche is the Chief Executive Officer of the Company (Amos Genish).

The Beneficiaries of the Second Tranche will be identified by the Board of Directors only after the Plan has been approved by the Shareholders' Meeting.

1.2. Categories of employees or collaborators of the Issuer or the Issuer's controlling companies or the Subsidiary Companies

With reference to the Second Tranche (the First Tranche being reserved to the Chief Executive Officer), the Beneficiaries will be identified, in due course, from among the executives with permanent contracts of employment with the Company or its Subsidiaries based in Italy.

1.3. Indication of the names of Beneficiaries in the groups indicated in point 1.3, letters a), b) and c) of Annex 3A, Chart 7, of the Issuers' Regulations

See the provisions of preceding paragraphs 1.1 and 1.2.

1.4. Description and indication of the number of Beneficiaries, separated into the categories indicated in point 1.4, letters a), b) c) and d) of Annex 3A, Chart 7, of the Issuers' Regulations

See the provisions of preceding paragraphs 1.1 and 1.2.

2. REASONS FOR THE ADOPTION OF THE PLAN

2.1. Objectives to be achieved by application of the Plan

The objective of the initiative is to provide an incentive for the Beneficiaries to achieve the strategic objectives of the Group, aligning the interests of those members of the management who hold organisational positions deemed crucial for the purposes of the company's business and the interests of TIM's shareholders, in terms of growing the value of the Shares in the medium to long term.

2.2. Key variables, including performance indicators, considered for the purpose of the application of the Plan

The bonus levels are defined in terms of the number of Performance Shares assigned, according to the following principles of TIM's remuneration policy:

- management pay structure balanced between a fixed component (reflecting the powers and/or responsibilities assigned) and a short and long term variable component (commensurate with the performance of the individual and the company);
- consistency of total remuneration with market benchmarks, as applicable to similar positions or roles involving comparable responsibility and complexity;
- variable remuneration of management roles with greater influence on business results characterised by a significant (and growing) incidence of the long term incentive component.

2.3. Factors involved in determining the amount of remuneration based on financial instruments, or criteria for its determination

The number of Performance Shares discretionally awarded to each Beneficiary at target level at the moment the Plan is assigned (and resulting from the individual Assignment Scorecard) corresponds to a percentage of the person's Base Salary expressed in Shares at their Normal Value on that date, multiplied by the number of business years from then to Maturity, and specifically:

- three, at the date of the first assignment;
- two, if awards are made after that, up to the end of the month of January of the second year of Vesting (2019);
- one, in case of assignment from the month of February of the second year of Vesting (2019) up to the end of the month of January of the third year of Vesting (2020).

The Plan may no longer be applied, wholly or in part, from the month of February 2020.

The percentage of Base Salary used to determine the number of Performance Shares at target varies according to the strategic importance of the position held in the Company or the Subsidiaries. Analogously, the range of minimum-maximum variability changes, and thus, in brief:

- in the First Tranche (reserved to the Chief Executive Officer), the bonus at target corresponds to 350% of the Base Salary, with a minimum of 100% and a maximum of 500%;
- for the Beneficiaries of the Second Tranche, there are two bonus bands: in the first one (including managers who report directly to the Chief Executive Officer and the Chair of the Company) the target varies (according to

a discretionary decision by the Board of Directors, based on proposals by the Executive Chair and the Chief Executive Officer) from 50 to 100% of the Base Salary, with minimum and maximum corresponding to 50% and 150% of target; in the second one (including the remaining population to whom the Plan applies), the incentive corresponds in its minimum, target and maximum values to 12.5%, 25% and 37.5% of the Base Salary.

In any case the maximum number of Shares allocated to each tranche is set forth under point 3.4.

2.4. Reasons for adopting remuneration plans based on financial instruments not issued by the Issuer.

Not applicable.

2.5. Evaluation of significant tax and accounting implications that have influenced the design of the Plan

There have been no significant tax and accounting implications that have influenced the design of the Plan.

2.6. Any support for the Plan from the special Fund for encouraging employee ownership of firms, pursuant to Article 4, subsection 112 of Law no. 350 of 24 December 2003

The Plan does not receive support of the special Fund to provide incentives for the employees' shareholdings in the enterprises.

3. APPROVAL PROCESS AND TIMETABLE FOR ALLOCATION OF THE INSTRUMENTS

3.1. Scope of the powers and functions delegated by the Shareholders' Meeting to the Board of Directors for the implementation of the Plan

The powers delegated to the Board of Directors include:

- powers to approve (and eventually update) the Regulations;
- powers to discretionally identify the Beneficiaries of the Second Tranche, at the proposal of the Executive Chair and the Chief Executive Officer;
- powers to set the number of Performance Shares to be assigned to each of the Beneficiaries of the Second Tranche, within the incentive range specified in paragraph 2.3.

3.2. Persons charged with administering the Plan and their functions and duties

The administration of the Plan is the responsibility of the Board of Directors, which shall avail itself of the corporate functions for those aspects within their competence, and may also delegate to the Chief Executive Officer all or some of its powers with regard to the Second Tranche.

3.3. Procedures for revising the Plan, including with regard to any changes in the underlying objectives

If extraordinary situations involving the Company should arise, or if there are changes in the regulatory framework that impact on the Plan, the Board of Directors shall be entitled, based on a consistent opinion of the Nomination and Remuneration Committee and without the need for further involvement of the Shareholders' Meeting, to make any amendments and additions to the Regulations needed to maintain unchanged the substantial and economic content of the Plan, within the limits permitted by the decisions taken by the Shareholders' Meeting on 24 April 2018 (including the maximum number of Shares to service the Plan) and by the law applicable from time to time.

3.4. Description of how the availability and allocation of the Shares on which the Plan is based will be determined.

The Plan prescribes the allocation of Performance Shares to Beneficiaries in a number tied to the Base Salary, assigning different percentages depending on the organizational level and band the beneficiaries belong to, accruing Shares on the basis of the level of achievement of the Performance Parameters. One Share shall be attributed for each Performance Share accrued.

A maximum of 85,000,000 Shares are allocated to the Plan, out of which:

- n. 30,000,000 servicing the First Tranche;
- n. 55,000,000 servicing the Second Tranche.

3.5. Role played by each director in determining the characteristics of the Plan; any conflict of interest involving the directors concerned

The investigation for the architecture of the Plan was undertaken by the Nomination and Remuneration Committee (composed of the following Directors: Ms Jones - Chair, and Messrs Borsani, Crépin, Philippe and Vivarelli), with the support of the company management and consultant Willis Tower Watson.

The Board of Directors took the necessary resolutions in preparation for the Meeting (with the Chief Executive Officer, to whom the First Tranche is reserved, abstaining) on the proposal formulated by the Nomination and Remuneration Committee, after having acquired the opinion of the Board of Statutory Auditors pursuant to art. 2389, subsection 3 of the Italian Civil Code.

The subsequent board decisions approving the Regulations and the attribution of the Performance Shares, and all determinations connected with the administration of the Plan, shall be adopted in accordance with the regulations concerning Directors' interests, transactions with related parties and the remuneration of directors assigned to hold particular offices, insofar as they are applicable.

3.6. Date of the decision taken by the competent body to submit approval of the Plan to the Shareholders' Meeting and of the proposal of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee specifically focussed on the architecture of the Plan in its meetings on 15 and 26 February 2018, after a preliminary investigation of the more widely used long term incentive tools undertaken in the fourth quarter of 2017.

The Board of Directors, which had already been informed of the investigation underway when the guidelines for the company's overall remuneration policy were reviewed (meeting on 5 December 2017), acquired a final presentation of the initiative and then approved the Plan to be submitted to the Shareholders' Meeting on 6 March 2018.

3.7. Date of the decision taken by the competent body concerning the award of the financial instruments and any proposal made to such body by the Nomination and Remuneration committee, if any

The Plan is subject to the approval of the Shareholders' Meeting called for 24 April 2018. Subsequently, if the Plan should be approved, the Board of Directors will meet to take the relevant decisions for implementing the Plan itself, after the Nomination and Remuneration Committee has considered the text of the Regulations and at the proposal of the Executive Chair and Chief Executive Officer regarding the identification of the Beneficiaries.

3.8. Market price of the Shares recorded on the aforementioned dates

The official price of the Shares on the Electronic Share Market (MTA) organised and managed by Borsa Italiana S.p.A. was:

- 15 February 2018 – 0.6884 euros
- 26 February 2018 – 0.7379 euros
- 6 March 2018 – 0.7695 euros

3.9. Time limits and procedures by which the Issuer, in identifying the calendar for the allocation of the instruments to implement the Plan, takes into account the possible timing coincidence of: (i) such award or any decisions taken in this regard by the Nomination and Remuneration Committee and (ii) the dissemination of any relevant information pursuant to article 114, subsection 1 of the CLF

The effective transfer to the Beneficiaries of the Shares corresponding to the Performance Shares shall take place upon Maturity, subject to the non-discretionary assessment of the degree to which the Performance Parameters have been achieved, and without prejudice to their subsequent Lock-up. In light of the above, the Company does not envisage preparing any particular safeguard in relation to the situations referred to above, while respecting the applicable regulations.

4. CHARACTERISTICS OF THE FINANCIAL INSTRUMENTS ALLOCATED

4.1. Description of how the Plan is structured

The Plan prescribes the allocation to the Beneficiaries, free of charge, of Performance Shares corresponding to a corresponding maximum number of Shares, the effective transfer of which shall take place on Maturity to a variable extent, depending on the level to which the Performance Parameters have been achieved (and in accordance with the early termination provisions set out in point 4.8). The Performance Shares may not be transferred or subjected to any limitations or constitute the object of any other acts to dispose thereof by the Beneficiaries.

4.2. Indication of the period of actual implementation of the Plan, with reference also to any different cycles envisaged

The Plan does not prescribe more than one allocation cycle, it remaining the case that the Board of Directors may, at the proposal of the Executive Chair or Chief Executive Officer, allocate Performance Shares during the Vesting Period, in any event not after the month of January 2020, and within the maximum limit of 55,000,000 Shares reserved to service the Second Tranche of the Plan.

Upon the Maturity of the Performance Shares, the Board of Directors shall ascertain the degree to which the Performance Parameters have been achieved, and hence the number of Shares to be transferred to the Beneficiaries free of charge, with the consequent crediting to the share accounts in their names, prepared for this purpose by the Issuer.

4.3. Expiration of the Plan

The Plan shall expire upon the Maturity of the Performance Shares, with consequent crediting of the Shares to the share accounts of the Beneficiaries, without prejudice to their subsequent Lock-up.

4.4. Maximum number of financial instruments allocated in each fiscal year in relation to the persons individually identified or to the categories specified

The Plan does not prescribe more than one cycle, but permits the allocation of Performance Shares as part of the Second Tranche – within the maximum number of Shares to service the Plan, in total 85,000,000 – until the end of January 2020 (inclusive).

For all the Performance Shares allocated (and not extinguished), Maturity shall occur at the exact same time the Board approves the consolidated financial statements of the Group at 31 December 2020, with the concurrent ascertainment of the degree to which the Performance Parameters have been achieved.

4.5. Plan implementing procedures and clauses, specifying if the actual allocation of the financial instruments is dependent on conditions being met, or on the achievement of specific results, including performance results

The Performance Shares shall accrue in variable number, dependent on the degree to which the Performance Parameters have been achieved, as ascertained by the Board of Directors at the meeting to approve the consolidated financial statements of the Group at 31 December 2020.

The Board of Directors was guided in the choice of Performance Parameters by the need to identify simple indicators that could be immediately read and perceived by the market and the incentivised population, as well as valid indices of the success of the strategic plan to which the Company has committed: these indices show the pure stock market trend (instead of, for example, TSR) and the free cash flow.

The Share's relative performance (weight: 70%) will be

- calculated
 - ✓ as of 1 January 2018 for the assignees of Performance Shares in the initial allocation; from 1 January 2019 for subsequent assignees up to 31 January 2019; from 1 January 2020 for assignees from 1 February 2019 to 31 January 2020,
 - ✓ up to 31 December 2019 in the event of early termination with the right maintained, and up to 31 December 2020 in the remaining cases;
- considering the arithmetic mean of the official Share prices registered on the electronic share market organised and operated by Borsa Italiana S.p.A., calculated in the quarters before the beginning and end of the relevant period, up to two decimal places;
- compared to the average stock market performance over the same period by the shares issued by Deutsche Telekom AG, Vodafone Group PLC, Telefonica SA, Orange SA, BT Group PLC, Telenor ASA, Swisscom AG, Telia Co AB, Koninklijke KPN NV, Proximus SADP, Elisa OYJ, TDC A/S (the Peer Basket), in the respective main listing markets.

With regard to this Performance Parameter, the payout metric includes:

- minimum if the Share performance is in line with the average performance of the Peer Basket;

- target if the Share performance is 10% higher than the average performance of the Peer Basket;
- maximum if the Share performance is 20% higher than the average performance of the Peer Basket; with linear interpolation (i) between the minimum value and target value and (ii) between the target value and maximum value, with a pay-out higher than the target value conditional upon a positive absolute performance of the Share.

The Performance Parameter linked to cash generation is represented by the cumulated free cash flow over the three-year period, as per the 2018-2020 guidance, before dividend, investments in frequencies, and with the same scope of consolidation, that is without including the impact of acquisitions or disposals of investments (M&A), as well as with the same accounting principles.

The target value will be recalculated excluding the impact of the changes, compared to the three-year plan, related to the scope of consolidation, the exchange rates and the accounting policies. This will be done with reference to the years 2018, 2019 and 2020 for the assignees of Performance Shares at the time of initial allocation, compared to the years 2019 and 2020 for subsequent assignees and until 31 January 2019, compared to the year 2020 for the assignees from 1 February 2019 to 31 January 2020. The year 2020 is excluded in the case of early termination with the right maintained.

The payout metrics provides for a comparison of the figure calculated as above with the target of 4.5 billion euros resulting from the 2018-2020 Group business plan announced on 6 March 2018, with the assumption of linear progress over the three years (the “Target”) and payment:

- minimum where 90% of the Target is achieved;
- target where 105% of the Target is achieved;
- maximum where 115% of the Target is achieved.

Where the Performance Parameter value of the cumulated Equity Free Cash Flow is found at intermediate levels with respect to those indicated above, the number of Performance Shares accrued will be calculated using a linear interpolation criterion.

4.6. Indication of any availability constraints on the financial instruments that are the object of the Plan

The Performance Shares will be allocated to the Beneficiaries on a personal basis, and cannot be transferred or subject to constraints, nor may they constitute the object of any other act of disposal.

After Maturity, the Shares credited to the individual share accounts of the Beneficiaries prepared for this purpose by the Issuer shall be subject to Lock-up.

Furthermore, TIM operates a contractual *clawback* mechanism that enables the variable remuneration allocated to Executive Directors and Key Managers with Strategic Responsibilities to be recovered. Clawback may be activated in the three years after the disbursement of payments (including payments in shares) in cases where said disbursement occurred following wilful misconduct or gross negligence on the part of the Executives concerned or in case of error in the formulation of the data which resulted in the restatement of the information in the financial statements.

4.7. Description of any resolatory conditions which apply in relation to the allocation under the Plan in the event that the Beneficiaries engage in hedging transactions to neutralise any prohibitions on the sale of the Shares deriving from the maturity of the Performance Shares.

Not provided for.

4.8. Description of the effects produced by the termination of employment

The Performance Shares will definitively be extinguished without any form of restoration in case of (i) the death of the Beneficiary or (ii) if their employment by/collaboration with the Company (or a Subsidiary Company, even if not the Group company which employed the Beneficiary at the time of application of the Plan) should cease for any reason during the first two financial years (2018 and 2019) of the Vesting Period.

In the event:

- that appointment of Amos Genish as Chief Executive Officer should not be renewed when the serving Board of Directors is renewed upon the natural expiry of its mandate (Shareholders' Meeting to approve the financial statements at 31 December 2019),
- of premature death or termination of the collaboration with/employment by (i) the Company of the Chief Executive Officer, or (ii) the Company or a Subsidiary of the remaining Beneficiaries, after 1 January 2020, provided that the persons in question qualify as good leavers,

the Performance Shares, reduced by a number corresponding to a whole year of the total Vesting Period, shall remain susceptible to Maturity.

Those whose employment/collaboration with the Company (or a Subsidiary) ceases due to (i) retirement; (ii) consensual termination with maintenance of the Performance Shares (in any case subject to the Beneficiary's entering into a non-compete agreement for a duration not below 12 months); (iii) placement outside the perimeter of the Group, for any reason, of the company the beneficiary is employed by/collaborates with; (iv) dismissal for justified objective reasons; (v) total and permanent invalidity qualify as good leavers.

After Maturity, the circumstances of the employment by/collaboration with the Company (or a Subsidiary) shall only have relevance for the purposes of the application of the clawback regulation (cf. point 4.6).

4.9. Indication of any other grounds for cancelling the Plan

The Plan does not foresee any grounds for its cancellation.

4.10. Reasons for an option for the company to “buy back” the financial instruments underlying the plan, introduced pursuant to article 2357 et seq. of the Italian Civil Code

The plan does not envisage buy-back by the Company.

4.11. Any loans or other credit facilities that are to be granted for the purchase of the Shares pursuant to Article 2358, subsection 3 of the Italian Civil Code

Not applicable.

4.12. Indication of the cost the Company is expected to incur at the time of the allocation, as may be determined on the basis of the already defined terms and conditions, in total and for each financial instrument.

At the date of this document, it is not possible to indicate the exact amount of the expected cost of the Plan for the Issuer, as this cost depends on the maximum number of Performance Shares actually allocated, determined in the way described above, and the degree to which the Performance Parameters are achieved.

Pursuant to IFRS 2 (*Share-based payment*), the Company and, where applicable, each Subsidiary, for the part pertaining to them, will measure the fair value of the allocated Performance Shares throughout the vesting period. This amount will be recognised *pro-rata temporis* in the separate profit and loss account throughout the vesting period with an item in personnel costs as a counter-entry to a net equity reserve. These expenses recognised among

the personnel costs may be deducted for IRES and IRAP purposes by the Company and by each Subsidiary with registered offices in Italy in case IFRS is actually applicable, for the portion pertaining to it.

4.13. Indication of any capital dilution effects caused by the Plan

A maximum of 85,000,000 Shares are allocated to the Plan, which corresponds to 0.559% of the ordinary share capital as at 6 March 2018.

The Company's treasury shares may be used towards the initiative. The Company also expressly reserves the right to establish, during the three-year period 2018-2020, further arrangements to acquire the availability of Shares to be used for the initiative.

4.14. Any restrictions on the exercise of voting right or the attribution of property rights

Without prejudice to the two year Lock-up period, no restrictions are placed on the exercise of voting rights or for the attribution of the economic rights inherent to the Shares acquired through the Maturity of the Performance Shares.

4.15. If the shares are not traded on regulated markets, all the information needed to properly assess the value attributed to them.

Not applicable.

