

EXPLANATORY REPORT BY VIVENDI SHAREHOLDER

APPOINTMENT OF NO. 4 (FOUR) DIRECTORS, SUBJECT TO THE RE-DETERMINATION FROM 13 (THIRTEEN) TO 17 (SEVENTEEN) OF THE NUMBER OF MEMBERS OF THE BOARD OF DIRECTORS. RELEVANT AND CONSEQUENT RESOLUTIONS.

Dear Shareholders,

this report has been prepared by Vivendi S.A. (“**Vivendi**”), pursuant to art. 126-*bis*, paragraph 4, of the Legislative Decree no. 58 dated 24 February 1998 (“**TUF**”), in connection with the request of integration of the agenda of the Meeting of the ordinary shareholders of Telecom Italia S.p.A. (the “**Company**” or “**Telecom Italia**”) - convened in a single call, for the day of December 15, 2015 - with the integration of the following item, to discuss and resolve in ordinary session:

“Appointment of no. 4 (four) Directors, subject to the re-determination from 13 (thirteen) to 17 (seventeen) of the number of members of the Board of Directors. Relevant and consequent resolutions”.

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The current Board of Directors of the Company, appointed by the Shareholders Meeting of April 16, 2014, is composed of 13 members and will remain in office until the Shareholders Meeting called to approve the financial statements as of December 31, 2016.

The Shareholders Meeting of April 16, 2014 also approved (i) to establish in € 1,900,000 the total annual remuneration of the Board of Directors pursuant to article 2389, paragraph 1, of the Italian Civil Code, in the assumption of a composition fixed in 13 (thirteen) members, to be divided among the Directors in accordance with the resolutions to be adopted by the same Board, and (ii) to authorize the Directors to continue the activities indicated in their respective *curricula vitae* and, in any case, with respect to such activities, to release them from the non-competition obligation pursuant to article 2390 of the Italian Civil Code.

On June 2015, and thus on a later date from the aforementioned Shareholders Meeting, Vivendi acquired a stake of 14.9% of the ordinary shares of Telecom Italia. Therefore, Vivendi did not contribute to the election of the Board of Directors currently in office.

As of today, following further acquisitions already announced to the market and to the Company, Vivendi holds, directly and indirectly, n. 2,715,640,223 ordinary shares of Telecom Italia, equal to 20.116% of the ordinary share capital of the Company.

As already announced to the market, the entry into the share capital of the Company represents for Vivendi a long-term investment and is part of the development strategy of the activities of the Vivendi Group in Europe.

In this perspective, Vivendi considers consistent with the size and purpose of its investment to have the opportunity to participate in the election, during the Shareholders Meeting, of four new Directors to the Board of Directors of the Company. Indeed, should this possibility not be granted, Vivendi would not be able, until the expiry of the Board of Directors currently in office, to contribute, in a constructive and physiological manner, to the better management of the Company in the interest of all Shareholders.

In light of the above, and also in light of the call of the Shareholders Meeting of Telecom Italia by the Board of Directors, Vivendi intends to exercise the right to request the integration of the agenda, granted to shareholders who hold a stake greater than 2.5% of the share capital represented by ordinary shares, in order to propose the appointment of four new Directors, without making the Company bear the organizational and financial costs of an *ad hoc* Shareholders Meeting.

In particular, Vivendi proposes to (i) re-determine the number of members of the Board of Directors of the Company, increasing the number from 13 to 17, and (ii) appoint Arnaud Roy de Puyfontaine, Stéphane Roussel, Hervé Philippe and Félicité Herzog, as new Directors of the Company, it being understood that the new Directors will remain in office until the expiry of the office of the current Board of Directors and, therefore, until the Shareholders Meeting called to approve the financial statements as of December 31, 2016.

Vivendi believes that the appointment of the above mentioned individuals as Directors of Telecom Italia will allow to adapt the representation within the Board of Directors to the changes in the shareholding of the Company.

Moreover, the integration of the Board of Directors' composition will allow to further enrich the expertise present within the Board itself, which would be implemented by new skills and professional experience of primary level within international environments, thus promoting a more effective action of the Board of Directors.

The increase of the number of Directors is proposed in compliance with the provisions of article 9.1 of the By-laws of Telecom Italia, pursuant to which the Company is managed by a Board of Directors composed of not less than seven and not more than nineteen members as well as article 9.8 of the By-laws, according to which the integration may be resolved by the Shareholders Meeting with the majorities required by law, in accordance with the requirements set forth by applicable law and by the By-laws concerning the composition of the collegiate body.

The declarations of acceptance of the nominees by the individual candidates and the declarations stating that there are no reasons for ineligibility and incompatibility, as well as the existence of the requested requirements and all other information required by applicable laws and regulations and by the By-laws have been filed along with this report. With the declarations, also a *curriculum vitae* for each candidate has been filed concerning the personal and professional characteristics with the indication of the offices of management and control held in other companies, in accordance with the criteria set forth by law and with those adopted by the Company.

In accordance with what has been already approved by the Shareholders Meeting during the appointment of the current Board of Directors, Vivendi also proposes to attribute to the new Directors a remuneration on a *pro rata temporis* basis equal to the remuneration attributed to the Directors in office. In this respect, it is reminded that the Shareholders Meeting held on April 16, 2014 had established a total annual compensation for the entire Board of Directors pursuant to article 2389, paragraph 1, of the Italian Civil Code, equal to Euro 1,900,000, to be divided among the Directors in accordance with the resolutions to be adopted by the same Board. Vivendi proposes, therefore, to increase such total amount, for the period remaining until the expiry of the office, in proportion to the number of Directors proposed for appointment.

Finally, always in accordance with what has been resolved by the Shareholders Meeting held on April 16, 2014, Vivendi proposes to allow the above mentioned candidates to the office of Director, if elected, to continue the activities indicated in their respective *curriculum vitae*, releasing them from the non-competition obligation with respect to such activities, pursuant to article 2390 the Italian Civil Code, if applicable.

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In light of the above, we hereby invite you to approve the following resolution proposal:

- (i) re-determine the number of members of the Board of Directors of the Company, increasing the number from 13 to 17;
- (ii) appoint Arnaud Roy de Puyfontaine, Stéphane Roussel, Hervé Philippe and Félicité Herzog as new Directors of the Company, who will remain in office until the expiry of the office of the current Board of Directors, and therefore until the Shareholders Meeting called to approve the financial statements as of December 31, 2016;
- (iii) increase, for the period remaining until the expiry of the office, the total annual remuneration of the Board of Directors established by the Shareholders' Meeting on April 16, 2014 pursuant to article 2389, paragraph 1, of the Italian Civil Code, in proportion to the number of Directors appointed pursuant to paragraph (ii) above;
- (iv) authorize the Directors appointed pursuant to paragraph (ii) above the continuation of the activities indicated in their respective *curriculum vitae*, releasing them from the non-competition obligation in relation to such activities, in accordance with article 2390 of the Italian Civil Code, if applicable.

Arnaud Roy de Puyfontaine

French citizen.

Business Address

Vivendi - 42, avenue de Friedland - 75008 Paris - France.

Expertise and experience

Mr. Arnaud de Puyfontaine was born on April 26, 1964 in Paris, France, and is a graduate of the ESCP (1988), the Multimedia Institute (1992) and Harvard Business School (2000).

In 1989, he started his career as a consultant at Arthur Andersen and then worked as a project manager at Rhône-Poulenc Pharma in Indonesia.

In 1990, he joined Figaro as Executive Director. In 1995, as a member of the founding team of the Emap Group in France, he headed Télé Poche and Studio Magazine, managed the acquisition of Télé Star and Télé Star Jeux, and started up the Emap Star Division, before becoming Chief Executive Officer of Emap France in 1998.

In 1999, he was appointed Chairman and Chief Executive Officer of Emap France, and, in 2000, joined the Executive Board of Emap Plc. He has led several M&A deals, and concomitantly, from 2000 to 2005, served as Chairman of EMW, the Emap/Wanadoo digital subsidiary.

In August 2006, he was appointed Chairman and Chief Executive Officer of Editions Mondadori France. In June 2007, he became General Head of all digital business for the Mondadori Group.

In April 2009, Mr. Puyfontaine joined the US HEARST media group as Chief Executive Officer of its UK subsidiary, Hearst UK. In 2011, on behalf of the Hearst Group, he led the acquisition of 102 magazines from the Lagardère Group published abroad, and, in June 2011, was appointed Executive Vice President of Hearst Magazines International before being appointed Managing Director of Western Europe in August 2013. In May 2012, he joined the Board of Directors of Schibsted. He was Chairman of ESCP Europe Alumni.

From January to June, 2014, Mr. Puyfontaine was a member of Vivendi's Management Board and Senior Executive Vice President in charge of its media and content operations. Since June 24, 2014, he has been Chairman of the Management Board.

Positions currently held within the Vivendi group

- ✓ Vivendi, Chairman of the Management Board,
- ✓ Canal+ Group, Member of the Supervisory Board,
- ✓ StudioCanal, Member of the Supervisory Board,
- ✓ Universal Music France, Chairman of the Supervisory Board

Other positions and functions

- ✓ Kepler, Independent Director
- ✓ Schibsted Media Group, Independent Director
- ✓ Innit, member of the Advisory Committee
- ✓ Melty Group, Director

Stéphane Roussel

Business Address

Vivendi - 42 avenue de Friedland - 75008 Paris - France

Expertise and experience

Stéphane Roussel was born on October 12, 1961, and is a graduate of the *École des Psychologues Praticiens de Paris*. He was appointed to the Vivendi Management Board in June 2014 and has been Chief Operating Officer since November 10, 2015, after joining the group's management team in August 2013.

Stéphane Roussel held the position of Executive Vice President of Human Resources at Vivendi from 2009 to 2012 before being appointed Chairman-Chief Executive Officer of SFR. From 2004-2009, he served as SFR's Vice President of Human Resources.

From 1997 to 2004, Mr. Roussel held positions within the Carrefour Group. He was first appointed Director of Human Resources for hypermarkets in France, before becoming Director of Human Resources Development for international business and then Director of Human Resources France for the entire Carrefour Group. From 1985 to 1997, Stéphane Roussel worked at Xerox.

Current positions within the Vivendi group

- ✓ Vivendi, member of the Management Board and Chief Operating Officer
- ✓ Canal+ Group, member of the Supervisory Board
- ✓ StudioCanal, member of the Supervisory Board
- ✓ Dailymotion, Director
- ✓ Universal Music France, member of the Supervisory Board
- ✓ Group Vivendi Africa, President

Other positions and offices

- ✓ IMS, Director
- ✓ Fondation SFR, member of the Board of Directors

Hervé Philippe

Business Address

Vivendi - 42 avenue de Friedland - 75008 Paris - France

Expertise and experience

Mr. Hervé Philippe was born on August 10, 1958 in Cheillé, France. He is a graduate of the *Institut d'Études Politiques de Paris* and holds a degree in economic sciences. He began his career with Crédit National in 1982 as account manager for business financing in the Île-de-France region.

In 1989, he joined the French market authority, the *Commission des opérations de bourse* (COB) as manager for the sector of French companies listed for trading. From 1992 to 1998, he served as Head of the Transactions and Financial Information Department.

In 1998, he joined the Sagem Group, where he held the positions of Director of Legal and Administrative Affairs at Sagem SA (1998-2000), Chief Administrative and Financial Officer of Sfim (1999-2000), and Director of Communication at Sagem SA (2000-2001). In 2001, he assumed the position of Chief Financial Officer and became a member of the Sagem SA Management Board in 2003.

Hervé Philippe was appointed Chief Financial Officer of the Havas Group in November 2005 and, in May 2010, was named deputy Chief Executive Officer (*Directeur Général Délégué*) until December 31, 2013.

He has served as Vivendi's Chief Financial Officer since January 1, 2014. Since June 24, 2014, he has been member of the Management Board.

Current positions

Vivendi group

- ✓ Vivendi, Member of the Management Board
- ✓ Canal+ Group, Vice-Chairman of the Supervisory Board
- ✓ StudioCanal, Member of the Supervisory Board
- ✓ Compagnie Financière du 42 Avenue De Friedland (SAS), President
- ✓ Dailymotion, Director and member Audit Committee
- ✓ Universal Music France, Member of the Supervisory Board

Havas Group

- ✓ Havas, permanent representative of Financière de Longchamp on the Board of Directors

Other positions and functions

- ✓ Harvest, Director
- ✓ Sifraba, Director
- ✓ Jean Bal, Director

FELICITE HERZOG

French nationality

Business address

Apremont Conseil - 20 rue Quentin Bauchart 75008 Paris

Expertise and experience

Félicité Herzog was born on April 23, 1968. She is a graduate of the *Institut d'Etudes Politiques de Paris* and of INSEAD (MBA programme).

In 1992, she joined Lazard Frères in Paris, where she was an advisor in the government consulting team for Gabon and Russia on debt rescheduling issues. She continued her career in the mergers and acquisitions department of Lazard Frères in New York until 1996, when she joined the mergers and acquisitions team of JP Morgan in London.

In 1997, she moved to Apax Ventures, a private equity fund in London, where she specialized in telecommunications investments in Europe. In 2000, she was hired by Madison Dearborn Partners, a US private equity fund in London, where she supervised investments of the same type.

In 2002, she became Vice President, Mergers and Acquisitions of the Publicis Group, supervising and implementing mergers, disposal and acquisitions in the publicity and marketing services.

In 2007, she joined Areva as Senior Vice President of Development, in charge of organizational advice, optimization of structures, cost control and product range optimization, before being appointed as Deputy CEO of Technicatome, an Areva subsidiary producing naval propulsion nuclear reactors.

Since 2013, Ms. Herzog has been CEO of Apremont Conseil, a strategy consulting firm and has worked as a senior adviser at Ondra Partners, a financial advisory firm, from March 2015.