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Item 3. KEY INFORMATION

3.1 RISK FACTORS

In addition to the other information contained in this Annual Report, investors should carefully consider the risks described below before making any investment decision. The risks described below are not the only ones we face. Additional risks not known to us or that we currently deem immaterial may also impact our business and results of operations. Our business, financial condition, results of operations and cash flows could be materially adversely affected by any of these risks, and investors could lose all or part of their investment.

We present below:

- 1) our main objectives as set out in our 2018-2020 Strategic Plan (the “2018-2020 Plan” or the “Plan”); and
- 2) factors that may prevent us from achieving our objectives. For purposes of presenting our risk factors we have identified our risks based on the main risk categories, set out in the Committee of Sponsoring Organization of the Treadway Commission¹:
 - strategic risks;
 - operational risks;
 - financial risks; and
 - compliance risks.

Our business will be adversely affected if we are unable to successfully implement our strategic objectives. Factors beyond our control may prevent us from successfully implementing our strategy.

On March 6, 2018, TIM’s Board of Directors approved the 2018-2020 Strategic Plan (the “Plan”). The Plan provides for the digitalization of all processes to dramatically enhance the digital experience for best-in-class customer engagement and to create an effective digital journey. Customer experience is expected to be improved by offering one single and intuitive interface that will allow for more customized, multi-channel interaction, thanks to a renewed IT architecture. The above implies a fully digital model of relationship with the client, based on the use of Big Data and advanced analytics to sustain the customer base and capture new growth opportunities, contributing to the consolidation of TIM’s leadership in the Fixed and Mobile segments.

Our ability to implement and achieve our strategic objectives and priorities may be influenced by certain factors, including factors outside of our control. Such factors include:

- a deterioration of the economic environment in the principal markets in which we operate, including, in particular, our core Italian market;
- the impact of regulatory decisions and changes in the regulatory environment in Italy, Brazil and other countries in which we operate;
- the impact of political developments in Italy, Brazil and other countries in which we operate;
- our ability to successfully compete on both price and innovation capabilities with respect to new products and services;
- our ability to develop and introduce new technologies that are attractive in our principal markets, to manage innovation, to supply value added services and to increase the use of our fixed and mobile networks;
- our ability to successfully implement our internet and broadband/ultrabroadband strategy;
- our ability to successfully achieve our 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 we are involved or may become involved;
- our ability to build up our business in adjacent markets and in international markets (particularly in Brazil), due to our specialist and technical resources;

¹ CoSO Report-ERM Integrated Framework 2004.

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<ul style="list-style-type: none"> our ability to achieve the expected return on the investments and capital expenditures we have made and continue to make in Italy, Brazil and other countries in which we operate; the amount and timing of any future impairment charges for our authorizations, goodwill or other assets; our ability to manage any business or operating model transformation plans; disruptions or uncertainties resulting from the United Kingdom's expected exit from the European Union; any difficulties which we may encounter in our supply and procurement processes, including as a result of the insolvency or financial weaknesses of our suppliers; and the costs we incur due to unexpected events, in particular where our 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 our management can effectively be attained in the manner and within the time-frames described. Furthermore, if we are unable to attain our strategic priorities, our goodwill may be further impaired, which could result in further significant write-offs.

The following sets out more specific factors that may prevent us from achieving our objectives.

STRATEGIC RISKS

Weak global economic conditions, including the continuing weakness of the Italian economy and political conditions in Brazil, have adversely affected our business in recent years. Economic recovery in the Euro Area has been uneven. Economic conditions in the Italian economy have shown improvement, however, uncertainty persist with respect to the economic outlook, which could have a negative impact on our operating results and financial condition.

Our business is dependent on general economic conditions in Italy and in our other principal market, Brazil, including with respect interest rate levels, inflation, taxation and general business conditions. The weak economic conditions of the last several years have had an adverse impact on our business and result of operation.

The prolonged economic recession that Italy has experienced in recent years has negatively impacted development prospects in our core Italian market. The Italian economic recession has ended and according to government estimates economic growth is estimated at 1.5% for 2017 and 1.5% for 2018. Gross fixed investment, household consumption, exports and employment have shown improvement. However, Italian GDP growth continues to lag the Eurozone average. Uncertainty related to the outcome of the political elections and the announced reductions in the ECB bond buying program may raise costs for government borrowing, while the Fiscal Compact obligations to lower the debt-to-GDP ratio will likely prevent any expansionary fiscal policy measures in the years to come.

In Brazil economic growth has resumed, after declining for eight consecutive quarters. Initially driven primarily by improvements in the agriculture sector, Brazil's recovery now appears to be positively impacted by growth across various sectors. GDP is expected to grow by 1.1% in 2017 and 2.0% in 2018 and inflation has fallen to below the target set by the Brazilian central bank. This has resulted in rising real incomes and lower interest rates, which are expected to further support the recovery. Unemployment has declined, however, consumer and business confidence still remain sensitive to political developments.

Despite the positive trend, continuing uncertainty about global economic conditions poses a 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 our products and services. Economic difficulties in the credit markets and other economic conditions may reduce the demand for or the timing of purchases of our products and services. A loss of customers or a reduction in purchases by our current customers could have a material adverse effect on our financial condition, results of operations and cash flow and may negatively affect our ability to meet our targets. Other factors that could influence customer demand include access to credit, consumer confidence and other macroeconomic factors.

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Vivendi is our largest shareholder and exercises substantial influence over us.

As of the date hereof, the largest single shareholder in the Company is Vivendi S.A. (“**Vivendi**”), which holds, directly, a stake of approximately 23.94% 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 the Company, such as nominations to the Board of Directors (the “**Board**”), matters involving mergers or other business combinations, the acquisition or disposition of assets, issuances of equity and the incurrence of indebtedness. In addition, Vivendi’s significant holding may also have the effect of discouraging others from making tender offers for our shares. See “Item 7. Major Shareholders and Related-Party Transactions–7.1.1. Major Shareholders”.

Competition Risks

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

In the fixed market, alternative network operators (“**Alt Net**”), such as Open Fiber and Infratel have disclosed and started to implement plans to develop alternative ultrabroadband telecommunications networks in Italy in the main Italian cities and in so-called “market failure” areas. Similar alternative developments, either on a standalone basis or through partnerships with OLOs, could adversely impact our businesses, assets and goodwill and, as a consequence, our economic and financial performance. In particular, we face risks with respect to increasing competition in the National Wholesale Market, which could result in losses with respect to our customer base and revenues and a potential loss of retail market share and revenues.

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

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 operators.

Strong competition exists in all principal areas of the Italian telecommunications business in which we operate. Competition may become even more acute in the coming years, with additional international operators accessing the Italian market.

The Italian telecommunications market is experiencing a phase of transformation with respect to competition. Since December 31, 2016, Wind Tre has become operative. Wind Tre resulted from the merger of Wind and H3G, which was authorized by regulatory bodies subject to certain structural “corrective measures”, including the sale of frequencies and signature of a roaming contract, and which cleared the way for French operator Iliad to enter the Italian market as the fourth mobile infrastructure player alongside TIM, Vodafone and Wind Tre. Iliad is expected to enter the Italian market in 2018.

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 globalization and the consolidation of the telecommunications industry in Europe, including Italy, and elsewhere.

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

Competition in our principal lines of business has led, and could lead, to:

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

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<p>In addition, competition with respect to innovative products and services in our Italian domestic fixed-line, mobile telephony and broadband/ultrabroadband businesses, has led, and could lead to:</p> <ul style="list-style-type: none"> · obsolescence of existing technologies and more rapid deployment of new technologies; · an increase in costs and payback period related to investments in new technologies that are necessary to retain customers and market share; and · difficulties in reducing debt and funding strategic and technological investments if we cannot generate sufficient profits and cash flows. 	
<p>Although we continue to take steps to realize additional efficiencies and to rebalance our revenue mix through the continuous introduction of innovative and value-added services, if any or all of the events described above occur, the impact of such factors could have a material adverse effect on our results of operations and financial condition.</p>	
<p><i>Continuing rapid changes in technologies could increase competition, reduce usage of traditional services and require us to make substantial additional investments.</i></p>	
<p>We, like other operators, face increasing competition from non-traditional data services on new voice and messaging over-the-internet technologies, in particular OTT applications such as Skype, FaceTime, Messenger 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 like TIM. In Italy and Brazil, an increasing number of customers are using OTT applications services instead of traditional voice and SMS communications.</p>	
<p>Historically, we have generated a substantial portion of our revenues from voice and SMS services, particularly in our 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 our revenues and profitability.</p>	
<p>If non-traditional voice and messaging data services continue to increase in popularity, as they are expected to, and we are unable to address such competition, our average revenue per user (“ARPU”) could decline and we would face lower margins across many of our products and services, resulting in a material adverse effect on our business, results of operations, financial condition and prospects.</p>	
<p><i>We may be adversely affected if we fail to successfully implement our Internet and broadband/fiber/4.5G/5G NGNM strategy.</i></p>	
<p>The continuing development of Internet and broadband/fiber services constitutes a strategic objective for us. We aim to increase the use of our networks in Italy and abroad to offset the continuing decline of traditional voice services. Our ability to successfully implement this strategy may be negatively affected if:</p>	
<ul style="list-style-type: none"> · broadband/fiber mobile coverage does not grow as we expect; · competition grows to include players from adjacent markets or technological developments introducing new platforms for Internet access and/or Internet distribution; · we are unable to provide superior broadband/fiber connections and broadband/mobile services relative to our competitors; · we experience network interruptions or related capacity problems with network infrastructure; and · we are unable to obtain adequate returns from the investments related to our network development. 	
<p>However, implementation of 4.5G/5G ultrabroadband mobile technologies is dependent on a number of factors including the following:</p>	
<ul style="list-style-type: none"> · MISE (Ministero dello Sviluppo Economico) competition for additional spectrum assignment; · availability and selection of cutting edge technology from our network/platforms and device vendors. 	

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<p>If we fail to achieve our objectives for the implementation of ultrabroadband mobile coverage in a timely manner, or at all, we may lose market share to our competitors in this strategically important segment.</p> <p>Any of the above factors may adversely affect the successful implementation of our strategy, our business and results of operations.</p> <p><i>Our business may be adversely affected if we fail to successfully implement our Information and Communications Technology (ICT) strategy.</i></p> <p>We intend 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 services continues to grow, the ICT market is expected to become a key element of our strategy.</p> <p>We expect increasing competition in this market as additional competitors (mainly from telecommunications operators, through the acquisition of and partnerships with IT operators) also enter this market. If we fail to grow our market share or compete effectively, our revenues could be negatively affected.</p> <p><i>Our business may be adversely affected if we fail to successfully implement our “next-generation networks” strategy.</i></p> <p>One of our goals is to accelerate the roll-out of a new telecommunications network capable of providing customers with ultrabroadband connections, generally referred to as a next-generation network (“NGN”).</p> <p>However, implementation of ultrabroadband technologies is dependent on a number of factors including:</p> <ul style="list-style-type: none"> · delays in receiving the necessary permissions and authorizations for installation of NGN lines; · resistance by road administrators to the use of innovative techniques for excavation and the laying fiber optic cables; · delay in the operation of SINFI (Sistema Informativo Nazionale Federato delle Infrastrutture). <p>In areas not provided for under our development plan or where implementation of the ultrabroadband plan is conditioned upon the grant of public funds, in addition to those listed above, the following factors should be considered:</p> <ul style="list-style-type: none"> · allocation of public funds at the local level; · fulfilment of technical and economic conditions related to the EuroSUD (a European funding telematic counter) tenders awarded to us; and · the awarding of tenders for the grant of public funds, which unduly penalize TIM by setting wholesale prices considerably lower than the regulated prices applicable to TIM’s similar services which are set in its Reference Offer as approved by AGCom. <p>If we fail to achieve our objectives for the implementation of ultrabroadband coverage in a timely manner, or at all, we may lose market share to our competitors in this strategically important segment, which may adversely impact our business, financial condition and results of operations.</p> <p><u>We are subject to risks associated with political developments in countries where we operate.</u></p> <p>Changes in political conditions in Italy (considering also the results of the March 4, 2018 election) and in other countries where we have made significant investments (particularly in countries where the political situation is less predictable than in Western Europe) may have an adverse effect upon our business, financial condition, results of operations and cash flows.</p> <p><i>The Italian State is in a position to exert certain powers with respect to us.</i></p> <p>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 March 15, 2012, adopted with modifications by Law n. 56 of May 11, 2012).</p>	

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<p>Following enactment of such regulation, art. 3 of Presidential Decree n. 85 of March 25, 2014 identified the following as strategic assets in the communications sector:</p> <ol style="list-style-type: none"> (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 ultrabroadband services; (3) dedicated elements, even if not in exclusive use, for connectivity (phone, data, video), security, control and management concerning fixed telecommunication access networks. <p>Presidential Decree n. 86 of March 25, 2014 sets out the procedures for handling of special powers in the communications sector.</p> <p>As a result, the rules presently in force provide for:</p> <ul style="list-style-type: none"> · the power of the Italian Government to impose conditions and possibly 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, voting rights (and any rights other than the property rights) connected to shares whose sale entails the transfer of control, may be suspended. The same rights may 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; · veto power by the Italian Government (including through the imposition of prescriptions or conditions) over any resolution, act or transaction that has the effect of modifying the ownership, control or availability of such 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 such prescriptions are null and void. The Government may also order the company and any other party to restore the antecedent situation at their own expense. <p>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.</p>	
OPERATIONAL RISKS	
<p>We face numerous risks with respect to the efficiency and effectiveness of resource allocation. Operational risks related to our 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 our reputation and operational effectiveness.</p>	
<p>We have 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 we face and such failures could have a material adverse effect on our results of operations and could harm our reputation.</p>	
<p><i>System and network failures could result in reduced user traffic and reduced revenue and could harm our reputation. In addition, our operations and reputation could be materially negatively affected by cyber-security threats or our failure to comply with new data protection legislation UE 2016/679 General Data Protection Regulation (GDPR), that will be mandatory by May 25, 2018.</i></p>	
<p>We have executed a deep gap analysis, identified the main issues, and consequently planned and deployed a master plan to reach a full compliance with new GDPR requirements, facilitated by the strength of present data protection operative model yet adopted by the Company.</p>	

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<p>Our success largely depends on the continued and uninterrupted performance of our IT, network systems and of certain hardware and datacenters that we manage for our clients. Our technical infrastructure (including our 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 our facilities, system failures, hardware and software failures, computer viruses and hacker attacks, as well as terrorist attacks against our infrastructure, which remains a target, could affect the quality of our services and cause service interruptions. Any of these occurrences could result in reduced user traffic and reduced revenue and could negatively affect our levels of customer satisfaction, reduce our customer base and harm our reputation.</p>	
<p>In addition, our 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 unauthorized access to, our networks, systems, computers, applications and data, such as customer accounting, network control, data hosting, cloud computing and other information technology systems is critical to our operations. We may be held liable for the loss, release, disclosure or inappropriate modification of the customer data stored on our equipment or carried by our networks. IT system failure, interruption of service availability, industrial espionage, cyber-attack or data leakage, in particular relating to customer data, could seriously limit our ability to service our 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 we operate or lead to fines and could cause long-term damage to our business and reputation. See “Item 4. Information on the TIM Group—4.3. Regulation—4.3.11. Privacy and Data Protection”.</p>	
<p><i>Our business depends on the upgrading of our existing networks.</i></p>	
<p>We must continue to maintain, improve and upgrade our existing networks in a timely and satisfactory manner in order to retain and expand our customer base in each of our markets. A reliable and high quality network is necessary to manage turnover by sustaining our customer base, to maintain strong customer brands and reputation and to satisfy regulatory requirements, including minimum service requirements. The maintenance and improvement of our existing networks depends on our ability to:</p>	
<ul style="list-style-type: none"> • upgrade the functionality of our networks to offer increasingly customized services to our customers; • increase coverage in some of our markets; • expand and maintain customer service, network management and administrative systems; • expand the capacity of our existing fixed copper and mobile networks to cope with increased bandwidth usage; and • upgrade older systems and networks to adapt them to new technologies. 	
<p>In addition, due to rapid changes in the telecommunications industry, our network investments may prove to be inadequate or may be superseded by new technological changes. Our network investments may also be limited by market uptake and customer acceptance. If we fail to make adequate capital expenditures or investments, or to properly and efficiently allocate such expenditures or investments, the performance of our networks, both in real terms and relative to our competitors, could suffer, resulting in lower customer satisfaction, diminution of brand strength and increased turnover.</p>	
<p>Many of these tasks are not entirely under our control and may be affected by applicable regulation. If we fail to maintain, improve or upgrade our networks, our services and products may be less attractive to new customers and we may lose existing customers to competitors, which could have a material adverse effect on our business, financial condition and results of operations.</p>	

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<p><i>We are continuously involved in disputes and litigation with regulators, competition authorities, competitors and other parties and are 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 us, they could, individually or in the aggregate, have a material adverse effect on our results of operations, financial condition and cash flows in any particular period.</i></p> <p>We are subject to numerous risks relating to legal, tax, competition and regulatory proceedings in which we are currently a party or which could develop in the future. We are 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 we are, or may become, involved (or settlements thereof) may, individually or in the aggregate, have a material adverse effect on our results of operations and/or financial condition and cash flows in any particular period. Furthermore, our involvement in such proceedings and investigations may adversely affect our reputation.</p> <p>If we, or another Group company, face an adverse decision in any of the legal proceedings to which we are a party, and are ordered to pay amounts greater than what we have recognized to cover potential liabilities, we may face adverse effects with respect to our and/or our Group's operations, financial position, income statement and cash flows.</p> <p>The final outcomes of those proceedings are generally uncertain. As of December 31, 2017, we had, on a consolidated basis, recognized potential liabilities of 461 million euros. In recognizing these liabilities, we took into consideration the risks connected with each dispute and the relevant accounting standards, which require reserves to be recognized 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, we 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 our reserves. Such a development could have adverse effects on our business, financial position, results of operations and cash flows.</p> <p><i>Risks associated with the use of internet by our customers could cause us to suffer losses and adversely affect our reputation.</i></p> <p>Pursuant to applicable Italian regulation, we, as a host and provider of data transmission services, are required to inform competent authorities without delay of any alleged illegal or illicit activity by our customers of which we are aware. We must also provide the authorities with any information we have identifying such customers. Any failure to comply with this obligation could cause us to become involved in civil proceedings or could harm public perception of our brand and services. Any such event could result in legal and/or regulatory proceedings, make us subject to direct or indirect monetary losses and could materially harm our reputation.</p> <p><i>We are exposed to the risk of labor disputes, in particular as a result of our plan to restructure our labor costs.</i></p> <p>We have undertaken a restructuring of various aspects of our workforce in an effort to improve standards of service and expertise and achieve greater efficiency and reduce personnel costs. To that end, we entered into a new union agreement on September 7, 2015. In addition, on September 21, 2015, which expired in December 2016 and October 27, 2015, we entered into agreements that provide for voluntary relocation and employment support schemes. On November 8, 2017, we signed another agreement related to voluntary dismissals.</p> <p>The efforts undertaken with respect to this restructuring have continued in 2017. Such agreements provides for a number of different measures to enable us to manage our workforce in line with our business plan and include employment support schemes (e.g., the introduction of reduced hours and wages), known as "<i>contratti di solidarietà</i>", as well voluntary relocation, early retirement measures and re-training.</p> <p>With respect to the 2018-2020 Strategic Plan, we are aiming to continue a transformation in order to facilitate stable growth in the market.</p> <p>Therefore, we are currently in the process of executing the 2018 - 2020 Industrial Plan, presented and discussed with Trade Unions on March 13, 2018. In this context, the guidelines related to personnel are to adopt measures aimed at supporting our reorganization and the transformation in the announced "DigiTIM".</p>	

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Relations between us and our workers/trade unions are not generally adversarial and strikes or protests involving a majority of workers are not common, however, such occurrences carry a moderate risk of disruptions in work and/or reduced service. Generally, such occurrences would be expected negatively impact our customers, our business and our reputation.

FINANCIAL RISKS

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

As of December 31, 2017, our consolidated gross financial debt was 32,864 million euros, compared to 34,525 million euros on December 31, 2016. Our consolidated net financial debt was 26,091 million euros as of December 31, 2017, compared to 25,955 million euros on December 31, 2016. Our high leverage continues to be a factor in our strategic decisions as it has been for a number of years and the reduction of our leverage remains a key strategic objective. As a result, however, we are reliant on cost-cutting and free cash flow to finance critical technology improvements and upgrades to our network, although we are taking steps to raise additional capital to support critical investment.

Due to the competitive environment and the continuing weak economic conditions, there could be deterioration in our income statement and financial measures used by rating agencies, such as Moody's, Standard & Poor's and Fitch, to assess our ability to repay our debt and determine our credit quality.

Although rating downgrades do not generally have an immediate impact on outstanding debt, other than outstanding debt instruments for which the interest expense is specifically impacted by such ratings, downgrades could adversely impact our ability to refinance existing debt and could increase costs related to refinancing existing debt and managing our derivatives portfolio.

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

The management and development of our business will require us to make significant further capital and other investments. If we are unable to finance our capital investments as described above, we may need to incur additional debt in order to finance such investment. Our future results of operations may be influenced by our ability to enter into such transactions, which, in turn, will be determined by market conditions and factors that are outside our control. In addition, if such transactions increase our leverage, it could adversely affect our credit ratings.

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

In the past, we have made substantial international investments, significantly expanding our operations outside of the Euro zone, particularly in Latin America.

Our non-current operating assets are located as follows:

- Italy: as of December 31, 2017 and December 31, 2016, respectively, 48,591 million euros (87.4 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 December 31, 2017 and December 31, 2016, respectively, 7,032 million euros (12.6 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 Reals.

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

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

Furthermore, as of December 31, 2017 and December 31, 2016, 29 percent of our consolidated gross debt was subject to the accrual of interest at floating rates, net of derivative instruments hedging such risks. As of December 31, 2017, and December 31, 2016, we had derivative contracts in place for the sole management of our interest rate risk, including interest rate swaps, for notional amounts of 5,919 million euros and 4,919 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 our floating rate debt, which may have adverse effects on the results of our operations and cash flows.

An increase of sovereign spreads, and of the default risk they reflects, in the countries where we operate, may affect the value of our assets in such countries.

We 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 June 23, 2016, the United Kingdom (the “U.K.”) held a referendum in which voters approved an exit from the European Union (the “EU”), commonly referred to as “Brexit”. The potential impact of Brexit will depend, in part, on the outcome of tariff, trade, regulatory and other negotiations that remain ongoing. As a result of the referendum, global markets have been adversely impacted, including an initial sharp decline in the value of the British pound relative to the U.S. dollar and the euro. Since late 2017, the British pound has recovered some of its value relative to the U.S. dollar and the euro, while the U.S. dollar has declined against various other currencies, highlighting ongoing volatility in global currency exchange rates. Brexit-related uncertainty during the negotiation period and the electoral success of anti-EU movements in other EU countries, could result in further instability in global financial markets and uncertainty with respect to national laws and regulations in Europe. Brexit, as well as potential threats by other EU members to exit the EU, could adversely affect our business, financial condition, operating results and cash flows.

COMPLIANCE RISKS

Because we operate in a heavily regulated industry, regulatory decisions and changes in the regulatory environment could adversely affect our business.

Our 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, the Italian regulator, Autorità per le Garanzie nelle Comunicazioni (“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 requirements necessary to address identified competition problems. Current requirements are mainly focused on the regulation of our 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 ultrabroadband services).

Within this regulatory framework, the main risks we face include the lack of predictability concerning both the timing of the regulatory proceedings and their final outcome and possible AGCom decisions that apply

Item 3. Key Information	Risk Factors
<p>retroactively and their potential impact on expected Group results and on the guidance presented to the market (e.g., review of prices from prior years following the decisions of Administrative Courts, repricing decisions, proceedings that impact technological decisions and return on investment).</p> <p>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.</p> <p>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 us can impact our revenues and can make it more difficult to make important investment decisions.</p> <p>Moreover, a high level of disputes arising from operators challenging AGCom decisions before Administrative Courts result in an even greater degree of uncertainty with respect to rules and economic requirements.</p> <p>The Italian Antitrust Authority, Autorità Garante per la Concorrenza ed il Mercato (“AGCM”), may also intervene in our business, setting fines and/or imposing changes in our service provision operating processes and in our offers.</p> <p>In December 2015, we began the implementation of a new model that includes a number of structural changes in the provision of our 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, will improve the current equality of access guarantees by means of a greater symmetry in organization, processes, information systems and databases for the provision of bottleneck access services in order to decrease future regulatory, competition and litigation risks.</p> <p>Our Brazilian Business Unit also is subject to extensive regulation. Our international operations, therefore, face similar regulatory issues as we face in Italy, including the possibility for regulators to impose obligations and conditions on how we operate our businesses in Brazil as well as taking decisions that can have an adverse effect on our results, including setting, and in particular, reducing the mobile termination rates we can charge. As a result, the decisions of regulators or the implementation of new regulations in Brazil and the costs of our compliance with any such decisions or new regulations, may limit our flexibility in responding to market conditions, competition and changes in our cost base which could individually or in the aggregate, have a material adverse effect on our business and results of operations.</p> <p>Due to the continuous evolution of the regulatory regime affecting various parts of our business in Italy and in our international operations, we are unable to clearly predict the impact of any proposed or potential changes in the regulatory environment in which we operate in Italy, Brazil and our 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 our business and competitiveness. In particular, our ability to compete effectively in our existing or new markets could be adversely affected if regulators decide to expand the restrictions and obligations to which we are subject or extend them to new services and markets. Finally, decisions by regulators regarding the granting, amendment or renewal of our authorizations, or those of third parties, could adversely affect our future operations in Italy and in other countries where we operate.</p> <p>For further information regarding the matters discussed above and other aspects of the regulatory environments in which our businesses operate, see “Item 4. Information on the TIM Group–Item 4.3 Regulation”.</p>	

We operate under authorizations granted by government authorities.

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

Item 3. Key Information	Risk Factors
<p>Many of these authorizations are revocable for public interest reasons. In addition, our current authorizations to provide networks and services require that we satisfy 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 authorization. In addition, the need to meet scheduled deadlines may require us to expend more resources than otherwise budgeted for a particular network build-out.</p>	
<p>Additional authorizations may also be required if we expand our services into new product areas, and such authorizations 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 we may not have previously had to comply. If we are unable to obtain such authorizations within the expected timeframe, at a commercially acceptable cost, or if the authorizations include onerous conditions, it could have a material adverse effect on our business, financial condition and results of operations.</p>	
<p>In Brazil we also operate under an authorizations regime. As a result, we are obliged to maintain minimum quality and service standards. Our 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 commercialization for a given period.</p>	
<p><i>Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to litigation or decreased mobile communications usage.</i></p>	
<p>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. We 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.</p>	
<p>Our 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.</p>	
<p><i>We face the risk that our organizational policies and procedures embodied in the organizational model prepared pursuant to Legislative Decree 231/2001 may fail to prevent certain officers and employees from engaging in unlawful conduct, for which we would be jointly liable.</i></p>	
<p>We have put in place an organizational 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 us. The organizational model has been adopted by us and by our Italian subsidiaries. A specific version of the organizational model has been adopted by TIM Participacoes pursuant to the anti-corruption Brazilian law (Lei 12.846/13).</p>	
<p>The organizational model is continuously reviewed and must be kept up to date to reflect changes in operations and in the regulatory environment. We have established a 231 steering committee to prepare and consider proposals for changes to the model, for submission to the Board for approval.</p>	
<p>Notwithstanding the existence of this model or any updates that we 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 we were held liable for acts committed by our senior management, executives and employees or are found otherwise non-compliant with the requirements of the legislation, we may be ordered to pay a fine, our authorizations, licenses or concessions may be suspended or revoked, and we may be prohibited from conducting business, contracting with the Italian public administration, or advertising goods and services. Such developments would have adverse effects on our business, results of operations, financial condition and cash flows.</p>	

Item 3. Key Information	Exchange Rates
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3.2 EXCHANGE RATES

We publish our consolidated financial statements in euros. References to “€”, “euro” and “Euro” are to the euro, the single unified currency that was introduced in Italy and 10 other member states of the EU on January 1, 1999. References to “U.S. dollars”, “dollars”, “U.S.\$” or “\$” are to U.S. dollars, the currency of the United States of America.

For convenience only (except where noted otherwise), certain euro figures have been translated into dollars at the rate (the “Euro/Dollar Exchange Rate”) of €1.00= U.S.\$ 1.2022, using the last noon buying rate in The City of New York for cable transfers in foreign currencies as announced by the Federal Reserve Bank of New York for customs purposes (the “Noon Buying Rate”) on December 29, 2017.

These translations should not be construed as a representation that the euro amounts actually represent such dollar amounts or have been or could be converted into dollars at the rate indicated.

For the purpose of this Annual Report, “billion” means a thousand million.

The following table sets forth for the years 2013 to 2017 and for the beginning of 2018 certain information regarding the Noon Buying Rate for Dollars expressed in U.S.\$ per €1.00.

Calendar Period	High	Low	Average(1)	At Period end
2013	1.3816	1.2774	1.3281	1.3779
2014	1.3927	1.2101	1.3297	1.2101
2015	1.2015	1.0524	1.1096	1.0859
2016	1.1516	1.0375	1.1072	1.0552
2017	1.2041	1.0416	1.1298	1.2022
2018 (through April 6, 2018)	1.2488	1.1922	1.2288	1.2274
Monthly Rates				
November 2017	1.1936	1.1577	1.1743	1.1898
December 2017	1.2022	1.1725	1.1836	1.2022
January 2018	1.2488	1.1922	1.2197	1.2428
February 2018	1.2482	1.2211	1.2340	1.2211
March 2018	1.2440	1.2216	1.2334	1.2320
2018 (through April 6, 2018)	1.2292	1.2230	1.2269	1.2274

(1) Average of the rates for each period.

The Ordinary Shares (the “**Ordinary Shares**”) and Savings Shares (the “**Savings Shares**”) of TIM trade on *Mercato Telematico Azionario* (“**Telematico**”), managed by Borsa Italiana S.p.A. (“**Borsa Italiana**”) in euro. Fluctuations in the exchange rate between the euro and the U.S. dollar will affect the U.S. dollar equivalent of the euro price of the Ordinary Shares and the Savings Shares and the price of the Ordinary Share American Depositary Shares (“**Ordinary Share ADSs**”) and the Savings Share American Depositary Shares (“**Savings Share ADSs**”), on the New York Stock Exchange (“**NYSE**”). Cash dividends are paid in euro. Exchange rate fluctuations will affect the U.S. dollar amounts received by owners of Ordinary Share ADSs and Savings Share ADSs upon conversion by the Depositary of cash dividends paid in euro on the underlying Ordinary Shares and Savings Shares. See “Item 10. Additional Information–10.5 Description of American Depositary Receipts”.

Item 3. Key Information	Selected Financial And Statistical Information
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3.3 SELECTED FINANCIAL AND STATISTICAL INFORMATION

The selected financial data set forth below are consolidated financial data of the TIM Group as of and for each of the years ended December 31, 2017, 2016, 2015, 2014 and 2013, which have been extracted or derived, with the exception of amounts presented in U.S. dollars, financial ratios and statistical data, from the Consolidated Financial Statements of the TIM Group prepared in accordance with IFRS as issued by IASB and which have been audited by the independent auditor PricewaterhouseCoopers S.p.A.

In 2017, the 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 January 1, 2017, described in the "Note-Accounting Policies" of the Notes to the Consolidated Financial Statements included elsewhere herein.

The selected financial data below should be read in conjunction with the Consolidated Financial Statements and notes thereto included elsewhere in this Annual Report.

Item 3. Key Information		Selected Financial And Statistical Information					
		Year ended December 31,					
		2017	2017(*)	2016(*)	2015(*)	2014(*)	2013(*)
		(millions of U.S. dollars, except percentages, ratios, employees and per share amounts)(1)	(millions of euros, except percentages, ratios, employees and per share amounts)				
Separate Consolidated Income Statement Data:							
Revenues		23,837	19,828	19,025	19,719	21,574	23,443
Operating profit (loss)		3,956	3,291	3,722	2,963	4,529	2,752
Profit (loss) before tax from continuing operations		2,136	1,777	2,799	453	2,350	570
Profit (loss) from continuing operations		1,547	1,287	1,919	50	1,420	(556)
Profit (loss) from Discontinued operations/Non-current assets held for sale				47	611	541	341
Profit (loss) for the year		1,547	1,287	1,966	661	1,961	(215)
Profit (loss) for the year attributable to Owners of the Parent(2)		1,348	1,121	1,808	(70)	1,351	(659)
Capital Expenditures		6,854	5,701	4,876	5,197	4,984	4,400
Financial Ratios:							
Operating profit (loss)/Revenues (ROS)(%)		16.6%	16.6%	19.6%	15.0%	21.0%	11.7%
Ratio of earnings to fixed charges(3)		2.06	2.06	2.65	1.18	2.18	1.29
Employees, average salaried workforce 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)		54,946	54,946	57,855	61,553	59,285	59,527
Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale (average number)				2,581	15,465	15,652	15,815
Basic and Diluted earnings per Share (EPS)(4):							
Ordinary Share		0.06	0.05	0.08	—	0.06	(0.03)
Savings Share		0.07	0.06	0.09	—	0.07	(0.03)
Dividends:							
per Ordinary Share (5)							
per Saving Share (5)		0.033	0.0275	0.0275	0.0275	0.0275	0.0275

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Item 3. Key Information	Selected Financial And Statistical Information
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(3) For purposes of calculating the ratio of “earnings to fixed charges”:

- “Earnings” is calculated by adding:
 - profit (loss) before tax from continuing operations;
 - “fixed charges” (as defined below);
 - amortization of capitalized interest and debt issue discounts or premiums;
 - dividends from associates and joint ventures accounted for using the equity method;
 - share of losses of associates and joint ventures accounted for using the equity method and then subtracting:
 - capitalized interest for the applicable period; and
 - share of earnings of associates and joint ventures accounted for using the equity method.
- “Fixed charges” is calculated by adding:
 - interest expenses (both expensed and capitalized);
 - issue costs and any original debt issue discounts or premiums; and
 - an estimate of the interest within rental expense for operating leases. This component is estimated to equal 1/3 of rental expense, which is considered a reasonable approximation of the interest factor.

(4) In accordance with IAS 33 (*Earnings per share*), basic earnings per Ordinary Share is calculated by dividing the Group’s profit (loss) available to shareholders 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% 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 year ended December 31, 2017
 - 15,039,128,128 for the year ended December 31, 2016;
 - 14,889,773,009 for the year ended December 31, 2015;
 - 14,851,386,060 for the year ended December 31, 2014; and
 - 13,571,392,501 for the year ended December 31, 2013.
- Savings Shares was:
 - 6,027,791,699 for the years ended December 31, 2017 and 2016;
 - 6,026,677,674 for the year ended December 31, 2015;
 - 6,026,120,661 for the years ended December 31, 2014 and 2013.

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 Group’s profit (loss) is also adjusted to reflect the impact of the conversion of potential shares net of the related tax effects.

(5) Subject to approval at the Annual Shareholders’ Meeting to be held on April 24, 2018. TIM’s dividend coupons for its Savings Shares for the year ended December 31, 2017, will be clipped on June 18, 2018 and will be payable from June 20, 2018.

(6) 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.

(7) Net Financial Debt is a “Non-GAAP Financial Measure” as defined in Item 10(e) of Regulation S-K under the 1934 Act. For further details please see “Item 5. Operating and Financial Review and Prospects–5.2 Results of Operations for the Three Years Ended December 31, 2017–5.2.3 Non-GAAP Financial Measures”.

(8) Excludes full-infrastructured OLOs and FWA-Fixed Wireless Access.

(9) Starting from 2014, data also includes company lines (active SIM cards used by the TIM Brasil group and its employees). The comparative data for 2013 have been appropriately restated.

Item 3. Key Information	Dividends
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3.4 DIVIDENDS

The determination of our future dividend policy, and the amounts thereof, will depend upon a number of factors, including but not limited to our earnings, financial condition and cash requirements, prospects and such other factors as may be deemed relevant at the time.

The following table sets forth the dividends per Ordinary Share and per Savings Share declared by TIM with respect to each of the last five fiscal years and the aggregate dividends paid in such years. Actual dividends paid are rounded to the nearest whole cent. No ordinary share dividend is being paid for the year ended December 31, 2017.

Year ended December 31,	Dividends on Ordinary Shares			Dividends on Savings Shares		
	Euros per Share	U.S. Dollars per Share(1)	(millions of euros)	Euros per Share	U.S. Dollars per Share(1)	(millions of euros)
2013	—	—	—	0.0275	0.0381	165.72
2014	—	—	—	0.0275	0.0307	165.72
2015	—	—	—	0.0275	0.0310	165.76
2016	—	—	—	0.0275	0.0307	165.76
2017(2)	—	—	—	0.0275	0.0338	165.76

(1) Euro amounts have been translated into U.S. dollars using the Noon Buying Rate in effect on the respective payment dates. For the year ended December 31, 2017, Euro amounts have been translated into U.S. dollars using the Noon Buying Rate in effect on April 6, 2018.

(2) Subject to approval at the Annual Shareholders' Meeting to be held on April 24, 2018. TIM's dividend coupons for its Savings Shares for the year ended December 31, 2017, will be clipped on June 18, 2018 and will be payable from June 20, 2018.

Payment of annual dividends is subject to approval by the holders of Ordinary Shares at the annual general shareholders' meeting, which must be held within 180 days after the end of the financial year to which it relates (pursuant to article 18, second paragraph, of the Company's Bylaws). In addition, Article 21 of the Company's Bylaws gives the Board of Directors the power to approve the distribution of "interim dividends". Pursuant to Italian law, the distribution may be approved after the final approval of the preceding year's financial statements, and the interim dividends may not exceed the lower of (i) the difference between profits from the preceding fiscal year and amounts required to be attributed to legal and statutory reserves and (ii) available reserves. Once paid in compliance with applicable laws, shareholders cannot be required to repay interim dividends to the Company if the shareholders collected such dividends in good faith. Dividends not collected within five years from the date they become payable will be forfeited in favor of the Company. If profits are not fully distributed, additional reserves are created.

According to the Italian Civil Code, before dividends may be paid with respect to any year, an amount equal to 5% of the profit of the Company for such year must be set aside to the legal reserve until the legal reserve, including amounts set aside during prior years, is at least equal to one-fifth of the par value of the Company's issued share capital. This legal reserve is not available for payment of dividends. Such restriction on the payment of dividends applies, on a non-consolidated basis, to each Italian subsidiary of the TIM Group. The Company may also pay dividends out of available retained earnings from prior years or other reserves.

Dividends in respect of Ordinary Shares and Savings Shares held with Monte Titoli S.p.A. ("Monte Titoli") are automatically credited to the accounts of the beneficial owners with the relevant participant of Monte Titoli, without the need for presentation by such beneficial owners of any documentation. See "Item 10. Additional Information-10.4 Description of Capital Stock".

Arrangements between Euroclear or Clearstream and Monte Titoli permit the shareholders to collect the dividends through Euroclear or Clearstream. Holders of American Depositary Receipts ("ADRs") are entitled to receive payments in respect of dividends on the underlying Ordinary Shares and Savings Shares, as the case may be, in accordance with the relevant Deposit Agreement.

Dividends payable on the Company's Ordinary Shares and Savings Shares may be subject to deduction of Italian withholding tax. See "Item 10. Additional Information-10.6 Taxation". Italian regulations do not contain any specific restrictions on the payment of dividends to non-residents of Italy. See "Item 10. Additional Information-10.2 Exchange Controls and Other Limitations Affecting Security Holders".

Item 3. Key Information	Dividends
<p>Pursuant to Italian law, in connection with the payment of dividends, participants of Monte Titoli are required to supply to the Italian tax authorities certain information concerning the identity of non-resident shareholders holding Ordinary Shares or Savings Shares. Shareholders are required to provide their Italian tax identification number, if any, or alternatively, in the case of legal entities, their name, country of establishment and address, or in the case of individuals, their name, address and place and date of birth, or in the case of partnerships, the information required for legal entities and the information required for individuals with respect to one of their representatives. In the case of Ordinary Share ADSs and Savings Share ADSs owned by non-residents in Italy, TIM understands that the provision of information concerning the Depositary, in its capacity as holder of record of the Ordinary Shares and Savings Shares, as the case may be, will satisfy these requirements.</p> <p>The Depositary, in accordance with instructions from TIM, will provide information to beneficial owners of Ordinary Share ADSs and Savings Share ADSs, that are considered U.S. residents for purposes of applicable law. To the extent such owners wish to benefit from reduced withholding tax rates on dividends under an income tax treaty, claims for such benefits must be accompanied by the required information. See “Item 10. Additional Information–10.6 Taxation”.</p>	