

MERGER BY INCORPORATION OF WHOLLY OWNED SUBSIDIARIES

OLIVETTI MULTISERVICES S.P.A. AND TIM REAL ESTATE S.R.L. INTO TIM S.P.A.

Operations to merge wholly owned subsidiaries Olivetti Multiservices S.p.A. (OMS) and TIM Real Estate S.r.l. (TIM RE) into the Parent Company TIM S.p.A. are under way as part of an overall corporate simplification programme.

A separate merger project was drafted for each merger operation. The reference balance sheets were created from the draft financial statements of the companies at 31 December 2016.

Essential traits of the companies being incorporated

OMS manages some real estate properties that are part of the assets of the former Olivetti, mostly leased to member companies of the Group, essentially located in Ivrea. The company's assets also include 90 buildings designated to house telephone exchanges and an almost 1.6% share ownership in Mediapolis. As at 31 December, OMS (which employs 12 resources) has an approximately 79.7 million euro equity, approximately 52.9 million euros in property and cash amounting to approximately 25.9 million euros, including financial receivables owed by the Parent Company.

TIM RE operates in the real estate development sector, has an approximately 259 million euro property portfolio, located in Rome and Milan and used by TIM. As at 31 December 2016, the company (without an independent organisation) has a 4.5 million euro Equity, Property amounting to about 259 million euros and an approximately 250.3 million euros debt owed to the Parent Company.

Reasons for the merger

The merger is aimed at creating organisational and operational efficiencies of the Group by:

- streamlining the organisation and processes;
- managing real estate property in the most rational manner possible, by consolidating ownership thereof within the perimeter of TIM (which is the main user), ;
- direct cost saving (company bodies, independent auditor, procurement of services from third parties).

As concerns OMS employees, the operation is expected to recover productivity following relocation in TIM's territorial facilities.

Procedural process

A simplified process conferring power to make the merger decision to the Board of Directors instead of TIM's extraordinary shareholders' meeting will be applied, given that this is a merger by incorporation regarding wholly owned subsidiary companies. Should shareholders holding at least 5% of the share capital with right of vote fail to request devolution to the Shareholders' Meeting, OMS and TIM RE's merger decision shall be subject to approval by the TIM's Board of Directors scheduled to meet on 3 May 2017.

Once the company creditors' opposition deadline expires, the merger shall subsequently be formalised with the accounting and tax effect backdated to 1 January 2017.