

ATTACHMENT TO THE PRESS RELEASE

RESPONSE TO CONSOB PROTOCOL 11026447 OF 31 MARCH 2011

In its protocol 11026447 of 31 March 2011, Consob invited Telecom Italia to furnish the Shareholders' Meeting with the following information:

1. *"assessments [...] of the possible action to be taken against Riccardo Ruggiero and Luca Luciani, following the recent allegations by Milan prosecutors during investigations into illegally registered prepaid SIM cards";*
2. *"the views of the directors, bearing in mind the guidance contained in Document no. 4 issued by the Bank of Italy/Consob/ISVAP on 3 March 2010, concerning the difference between the consolidated book value of Telecom Italia as reported in the financial statements at 31.12.2010, and the net worth of the company as expressed by the stock price and by financial analysts, in the light of the impairment test of goodwill which indicated that there was no need for depreciation."*

With regard to *"assessments [...] of the possible action to be taken against Riccardo Ruggiero and Luca Luciani, following the recent allegations by Milan prosecutors during investigations into illegally registered prepaid SIM cards"*, the Board of Directors met on 31 March 2011 to discuss newspaper reports on the charges against Luciani and Ruggiero and made the following observations.

At the board meeting of 16 December 2010, the company's advisor Deloitte Financial Advisory Services outlined, among other things, the main results of Stream 3 of Project Greenfield concerning prepaid cards. Deloitte's report has been published in its entirety by the members of the Board of Directors. As already outlined in the appendix to the report on corporate governance and ownership, the advisor's report went on to:

1. quantify the number of illegally registered SIM cards activated over the period 2005-2009 as 6.8 million (peaking in the years 2005-2007), of which around 92% by dealers;
2. estimate the economic impact of the illegal registration/activation of prepaid cards at between 19.9 and 27.1 million euros;
3. set out the evidence for eventual responsibility for and awareness;
4. put forward a number of considerations regarding the weaknesses of the internal control system.

With reference to Riccardo Ruggiero, as you will know, the Board of Directors, based on the information currently available, taking into account the opinion of Deloitte and its legal advisors and following extensive discussion, decided not to submit proposals to the Shareholders' Meeting for action to be taken against the former executive directors (the Board Member Luigi Zingales has expressed his "complete disagreement"). However, the Board went on to stress that its decision might change if new information or facts were to emerge.

Following the Board of Directors' meeting the Deloitte Report was seized by the DPP of Milan, who issued a search warrant of the Telecom Italia offices on 3 February 2011 citing possible charges of aggravated fraud against person unknown.

On 14 March 2011 indirect sources revealed that the former CEO, Riccardo Ruggiero, and former Head of Domestic Mobile Services, Luca Luciani, have also had their premises searched as part of the same criminal prosecution and are currently under investigation for aggravated fraud and obstructing the supervisor (this last alleged offence pursuant to Legislative Decree 231/2001).

The current management of Telecom Italia is making every effort to eliminate the false SIM cards and is collaborating fully with the authorities, at the same time carrying out its own internal investigations into the matter. The company continues to follow the progress of the investigations closely and will take all possible steps to defend itself in view of possible charges of personal responsibility against third parties or employees.

As regards Mr. Luciani's specific position in the case, the Board of Directors took the following points into account:

1. the embryonic state of the legal case against him, of which the company has knowledge only through indirect sources;
2. the need to wait for a full and official account of proceedings before forming a judgement on the charges (currently most of the legal papers are unavailable while the investigations are ongoing) and to see if new evidence emerges beyond the facts already found by the Deloitte audit and internal investigations;
3. since there is no danger of similar events reoccurring, there appears to be no need to take urgent or summary action at this time.

On this basis, the Board of Directors (absent Alierta, Baratta, Berger, Ben Ammar, Linares) decided not to take action against Mr. Luciani. It also decided to examine closely the case proceedings concerning Mr. Ruggiero, once these are available, observing - among other things - that the term for possible legal action against him does not expire until December 2012.

This position was not shared by Director Zingales.

Regarding the second point of the Consob protocol, we remind you that the valuation of goodwill, performed by Telecom Italia in accordance with IAS 36 with the help of Mauro Bini, Professor of Corporate Finance at the Bocconi University of Milan, is described in detail in note 4 - "Consolidated Goodwill of Telecom Italia Group" and note 4 - "Goodwill in the Separated Financial Statements of Telecom Italia S.p.A.".

With reference to the impairment test, Document no. 4 issued on 3 March 2010 by the Bank of Italy/Consob/ISVAP insists that *"in general and especially in the absence of specific company procedures, compliance of the impairment test with IAS 36 must be formally and explicitly approved by the board of*

directors responsible for the company statements, and that such approval must be made independently and prior to approval of the statements themselves.”

The Telecom Italia Board of Directors approved the test on 25 March 2010, prior to the approval of the financial statements at 31 December 2009, and the same procedure has been used in the preparation of the financial statements at 31 December 2010.

The aforementioned document also requires “that the directors pay particular attention to external indications of impairment, for example in the financial markets, such as a market capitalization significantly lower than book value. In such an event the board should look for the reasons for any differences between the external valuations and the outcome of the impairment test. This analysis - required by IAS 36, par. 12, letter (d) – must be fully documented within the procedure itself.”

IAS 36 par. 12 requires companies to check prior to testing whether there are any indications (external or internal sources) that the cash generating units or groups of cash generating units may have suffered a loss of value.

The main factor pointing to impairment is external in nature and concerns the market capitalization of the parent Telecom Italia, which at 31 December 2010 was below Group net worth of €11,007 million and stood at €9,475 million on 11 February 2011 (reference date taken for the Board of Directors' meeting of 24 February 2011). To be in line with book value the stock price would have to have been 49% higher.

It should be noted that since the last interim impairment test (on 30 June 2010) until 11 February 2010 the stock price rose by more than 15%, in line with the rest of the European telecommunications sector. In this favourable financial market background British Telecom saw its market cap rise by 42% over the same period. This is clear evidence that price volatility in the sector is such that even a 49% gap between market capitalization and book value can be closed in a fairly short time period.

We should point out that between 11 February 2011 and yesterday (11 April) the Telecom Italia stock price rose a further 4.2%.

The target prices indicated in the equity reports of the various investment houses following the announcement of Q3 2010 earnings, at the date of the board meeting which approved the financial statements, varied from 0.85 euro per ordinary share (minimum value = Chevreux equity report of 5 November 2011) to 1.46 euro per ordinary share (maximum value = Deutsche Bank equity report of 16 January 2011).

Such a wide spread points to the presence of two factors:

- huge uncertainties about the future and
- the very differing methods used to calculate the target price (some analysts use relative valuations, others use absolute criteria sometimes with significant discounts, others still adopt an average of absolute and relative valuations).

When calculating their target prices analysts:

- often give greater weight to multiples, rather than flows;
- valuations based on flows generally produce higher prices than those based on the multiples.

The Board of Directors of Telecom Italia therefore examined the evidence on each of these points and took this into account when reaching its valuation of goodwill in the financial statements at 31 December 2010.