INDEPENDENT AUDITORS' REPORT ON THE ISSUE PRICE OF THE SHARES FOR THE INCREASE IN CAPITAL WITH DISAPPLICATION OF PREFERENTIAL SUBSCRIPTION RIGHTS PURSUANT TO ARTICLE 2441, PARAGRAPHS 5 AND 6 OF THE ITALIAN CIVIL CODE, AND ARTICLE 158, PARAGRAPH 1 OF LEGISLATIVE DECREE 58/98

To the Shareholders of
Telecom Italia SpA

1. REASON FOR AND PURPOSE OF THE APPOINTMENT

In connection with the proposed share capital increase with disapplication of preferential subscription rights pursuant to article 2441, paragraph 5 of the Italian Civil Code, we have received from Telecom Italia SpA ("Telecom Italia" or the "Company") the report of the Board of Directors prepared in accordance with article 2441, paragraph 6 of the Italian Civil Code, article 72 of Consob Regulation 11971/1999(il Regolamento Emittenti) and article 158 of the legislative Decree 58/98 ("TUF") , which explains and motivates the proposed share capital increase with disapplication of preferential subscription rights, indicating the criteria adopted by the Board of Directors to determine the price of the newly issued shares. The Directors' Report, finalised by the Chief Executive Officer under the resolution taken by the Board of Directors on 26 March 2015, was published on 17 April 2015 (the "Directors' Report").

The proposal of the Board of Directors, as described in the Directors' Report, concerns the authorization to convert into ordinary shares the Equity-Linked Bond for a nominal amount of euro 2,000,000,000 due on 26 March 2022, reserved to qualified investors, denominated "2,000,000,000 1.125 per cent Equity - Linked Bonds due 2022" issued on 26 March 2015 (the "Bond") and the proposed share capital increase for the potential conversion of the Bond, with the disapplication of the preferential subscription right pursuant to article 2441, paragraph 5 of the Italian Civil Code, for a total maximum amount of euro 2,000,000,000, including any share premium, to be paid in one or more tranches through issuance of a maximum number of ordinary shares with regular dividend entitlement equal to 1,082,485,386 and with the same rights of the existing ordinary shares, except for the adjustments defined and mentioned in this report ("Share Capital Increase"; the Share Capital Increase and the Bond: "The Transaction").

The authorisation for the conversion of the Bond and the proposed share capital increase will be submitted for approval to the extraordinary Shareholders' meeting scheduled on 20 May 2015.

Based on the terms of our appointment, we have been asked to express our opinion on the adequacy of the criteria used by the Directors for the determination of the issue price of the new Telecom Italia ordinary shares, in accordance with the provisions of article 2441, paragraphs 5 and 6 of the Italian Civil Code, and of article 158, paragraph 1, of Legislative Decree 58/1998.

2. TRANSACTION SUMMARY

2.1 Introduction

The Share Capital Increase, as described in the Directors' Report, is part of the Bond issue transaction, reserved to qualified Italian and foreign investors (as defined in accordance with current applicable Trust Deed), outside of the United States of America, with the exclusion of US persons (pursuant to Regulation S under the U.S. Securities Act of 1933), Australia, Canada, Japan and South Africa and any other jurisdictions in which the offer of the bond would require specific authorisations (hereinafter the "Institutional Investors") and in any case with the exclusion of any offer to retail investors.

The terms and conditions of the Bond are described in the Bond Trust Deed which includes the Terms & Conditions dated 26 March 2015 (the 'Trust Deed'), which is available on Telecom Italia's website.

As reported in the Directors' Report the Bond placement was initiated immediately after the Board of Directors' approval of the Transaction on 19 March 2015 through an overnight execution process, completed on 20 March 2015, with final pricing determined on 20 March 2015.

As per the Directors' Report, the initial conversion price is equal to 1.8476 per ordinary share, subject to adjustments as per the Trust Deed, in line with current market practice for this type of financial instruments.

If the extraordinary Shareholders' meeting does not approve the capital increase by 30 June 2015 (the "Long-Stop date"), the Trust Deed states that the Company may give notice that it shall redeem the Bond in cash, at the greater of (i) 102% of the nominal amount and (ii) 102% of the average market price of the Bond after the announcement of the redemption, plus, in both cases, accrued interest. However, if the extraordinary Shareholders' meeting approves the share capital increase, the Company will be required to send to the bondholders the Physical Settlement Notice that entitle the bondholders to the conversion right into newly issued shares in the Company, as defined in the Trust Deed.

Until the date of the Physical Settlement Notice, each bondholder has the right to request the Company to redeem the Bond in cash, for an amount based on a formula denominated Cash Alternative Amount defined in the Trust Deed ("Settlement Right").

From the date of the Physical Settlement Notice, the Settlement Right shall cease to apply; each bondholder may convert the Bond into ordinary shares ("Conversion Right").

2.2. Bond main features

The Directors' Report and the Trust Deed state that the Bond has the following main features:

- total principal amount: euro 2,000 million;
- denomination: euro 100,000 ;
- issue date: 26 March 2015
- duration: 7 years, due 26 March 2022;
- issue price: 100 percent of the principal amount;
- interest rate: annual fixed rate of 1.125%, payable semi-annually in arrears on 26 September and 26 March of each year, beginning 26 September 2015;
- initial conversion price: euro 1.8476 per share ("Initial Conversion Price") , subject to adjustments as per the Trust Deed, in line with current market practice for this type of financial instruments;
- date of dividend entitlement: from the issue date;
- conversion right: subject to approval by the extraordinary Shareholders' meeting of the Share Capital Increase no later than the Long-Stop Date, 30 June 2015. Bond may be converted into ordinary shares from the Physical Settlement Notice announcement date and until 35 days prior to the final maturity date;
- redemption: at the maturity date, the capital must be repaid as a lump sum for an amount equal to 100% of the principal amount, except when early redemption or bondholder conversion apply;
- early redemption by the Company: early redemption right in the events defined by the Trust Deed, in accordance with the market practice, "clean-up call", "soft call" or "redemption for taxation reasons";
- early redemption by the bondholder (change of control and free float event): bondholder may require the Company for early redemption, at principal amount, plus interest accrued if: (i) there is a change of control in the Company, as defined in the Trust Deed; or (ii) in the event of a free float event, as defined in the Trust Deed. In the event of a change of control or free float event the bondholder may request the conversion of the Bond at a specific conversion ratio, adjusted downwards with respect to the Initial Conversion Price, calculated in accordance with the formula specified in the Trust Deed and described in this report;
- share settlement election: at the due date, the Company may elect to redeem the Bond, on all or in part, through the delivery of shares (and in any case up to the maximum number of ordinary shares that would be delivered in the event of conversion at the initial conversion price, unless adjustments are required) plus amount in cash to reimburse the Bond at par value, in accordance with the formula detailed in the Trust Deed;
- Governing law: English law, except for aspects specifically governed by Italian law.

2.3 Purpose of the transaction and reasons for disapplication of preferential subscription right

The Directors' Report specifies that the transaction has been entered into to obtain, with limited cost, financial resources from the non-bank capital market. To support their decision, the Board of Directors considered the following advantages from the Transaction:

- the possibility of benefiting in a timely manner from the positive market conditions through a quick placement to Institutional Investors, with a reference market compatible with the size of the Bond to be issued;
- the fast execution, allowing the market risk minimisation for the Company, compared to alternative instruments, such as a normal capital increase with preferential subscription rights. They considered that the Transaction better meets the shareholders need, since it allows the Company to issue a relatively small number of new shares at the best possible price. At the same time, a placement completed immediately after Board approval ("overnight execution"), which represents common practice for equity-linked financial instruments such as the Bond, mitigates the risk of speculative market pressure on the shares which could negatively affect the final issue price;
- the possibility to raise funds at favourable conditions, also in connection with the equity-linked characteristics of the Bond;
- the placement of new shares at a premium price instead of at the market price at the time of the Bond issue, while a normal capital increase with preferential subscription rights would have had to be carried out with a potential substantial discount.

Based on the Directors' Report, the Bonds issue is aimed to optimise the financial structure and the cost of capital of the Company, as well as to finance its operations.

In their report, the Directors state that the Transaction, through the potential conversion of the Bond into newly issued shares will enable the Company to strengthen and diversify its financial structure, limiting the related cash disbursement for interest expense and potentially enlarging the shareholders' base to new Institutional Investors.

The net proceeds of the Bond will be used to finance the capital expenditure foreseen in the 2015 – 2017 Plan, recently announced to the market.

For the above reasons, the Board of Directors "believes that it is important that the Bond can be converted into Company shares."

In the Directors' Report, the Directors indicated the percentage of newly issuable ordinary shares on the total ordinary shares outstanding and on the total shares outstanding (including saving shares).

The Board of Directors has called the extraordinary Shareholders' meeting to approve the share capital increase for the conversion of the Bond, with the disapplication of preferential subscription right. The Board of Directors believes that the disapplication of preferential subscription right is required in the interest of the Company pursuant to article 2441, paragraph 5 and 6 of the Italian Civil Code, for the reasons explained in the Directors' Report:

- the decision to reserve the subscription of the Bond to Institutional Investors only, thereby excluding the preferential subscription rights for existing shareholders, is due to the high degree of complexity and the characteristics of equity-linked financial instruments, which make these instruments entirely unsuitable for retail investors (and, therefore, for all Company shareholders). The use of an equity-linked instrument (and the specific structure and characteristics of the Bond, offered in denomination of euro 100,000), intended for Institutional Investors only, is an effective way to obtain non-banking financial resources at favourable conditions, which is in line with Company's current needs and to improve the financial position and any related costs otherwise not possible to achieve (and in particular not possible to achieve through a traditional convertible bonds offered to all shareholders);
- the issue and placement of an equity-linked instrument imply an offer to the market within a very short period of time, requiring the disapplication of preferential subscription rights and the disapplication of the public offering of the Bond, which would require more complex procedures, longer execution terms and higher costs;
- any conversion of the Bond into Telecom Italia shares, or in any case the potential use of the shares to reimburse the Bond, will enable the Company (i) to strengthen its balance sheet structure and diversify its financial resources, limiting at the same time the related cash disbursement for financial interest and capital at the maturity date and (ii) to enlarge its shareholders' base.

3. NATURE AND SCOPE OF OUR OPINION

Given the nature and purpose of our work, the proposed capital increase referred to in paragraph 2 above regulated by the provisions of article 2441, paragraph 5, of the Italian Civil Code, qualifies as a capital increase with disapplication of preferential subscription rights.

The purpose of this opinion, issued pursuant to article 2441, paragraph 6, of the Italian Civil Code, and article 158, paragraph 1, of Legislative Decree 58/98, is to provide additional information to the Shareholders, pursuant to article 2441, paragraph 5, of the Italian Civil Code, regarding the methods used by the Directors to determine the issue price of the new shares for the planned capital increase associated with the Bond.

In detail, this opinion explains the method used by the Directors to determine the issue price of the new shares, and any difficulty that the Directors may have encountered, and it consists of our considerations regarding the adequacy of the method used in terms of reasonableness and non-arbitrariness, in the circumstances, and the correct application of the related method, in case of the calculation of the Initial Conversion Price.

Our report is not intended to express, and does not express, an opinion on the financial or strategic reasons underlying the Transaction.

4. DOCUMENTATION USED

In carrying out our work we obtained documents as we considered useful in the circumstances directly from the Company, and we interviewed Company senior management. In particular, we obtained and analysed the following documentation:

- The report of the Board of Directors as defined in the paragraph 1;
- The draft minutes of the Board of Directors' meeting held on 19 March 2015;
- "Pricing Term Sheet" of the Bond, dated 20 March 2015;
- “Trust Deed” of the Bond dated 26 March 2015;
- The Company press releases regarding the Transaction;
- Documentation with the summary of the results of the Bond placement process (“book-building”)
- Share price information of Telecom Italia’s ordinary shares on 20 March 2015 and in the preceding 6 months period (from 19 September 2014 to 18 March 2015);
- The consolidated and separate financial statements of the Company at 31 December 2014, audited by us;
- Form 20-F of the Company at 31 December 2014, audited by us;
- Accounting, non-accounting and statistical information and other information deemed useful for the purpose of carrying out our work.

We also obtained from Company management a representation letter dated 20 April 2015 stating that the Company is not aware of any significant change in facts or circumstances that might require adjustment or modification to the data and information used in carrying out our work, and/or that might have a significant effect on our conclusion.

5. VALUATION METHOD USED BY THE BOARD OF DIRECTORS TO DETERMINE THE ISSUE PRICE OF THE SHARES

5.1 INITIAL COVERSION PRICE

As previously discussed, as part of the proposed Transaction which qualifies as a share capital increase for the Bond conversion with the disapplication of preferential subscription right, pursuant to article 2441, paragraph 5 of the Italian Civil Code, the Directors have described in their report the methods used to determine the issue price of the newly issued shares.

The Board of Directors has resolved that the issue price of the new shares is equal to the Bond Initial Conversion Price, unless share settlement election clause apply.

The Initial Conversion Price is equal to euro 1.8476 per share, subject to adjustments as per the Trust Deed.

The proceed of the subscription of the share will be allocated to share capital for euro 0.55 (or the lower amount in case of a lower conversion as per the Trust Deed). Any residual amount will be allocated to premium reserve.

The number of shares to be issued or transferred for the conversion will be determined by dividing the principal amount of the Bond by the conversion price in force at the conversion date, rounded down to the nearest number of ordinary shares. No share will be issued in portion and no cash payment or adjustment will be made in lieu of such portion. Based on this information, the initial conversion ratio of the Bond of euro 1.8476 corresponds to the issuance of up to 1,082,485,386 ordinary shares, equal to some 8% of the ordinary shares outstanding at the issue date.

The Directors' Report states that the Initial Conversion Price of the Bond - considering the nature of the Bond, intended to be converted into ordinary shares, subject to the approval of the extraordinary Shareholders' meeting, has been determined in accordance with market practice for this type of financial instruments, upon completion of the placement process, on the basis of the market price of the Company's ordinary shares and the quantity and quality of the demand expressed during the placement process. In particular, to determine the market price of the ordinary shares, Directors used the official price of the shares at the end of the trading day following the start of Bond placement, equal to euro 1.0868. A conversion premium of 70% has been added to this market price, established on the basis of the information received from the bookrunners and market conditions, giving rise to a conversion price of euro 1.8476.

In compliance with the provisions of article 2441, paragraph 6 of the Italian Civil Code, to establish the issue price of the new shares to service any conversion of the Bond, the Directors Report states that they have considered the net equity amount per share of Telecom Italia SpA as at 31 December 2014, equal to euro 0.848 , as well as the average price of the Company's ordinary shares, traded on the Italian stock exchange ("Borsa Italiana") during the six-month period prior to the date of 19 March 2015 (19 September 2014 – 18 March2015), equal to euro 0.9322.

In accordance with the Trust Deed, the Initial Conversion Price may be adjusted at the conversion date in accordance with market practice for this type of financial instruments, in the circumstances indicated by the Trust Deed and reported herein: grouping or splitting of existing ordinary shares; issue of free ordinary shares (with the exception of share-based incentive plans pursuant to art. 114-*bis* of TUF); distribution of dividends in kind or dividends in cash to ordinary shares; attribution to ordinary shareholders and/or issue of ordinary shares, financial instruments convertible into ordinary shares, rights or options giving the right to subscribe ordinary shares at a price below market price, which are not offered to the Bondholders (with the exception of share capital increase to service share-based incentive plans, pursuant to art. 114-bis of TUF); amendments to the rights of financial instruments already issued, giving the right or obligations to convert them into ordinary shares and thereby enabling the subscription of shares for a price below market price.

The Board of Directors report that, with reference to the change of control and free float event, as defined and regulated by the Trust Deed ("Relevant Event"), the bondholder may convert the Bond for a limited period of time (60 days after the relevant event) at a lower conversion ratio than the Initial

Conversion Price, on the basis of a formula that considers the timing of the relevant event, to protect the bondholder against any potential loss of the option time-value, in accordance with the terms and conditions detailed in the Trust Deed.

Below is the formula to adjust the initial conversion price, as defined in the Trust Deed:

$1/(1+(CP*c/t))$

CP= means initial conversion premium equal to 70%;
c= number of days from the date of the relevant event to the final maturity date;
t= number of days from the closing date (26 March 2015) to the final maturity date.

Based on Directors' Report, the Bond provides for a protection to bondholders against future dividend payment by the Company. In case dividends are paid to ordinary shares during the life of the Bond, the conversion price will be adjusted on the basis of the formula established by the Trust Deed, to compensate the bondholder for the amount of the dividends paid.

In their report the Directors highlight that the issuance of new shares for the conversion of the Bond denominated "Euro 1,300 million mandatory convertible Bonds due November 2016", issued by Telecom Italia Finance SA and guaranteed by the Company, does not imply any adjustment to the Initial Conversion Price of the Bond, except for those adjustments described in the trust deed of the above mentioned bond denominated "Euro 1,300 million mandatory convertible Bonds due November 2016", including, for example, the dividend payment and reserve distribution. In this case the Initial Conversion Price of the Bond may be adjusted.

5.2 ISSUE SHARE PRICE IN APPLICATION OF THE SHARES SETTLEMENT ELECTION

The Directors' Report describes the issue price of the new shares in the event of exercise of the Shares Settlement Election. The issue price depends on the market price of Telecom Italia ordinary shares when the Company exercises the above Share Settlement Election option, as described in the Trust Deed. The Trust Deed allows the Company to repay all or part of the Bond through the delivery of new shares (in any case the number of shares delivered should not exceed the number of shares to be delivered in the event of voluntary conversion at the Initial Conversion Price, except for the adjustments mentioned above); the value of those shares delivered shall be based on a formula as per the Trust Deed, that should consider the average official market price of the ordinary shares traded on Borsa Italiana in a period of twenty trading days prior to the maturity date of the Bond. In order to repay the Bond at par a cash payment could be made, as specified in the Trust Deed.

According to the Board of Directors, the methodology used to determine the shares price in case of Shares Settlement Election is consistent with the provisions of article 2441, paragraph 6 of the Italian Civil Code.

6. VALUATION DIFFICULTIES ENCOUNTERED BY THE BOARD OF DIRECTORS

The Directors' Report does not mention any particular difficulty encountered by the Directors in the valuations made and described in the previous section.

7. WORK PERFORMED

- We carried out a critical review of the Directors' Report and the documentation received from the Company;
- we analysed, through discussions with Directors and Company management, their work to identify the criteria used for the determination of the issue price of the conversion shares to verify that the methods used were adequate, as reasonable, justified, and not arbitrary, in the circumstances;
- we reviewed the results of the book-building process, based on which it has been defined the interest rate of the coupon on the basis of a conversion premium equal to 70%;
- we ascertained the completeness and the non-inconsistency of the Board of Directors' reasons supporting the methods used to determine the issue price of new shares;
- we considered the elements needed to ascertain that the method used was technically suitable, in the specific circumstances, to determine the issue price of the conversion shares;
- we reviewed the market prices of Telecom Italia ordinary shares over different periods of time (one month, three months, six months and one year prior to 20 March 2015), and we verified the accuracy of the calculations made by the Directors to identify the Initial Conversion Price;
- we reviewed the consistency of the information used by the Directors against the relevant sources, and the mathematical accuracy of the calculations made by the Board of Directors;
- we collected information on events that occurred after the launch of the Transaction, through discussion with Company management regarding any facts or circumstances that might have had a significant impact on the data and information considered in carrying out our work;
- we analysed the information publicly available on Telecom Italia group and its shares;
- we obtained a written representation letter from the legal representatives of the Company about the data and information elements made available to us, and the fact that, as far as they were aware of, at the date of our opinion no significant modification should be made to the Transaction and other elements considered.

8. COMMENTS AND DETAILS ON THE ADEQUACY OF THE VALUATION METHOD USED BY THE DIRECTORS FOR THE DETERMINATION OF THE ISSUE PRICE OF THE SHARES

8.1 INTRODUCTION

It should be mentioned again that the purpose of this report is to assess the adequacy of the valuation method used by the Directors for the determination of the issue price of the shares for the capital increase servicing the Bond.

The Directors' Report s describes the reasons supporting the choice of the instrument of the Bond, with the related Capital Increase, instead of a capital increase with preferential subscription right, emphasising the fast execution process for the Bond and the possibility to place new capital at premium with the Bond issue. The Directors' Report describes the valuations made by the Directors for the issuance of the Bond and for the definition of the proposed Capital Increase. In particular, according to the Directors the Transaction is justified by the main advantages described in the above paragraph 2.3 of this report.

Based on the Directors' Report, the reasons supporting the valuation methods chosen to determine the issue price of the shares related to the proposed Capital Increase and the logical process followed shall be evaluated in the contest of the overall Transaction.

Therefore, the underlying considerations about the reasonableness and non-arbitrariness, in the circumstances, of the approach used by the Directors to determine the issue price of the shares servicing the conversion of the Bond take into accounts the specific characteristics of the Transaction and the interest expressed by the potential investors during the placement process through the book-building phase.

First of all, as already mentioned in the preceding paragraph 5.1, the Directors state that the issue share price will correspond to the Initial Conversion Price of the Bond, except for the case of Share Settlement Election.

The Initial Conversion Price is equal to euro 1.8476, unless the adjustments are made in accordance with the Trust Deed. As stated in the Directors' Report such price has been determined on the basis of the official market price of Telecom Italia ordinary shares as published by Borsa Italiana as of the end of the first dealing day following the start of the Bond placement process, equal to euro 1.0868. A conversion premium of 70% has been added to this market price, established on the basis of the indications received from the bookrunners and market conditions, giving rise to a conversion price of euro 1,8476 .

The Directors' Report establishes s that the Initial Conversion Price may be subject to adjustments, in accordance with the market practice for this type of financial instruments, when the events, described in the Trust Deed and summarised in the preceding paragraph 5.1, occur.

In particular, the article 6(b)(x) of the Trust Deed provides that, at the occurrence of a “Relevant Event”, represented by the change of control and free float event (as defined by the article 3 of the Trust Deed), the Initial Conversion Price is reduced on the basis of a formula described in paragraph 5.1 of this report, that considers the timing of the Relevant Event over the entire life of the Bond.

The Directors’s Report specifies that the issuance of new shares for the bond named “Eur 1,300 million mandatory Convertible Bonds due November 2016”, issued by Telecom Italia Finance SA and guaranteed by the Company, does not imply any adjustment to the Initial Conversion Price of the Bond, except for the adjustments required by the trust deed of the above mentioned bond named “Eur 1,300 million mandatory Convertible Bonds due November 2016”, including, for example, the dividend payment and distribution of reserves. If such cases, the Initial Conversion Price may be adjusted.

As explained in the Directors' Report, in case of Share Settlement Election, ruled in the article 7(i) of the Trust Deed, the issue price of the shares, for the conversion of the Bond, will not correspond to the Initial Conversion Price (as adjusted if the above-mentioned events occur). The issue price of the shares will instead depend on their market value when the Share Settlement Election right is exercised by the Company. In fact, in this case, the shares to be delivered (in any case in a number that does not exceed the shares deliverable in the event of the voluntary conversion of the Bond) will be valued in accordance with a formula that considers the weighted average market price of the ordinary share of Telecom Italia traded on the Borsa Italiana at the end of each dealing day in the twenty days prior to the maturity of the Bond.

Furthermore the Company shall pay an additional amount in cash (calculated on basis of the formula described in the article 7(i) of the Trust Deed and mentioned in the above paragraph 5.2) to ensure that the repayment is made at par value.

The Directors’ Report, which describes and justifies the share capital increase with the disapplication of the preferential subscription rights, describes the following:

- the method used for the determination of the final issue price equal to the Initial Conversion Price shows a price of euro 1.8476, unless adjustments are required;
- the method used to determine the share price in case of Share Settlement Election.

Given the characteristics of the Transaction and the purpose of our work, the objective of this report is the adequacy, in terms of reasonableness and non-arbitrariness, in the present circumstances, of the method used by the Directors for the determination of the issue share price equal to the Initial Conversion Price, along with the its correct application, and the method used to determine the issue share price in case of Share Settlement Election.

8.2 ISSUE SHARES PRICE CORRESPONDING TO INITIAL CONVERSATION PRICE

In accordance with to article 2441, paragraph 6 of the Italian Civil Code, the issue price of the shares should, in the event of disapplication of preferential subscription rights, be determined “based on the net equity value, taking also into account the market price of the shares over the last six months, for shares listed on regulated markets”. Regarding the expression “net equity value”, it is considered that this value must be understood as the fair value of the Company, identified on the basis of the valuation techniques and considered adequate in the specific circumstances in which the capital increase is made, instead of the equity value in the accounting sense. Regarding the reference to the “market price of the shares over the last six months”, theory and practice agree that reference need not to be necessarily made to the average market prices over the six month period, but that a shorter period could be used, depending on the circumstances and the specific characteristics of the share, for the purpose of identifying the fair value of the Company.

The reference to the share price identified by the Directors is generally accepted and used both nationally and internationally, and is in line with the approach used in the professional practice, since the Company shares are listed on a regulated markets. In fact, as a rule, those prices express the value attributed by the market to the shares traded, and consequently provide significant indications on the value of the Company, since they reflect the information available to analysts and investors, including their expectation of the Company business and financial performance.

As widely recognised by the valuation practice, market prices represent a reference of greater or lesser importance, also in consideration of the specific characteristics of the shares. In an efficient financial market, share prices, especially for highly liquid shares, as it is the case for Telecom Italia, tend to reflect the Company fair value. The aforementioned characteristics of the Telecom Italia shares are confirmed by our detailed analysis.

As mentioned at the beginning of this paragraph, the adoption of the share market price method is also accepted by the provisions of paragraph 6 of article 2441 of the Italian Civil Code.

Consequently, given all of the above, the adoption of the share market price method appears justified and, in the circumstances, reasonable and non-arbitrary.

The Directors identified the Initial Conversation Price based on the official market price of Telecom Italia shares on a single trading day, 20 March 2015, the day immediately subsequent to the placement of the Bond through the book-building process.

The Directors' choice to adopt, to determine the issue share price, a criterion based on the official market price on a specific date immediately after the Bond placement for the determination of the issue price of the shares is accepted by market practice followed in similar transactions, in the arrangements set out for the placement of the Bond (book-building) and for the type of investors to which the placement is directed. Therefore the choice appears, in the circumstances, reasonable and non-arbitrary, although in other types of transactions the capital increase with disapplication of preferential subscription rights (without application of the book-building mechanism) the average market price observed over longer period of time has been used.

In other recent equity issues or equity-linked financial instruments, similar to the Bond described in this report, the official share price defined by the Directors, as the daily average market price weighted for the volumes traded during the day, has been used. In fact, this method allocate greater importante to price of higher volume transactions. The Directors' choice of using volume weighted average prices appears, in the circumstances, reasonable and non-arbitrary.

Based on the Directors' Report the official share price on 20 March 2015 equal to euro 1.0868, used as basis to determine the Initial Conversion Price, corresponds to some 117% of the average price of the ordinary shares in the last six-month period, a period of time in line with the requirements of the article 2441, paragraph 6, of the Civil Code. Our further analysis performed on different periods of time before 20 March 2015 identified the following share prices and the percentage ratio between the official share price on 20 March 2015 and the average market price observed in the periods of time reported below:

Average official market price of the ordinary shares of Telecom Italia	**Euro per share**	**Official market price at 20 March 2015 as a % of the market prices reported in the previous column**
1 month	1.077	101%
3 months	0.993	109%
6 months	0.932	117%
12 months	0.909	120%

The sensitivity analys made to evaluate the possible impact of changes in the different scenarios and different time periods, within the market price valuation method used, as well as our analys of the mathematical accuracy of the method used, confirm the reasonableness of the result obtained by the Directors.

The choice of the Directors to include a premium in the issue price is in line with similar transactions. In the sample of similar transactions, the conversion price includes normally a premium of between 25% and 35% of the official market price used as the basis to determine the conversion price. The choice made by the Directors to include a premium of 70%, also considering the entire duration of the Bond and the current market conditions, appears reasonable and in the interest of the shareholders excluded from the preferential subscription right. In addition, the Directors stated that the premium has been established on the basis of the indications received from the bookrunner, taking also into account current market conditions.

The Directors' Report highlights that the use of such premium has been possible also thanks to a positive market situation.

The Directors decided not to use other valuation methods other than the market price method, whether as a main or control method. The Directors' Report clarifies that the reason for this choice is due to the characteristics of the Transaction, whose purpose is to raise new capital that would be difficult to find with conditions different from the ones offered by the market. The Directors has, therefore, considered adequate, in the current market circumstances, the identification of the economic value of Telecom Italia using the share market price method only.

Under this perspective, also in consideration of the specific purpose of the capital increase to make available the Conversion Shares needed for the conversion of the Bond, it was not unreasonable, overall, for the Directors to choose to refer only to a "direct" market method, which is not affected by subjective factors related to the selection of underlying assumptions and parameters (such as interest rates, comparables, development forecasts, etc.) that are more typically attributable to other valuation methods, consistently with other types of transactions and based on a fundamental valuation method.

In this case, taking account the objective to raise capital from in the market to strengthen the financial structure of the Company, we therefore consider that the criterion selected by the Directors allows the identification of a share issue price, in the specific circumstances, that expresses the fair value of the Company at a moment close to 19 March 2015, the placement date of the Bond.

The choice made by the Board of Directors of Telecom Italia is also in line with the approach followed in a number of similar transactions, in which the market price was the only criterion used for the determination of the issue price of new shares to service convertible bonds. In light of the above, the decision of the Directors to refer solely to the market price method, although only briefly explained and not in line with an approach, preferable in the abstract, that also takes into account multiple methods, appears acceptable, as a whole, in the circumstances.

The analysis of the accuracy, also from a mathematical point of view, of the market method used and of the calculation of the issue price of the shares servicing the conversion of the Bond confirms the reasonableness and non-arbitrariness of the results achieved by the Directors.

8.3 ISSUE SHARES PRICE IN CASE OF SHARE SETTLEMENT ELECTION

As mentioned above, in case of the Share Settlement Election, the share issue price to convert the Bonds will not be equal to the Initial Conversion Price. In fact, in this case the issue share price will be determined on the basis of a formula that considers the average volume weighted market price of Telecom Italia ordinary share at the end of each trading day in a period of twenty trading days prior to the maturity of the Bond.

Therefore, also in this circumstance, the method applied to determine the issue share price in the event of Share Settlement Election involves the use of market price. As mentioned above, the market price usually represents the value of the shares of listed companies and it is a signficant indicator of investors' perceptions of the company's business prospect. Market price is also deemed applicable in accordance with article 2441, paragraph 6 of the Italian Civil Code.

Therefore, the criterion chosen by the Board of Directors appears to be reasonable and not arbitrary in the circumstances.

The choice of considering the average of the official prices of Telecom Italia ordinary shares in a reference period of 20 trading days before the maturity date of the Bond seems adequate to define an issue price that reflects the market value of the shares, also taking into account the specific characteristics of this share, with a high floating and significant volumes traded.

The weighted average market price used by the Board of Directors minimises the risk of market fluctuations and it appears in line with the technical literature on this subject, supporting the choice made by the Directors.

The reference made to the period of 20 trading days before the maturity date of the Bond is appropriate to ensure the identification of an issue share price that expresses the market value of Telecom Italia ordinary shares when shares will be issued to service the conversion, in the event of the exercise of the Share Settlement Election.

This approach appears adequate also from the shareholders' perspective that are subject to the disapplication of preferential subscription rights, as it allows them to benefit from the effects of future increases in the share price, up to the premium incorporated into the Initial Conversion Price, except for potential adjustments.

The Company shall pay an additional amount in cash (to be determined on the basis of the formula described under article 7(i) of the Trust Deed and mentioned in paragraph 5.2 above) to ensure that the repayment is made, as a whole, at par. This approach appears reasonable in the circumstances and it is justified by the need of delivering to the bondholders a value that is substantially equal to the nominal value of the Bond.

All the aspects described above have been taken carefully into consideration for the issuance of our report.

9. SPECIFIC LIMITATION ENCOURED BY THE INDEPENDENT AUDITORS AND ANY OTHER IMPORTANT ASPECTS EMERGED DURING THE WORK

i) Regarding the limits and difficulties we encountered in performing our work, we highlight the following:

- in this specific case, no other methods have been used by the Directors other than the market price method, given the characteristics and purposes of the Transaction indicated in their Report. We have discussed the reasons on which this methodological choice is based in paragraph 8 above. The non-application of alternative methods, whether as a main or as a control method, to the results obtained with the market price method, constitutes an objective difficulty in performing our work;

- valuations based on market prices are subject to the fluctuations of financial markets. Financial markets and stock exchanges, both in Italy and abroad, have shown a tendency to fluctuate considerably over time, primarily in relation to the uncertainty of the broader economic scenario. Speculative pressures in one direction or another which are not linked to the business and financial prospects of individual companies or are related to external events that are wholly unpredictable, can influence the market price of shares. The use of the market price method as the only method chosen by the Directors may therefore identify values which may vary significantly depending on the moment when the valuation is made.

ii) Attention should also be paid to the following aspects, which we believe are important:

- initial Conversion Price could be subject to adjustments, depending on the occurrences of certain events described in the Trust Deed and summarised in the preceding paragraph 5.1. In particular, the article 6(b)(x) of the Trust Deed provides that, on the occurrence of a "Relevant Event", the Initial Conversion Price is reduced through the use of a corrective mechanism already described in this report, which considers the date when the Relevant Event occurs and the entire duration of the Bond. If the Relevant Event occurs, the issue price of the shares will be lower than the Initial Conversion Price with a corresponding higher dilution for the shareholders excluded from the application of the preferential subscription right. The Directors' Report and the Trust Deed identify further events leading to adjustments described in the preceding paragraph 5.1., at the occurrence of which the Initial Conversion Price could be adjusted, increased or reduced, on the basis of the criteria and of the formulas provided in the Trust Deed. In their report, the Directors have not included the effect of such future adjustments, if any, in the determination of the Initial Conversion Price;

- the Trust Deed provides that, if the shareholders do not approve the Capital Increase servicing the conversion of the Bond by 30 June 2015, the Company shall repay in full the Bond in cash at an amount equal to the higher of: (i) 102% of the notional amount of the Bond and (ii) 102% of the average market price of the bonds observed in a time frame subsequent to the announcement of the redemption (along with, in both cases, any accrued interest);

- it is outside the scope of our work to comment on the determination of the Directors regarding the structure of the transaction in the context of the Company objective to strengthen its financial structure, compliance with the relevant regulatory requirements, the timing and execution of the transaction and the method used to allocate the Bond to investors;

- from the Directors' Report it appears that no lock-up restrictions on the newly issued shares apply, and bondholders are fully entitled, after the delivery of the Conversion Shares, to trade these shares in the market.

10. CONCLUSION

Based on the documentation examined and the procedures described above, and taking into account the nature and scope of our work, as described in this report, without prejudice to the matters raised in paragraph 9 above, and in particular in point 9.ii) above, we consider that:

(i) the method used by the Directors to determine the issue price of the Telecom Italia Conversion Shares for the capital increase servicing the conversion of the Bond, and equal to the Initial Conversion Price, is adequate, as it is reasonable and non-arbitrary, in the circumstances and, in particular, it has been applied correctly to determine the issue share price of euro 1.8476;

(ii) the method used by the Directors to determine the issue price of the shares for the capital increase servicing the conversion of the Bond, in the event that the Company exercises the Share Settlement Election, is adequate as, in the circumstances, it is reasonable and non-arbitrary .

Milan, 20 April 2015

PricewaterhouseCoopers SpA

Signed by

Paolo Caccini
(Partner)

This report has been translated into English from the original, which was issued in Italian in accordance with the Italian legislation, solely for the convenience of international readers. We have not examined the translation into English of the documentation referred to in this report.