



Proposed Resolutions
Shareholders' Meeting of 20 May 2015

Proposed Resolutions

Agenda

Ordinary session

1. Financial statements as at 31 December 2014 – approval of the financial statements documentation – related and consequent resolutions
2. Allocation of the profits for the year - related and consequent resolutions
3. Report on Remuneration – resolutions on the first section
4. Appointment of the Board of Auditors: appointment of standing auditors and alternate auditors; appointment of the Chairman of the Board of Auditors; determination of the remuneration
5. Deferment by liquidation in equity of a portion of the short-term incentive - 2015 cycle - related and consequent resolutions

Extraordinary session

1. Mandate to increase the share capital to service the partial liquidation in equity of the short-term incentive for the 2015 financial year – amendment of article 5 of the company Bylaws – related and consequent resolutions
2. Authorization to convert the “€2,000,000,000 1.125 per cent. equity-linked bonds due 2022” and increase the share capital, in tranches, with disapplication of the preferential subscription rights, to service the aforementioned bonds, through the issue of Telecom Italia S.p.A. ordinary shares – related and consequent resolutions
3. Changes to corporate governance internal rules - amendment of articles 9, 11 and 17 of the Bylaws – related and consequent resolutions
4. Merger by incorporation of Telecom Italia Media S.p.A. into Telecom Italia S.p.A. – related and consequent resolutions
5. Supplements to the Bylaws requested by Telefónica, through Telco, pursuant to the ruling by the Agência Nacional de Telecomunicações (ANATEL). Related and consequent resolutions

**FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014 – APPROVAL
OF THE FINANCIAL STATEMENTS DOCUMENTATION – RELATED AND CONSEQUENT RESOLUTIONS**

Dear Shareholders,

the 2014 financial year marks the return to profit of the Company's financial statements. The draft financial statements submitted for the approval of the Shareholders' Meeting show a net profit of 636,281,666 euros.

For an analysis of this result, see the report on operations accompanying the financial statements.

In view of the above, the Board of Directors submits for your approval the following

Proposed Resolution

The Shareholders' Meeting of Telecom Italia S.p.A.,

- having examined the annual financial report of Telecom Italia S.p.A.;
- having taken note of the reports by the Board of Statutory Auditors and the independent auditor PricewaterhouseCoopers S.p.A.;

resolved

to approve the financial statements of Telecom Italia S.p.A. for the year 2014

ALLOCATION OF THE PROFITS FOR THE YEAR - RELATED AND CONSEQUENT RESOLUTIONS

Dear Shareholders,

as pointed out in the explanatory report on the proposed approval of the draft financial statements, this shows a net profit of 636,281,666 euros.

Despite this, in light of the investment commitments resulting from the industrial plan, it is proposed to limit distribution to the preference dividend on savings shares, in the amount of 0.0275 euros (5% of 0.55 euros) per share. The amount of the dividend distributed will be 165,718,318.18 euros.

In addition to the allocation to the legal reserve (up to one fifth of the issued capital), the proposal on the allocation of profits for the financial year is completed by the allocation to the “Plans pursuant to article 2349 of the Italian Civil Code” reserve of 25,500,000 euros to service the capital increase through allocation of profits to be approved in due course by the Board of Directors in relation to the liquidation in shares of the deferred portion of the 2015 bonus, as per the proposals made to the Shareholders' Meeting's (i) ordinary session for authorisation pursuant to article 114-bis, Legislative Decree 58/1998, and (ii) extraordinary session for powers to be granted to increase the share capital pursuant to articles 2349 and 2343 of the Civil Code.

Residual profits from previous years will be carried forward.

The dividends will be made payable to the entitled parties based on the evidence in the share deposit accounts at the end of the record date of 23 June 2015 (*record date*), starting from the coming 24 June 2015, while the coupon date will be 22 June 2015.

In view of the above, the Board of Directors submits for your approval the following

Proposed Resolution

The Shareholders' Meeting of Telecom Italia S.p.A.,

- having examined the annual financial report of Telecom Italia S.p.A.;
- having taken account of the current amount of the legal reserve and considering the capital increases taking place;
- considering that the total number of savings shares with regular dividend entitlement as of the record date of 23 June 2015 will be equal to 6,026,120,661;
- in view of the proposals made to the Shareholders' Meeting, both ordinary and extraordinary sessions, regarding the deferment and liquidation in equities of a portion of the 2015 bonus, as part of the 2015 remuneration policy reserved for a qualifying part of the management;

resolved

- to allocate profits for the financial year to the legal reserve in the amount required to ensure that this reserve reaches one fifth of the share capital existing at the time of the Shareholders' Meeting, subject to a maximum limit of 5% of the profits for the financial year;
- to allocate savings Shareholders, based on the number of savings shares they hold as of the record date, a privileged dividend of 0.0275 euros per savings share, gross of withholdings required by law;
- to allocate profits for the financial year of 25,500,000 euros to the “Plans pursuant to article 2349 of the Civil Code” reserve, in order to service the powers being granted to increase the share capital through the allocation of profits, further to liquidation of the 2015 bonus component that is the subject of the deferment and liquidation in equities;
- to authorise the Board of Directors - and on its behalf the legal representatives *pro tempore* - to ascertain in due course, on the basis of the actual share capital at the time of the Shareholders' Meeting, the amount of profits to be allocated to the legal reserve and to be carried forward;
- to make the dividend payable starting on 24 June 2015, with a coupon date of 22 June 2015 (*record date* 23 June 2015).

REPORT ON REMUNERATION – RESOLUTIONS ON THE FIRST SECTION

Dear Shareholders,

pursuant to article 123-ter of Legislative Decree no. 58 of 24 February 1998, a remuneration report has been prepared for the Shareholders' Meeting to be held on 20 May 2015, divided into two sections:

- the first illustrates the Company's policy regarding the remuneration of directors and key managers with strategic responsibilities, with reference to the 2015 financial year;
- the second provides a report on the items that make up the remuneration of the subjects mentioned above, with a detailed comparison of the compensation paid to them in the 2014 financial year.

You are called on to express your opinion of the first section of the report, with a resolution that is not legally binding.

In view of the above, the Board of Directors submits for your approval the following

Proposed Resolution

The Shareholders' Meeting of Telecom Italia S.p.A.,

- given the applicable legal provisions regarding the report on remuneration;
- having acknowledged the non-binding nature of the resolution required,

resolved

to approve the first section of the remuneration report.

APPOINTMENT OF THE BOARD OF AUDITORS: APPOINTMENT OF STANDING AUDITORS AND ALTERNATE AUDITORS; APPOINTMENT OF THE CHAIRMAN OF THE BOARD OF AUDITORS; DETERMINATION OF THE REMUNERATION

Dear Shareholders,

The mandate of the Board of Statutory Auditors appointed by the Shareholders' Meeting of 15 May 2012 concludes with approval of the financial statements for the year ending 31 December 2014.

In order to renew the control body, the Shareholders' Meeting is called on, pursuant to the law and the Bylaws,

- to appoint five standing Auditors and four alternate Auditors,
- to appoint one of the Statutory Auditors elected from the minority slate as Chairman of the Board of Statutory Auditors and
- to determine the annual fee for this office.

The duration of the mandate is established by law as three financial years, hence until the Shareholders' Meeting called to approve the financial statements at 31 December 2017.

Appointment of the Standing and Alternate Auditors

1. The Bylaws provide for the appointment of 5 Standing Auditors and 4 Alternate Auditors. When the legal regulations regarding gender balance are first applied, at least one fifth of the members of each of the two categories must belong to the less represented gender, rounded up to the nearest whole number: at least one Standing Auditor and at least one Alternate Auditor.
2. In accordance with current legislation, at least two Standing Auditors and at least one Alternate Auditor must be chosen from among those registered in the register of chartered accountants who have worked as external auditors for a period of no less than three years. The remaining Statutory Auditors (standing and alternate) must have gained at least three years' experience in administration or control activities or managerial tasks in corporations with share capital of no less than two million euros, or have performed for three years (i) university teaching or professional activities in legal, economic, financial and technical/scientific subjects closely connected to the company's business, or (ii) management roles in public or government bodies operating in the fields of lending, finance and insurance or in sectors closely connected to the company's business. The Bylaws of Telecom Italia in turn consider the following sectors of activity to be closely linked to that of the Company: activities and matters related to telecommunications, information technology, online systems, electronics and multimedia technology, and matters related to private and administrative law, economics and business administration.
3. Renewal takes place on the basis of slates divided into two sections containing two separate lists of candidates to the position of Standing Auditor and candidates to the position of

Alternate Auditor. The first candidate in each section shall be selected from among the external auditors entered in the appropriate register who have worked on external audits for a period of not less than three years. In each section, if the number of candidates is three or more, the presence of both genders must be ensured, in such a way that candidates of the less represented gender are at least one third of the total, rounding any fractions up to the next whole number.

4. Slates may be submitted by shareholders who, alone or jointly with others, hold a total number of shares that represent at least 0.5% of the capital with voting rights in the Ordinary Shareholders' Meeting or such other measure as determined by the regulatory provisions issued by Consob. The latter set the minimum shareholding required to submit slates of candidates for election to the administration and control bodies of Telecom Italia at 1% (resolution no. 19109 of 28 January 2015). Despite this, adopting an interpretation of the Bylaws text more favourable for minorities, and which, according to Consob, is more in line with the rationale behind the regulation on slates voting, the Board of Directors has adopted 0.5% as the minimum capital shareholding required to submit candidates.
5. If by the deadline of 25 days prior to the Shareholders' Meeting (25 April 2015) only one valid slate has been presented (or - it is believed - none), or the only slates presented are associated with shareholders who own, whether individually or jointly, a controlling or relative majority stake (therefore, as of the date of approval of this report, associated with Telco S.p.A. and its shareholders), the deadline for the submission shall be postponed by 3 days (28 April 2015) and the entitlement threshold shall be halved to 0.25% of the ordinary capital. In any case, the Company must obtain the entitlement communications from the intermediaries no less than 21 days prior to the Shareholders' Meeting (29 April 2015).
6. Each shareholder may submit only one slate, alone or jointly with others. In doing this, Consob requires shareholders to accompany the slate with information regarding their identity, in addition to stating the total percentage shareholding they own, and - if different from those shareholders - a declaration that attests to the absence of connecting relationships, including indirect relationships, with shareholders who hold, including jointly, a controlling or relative majority stake, specifying any relationships that exist with the latter.
7. The slate must be submitted together with declarations from candidates confirming their fulfilment of the requirements and acceptance of the candidacy. Together with the declarations, a *curriculum vitae* for each candidate shall be filed setting out their main personal and professional data.
8. At the Shareholders' Meeting, the distribution of seats takes place by drawing from the respective sections
 - of the slate which has obtained the majority of the votes (the so-called "majority slate") 3 Standing Auditors and 2 Alternate Auditors;
 - of the remaining slates (the so-called "minority slates") 2 Standing Auditors and 2 Alternate Auditors, selected according to the "quotients method". (i) a single decreasing ranking, for

the appointment to the post of standing auditor and for the appointment to the post of alternate auditor respectively, of all the corresponding candidates on the various slates, based on the assigned quotients, obtained by dividing the number of slate votes by one and by two and (ii) the appointment, in order, of the candidates with the highest quotient.

9. If the composition of the board resulting from the application of the mechanisms described does not allow gender balance to be respected (at least one Standing Auditor and one Alternate Auditor must belong to the less represented gender), the last elected candidates from the majority slate of the more represented gender, based on the order in which they are listed on the slate, shall be replaced by the first unelected candidates on the same slate of the less represented gender. In the absence of candidates of the less represented gender on the majority slate to proceed with the replacement, the Shareholders' Meeting shall supplement the board with the majorities required by law (absolute majority of the share capital represented at the meeting), thus ensuring that the requirement is met.
10. Similarly, in appointing statutory auditors who for whatever reason have not been appointed pursuant to the voting procedure specified above, the Shareholders' Meeting shall vote on the basis of the majorities required by law.

Appointment of the Chairman of the Board of Statutory Auditors

11. Pursuant to the law, the Chairman of the Board of Statutory Auditors is elected by the Shareholders' Meeting from among the standing Auditors "elected by the minority". By law, the appointment depends on the decision of the Shareholders' Meeting and therefore the person chosen must be one of the two Standing Auditors elected by the "minority shareholders not directly or indirectly associated with shareholders who submitted or voted for the slate that came first in terms of number of votes" (in accordance with article 148 of Legislative Decree No. 58/1998).
12. The Shareholders' Meeting shall vote on this matter on the basis of the majorities required by law: absolute majority of share capital represented at the meeting.

Determination of the compensation

13. The statutory Auditors' annual remuneration is established by the Shareholders' Meeting which, according to customary practice, sets a different level of remuneration for the Chairman of the body.
14. In setting the remuneration, consideration must be given to the responsibilities and duties of the body as established by Italian law, but also to the fact that (i) in Telecom Italia the Board of Statutory Auditors is also identified as the audit committee in terms of the United States legal framework, within the limits in which the Company is subject to it as a foreign private issuer registered with the US Securities and Exchange Commission, listed on the New York Stock Exchange, and (ii) the Board of Directors of Telecom Italia has assigned the Board of Statutory

Auditors the functions of supervisory body pursuant to art. 6, subsection 4-bis, of Legislative Decree no. 231 of 8 June 2001.

15. In this respect, we should point out that the remuneration of the outgoing Board of Statutory Auditors was established by the Shareholders' Meeting of 15 May 2012 at 95,000 euros gross per year for each Standing Auditor and 135,000 euros gross per year for the Chairman of the Board of Statutory Auditors. Furthermore, given the increasing complexity of the relevant legal framework, the growing importance of the system of controls in the context of corporate governance, the increasingly vital role that the Board of Statutory Auditors is considered to play in this system, as well as the resulting increase in the number of board meetings which Auditors must attend, the Shareholders' Meeting of 16 April 2014 introduced – in addition to the previously allocated remuneration *ratione temporis* – an attendance fee for meetings attended by the Auditors, in order to make the remuneration more consistent with the increasing intensity of the commitment required of them.

Conclusions

16. As already done last year for the renewal of the Board of Directors,
- Shareholders are advised to proceed with the submission of slates (and the accompanying proposals for Chairman and the remunerations for the members of this body) reasonably in advance of the deadline set by law (25 April 2015), stating the name of the candidate who – subject to him/her being elected as Standing Auditor by the minority - they propose for appointment to the post of Chairman of the Board of Statutory Auditors;
 - candidates are advised only to accept a candidacy if they believe they will be able to fulfil the tasks required by the post and be able to commit for the full term of their mandate.
- Operationally, it is also advisable for candidates to make a photograph available, and to authorise publication of their *curriculum vitae* on the Company website, ensuring that details they do not wish to be disseminated are not included.

DEFERMENT BY LIQUIDATION IN EQUITY OF A PORTION OF THE SHORT-TERM INCENTIVE – 2015 CYCLE - RELATED AND CONSEQUENT RESOLUTIONS

Dear Shareholders,

The Board of Directors submits for your approval, pursuant to article 114-bis, Legislative Decree 58 of 24 February 1998, the mechanism of deferment by liquidation in equities of a portion of the short-term incentive, which the Board of Directors intends to introduce as of the 2015 cycle of the so-called MBO (Management by Objectives) bonus, as stated in the company's remuneration policy and explained in the first section of the relevant report, which is also submitted for examination by the Shareholders' Meeting.

While you are invited to refer for further details to the information document drawn up according to the chart of the Issuer Regulations (adopted by Consob with resolution no. 11971 of 14 May 1999 and as subsequently amended), summarised below are the essential terms and conditions of the compensation plan of which the deferment consists, which will be better defined in the regulations remitted to the Board of Directors for definition, upon the proposal of the Nomination and Remuneration Committee, after obtaining – where required – the opinion of the Board of Statutory Auditors pursuant to art. 2389 of the Italian Civil Code (the “Regulations”).

The aim of the initiative is to align the interests of the management with those of the shareholders, making the management share in the business risk, while also introducing a deferment mechanism that rewards people who remain in office and can therefore act as a retention tool. It will initially be restricted to Top Management (including the Chief Executive Officer) and a selected number of executives ("the Selected Executives"), but it may be extended in future to the rest of the MBO population, in accordance with the decisions made when establishing the remuneration policy.

For the resources involved, with regard to any MBOs accrued under the relevant performance conditions (amounting in total to no more than 17 million euros for the 2015 MBO cycle: the Amount), the plan is to

- liquidate 50% of the Amount in cash;
- for the remaining 50% to allocate free non-transferable two-year rights to ordinary Telecom Italia shares (the Rights), the number of Rights being calculated by applying to 50% of the Amount a divisor that is equal to the normal value of the share as of the date of the meeting of the Board of Directors called to approve the finalised Chief Executive Officer MBO scorecard for the financial year of reference, but no less than the accounting par value of the shares as of 31 December 2014 (0.55 euros per share), for a maximum allocation of 15,454,545 Rights.

In this way, the management will be making a kind of contribution to the company's equity, equivalent to the non-cash-out and rewarded by the deferred allocation of shares. This will take place for a number of shares equal to 2 ordinary shares per Right (ideally: one share corresponding to the initial “contribution” in terms of non-cash-out at the proper time, and a bonus share),

increased to 3 ordinary shares per Right (ideally: one share corresponding to the initial “contribution” and 2 bonus shares) subject to the accumulated achievement over the two-year period 2016-17 of an amount of EBITDA – organic net financial charges equal at least to the sum of the corresponding indicators in the 2016 and 2017 budget (target level).

If, during the vesting period, the beneficiaries should die or their employment with the Company (or with companies it directly or indirectly controls, even if the company is not the same Group company the interested party was employed by at the time the Options were allocated) should be terminated, or they should cease to hold office before the natural expiry of the appointment, the Rights will lapse, as better specified in the Regulations. In this case, the amount not liquidated initially will be paid in cash without any interest.

In the event of extraordinary operations on the Company's capital, the Board of Directors, independently and without the need for further approval by the Shareholders' Meeting of the Company, will make all the amendments and additions to the Regulations deemed necessary or appropriate to keep unchanged the substantial and economic contents of the initiative, , which does not benefit from the support of the special Fund to provide incentives for employee shareholdings in companies.

The liquidation in equities of the MBO bonus, based on the characteristics of the recipients and at the discretion of the Board of Directors, will be serviced by using treasury shares in the Company's portfolio and/or by means of a capital increase, exercising the relevant powers to increase the share capital free of charge proposed to the Extraordinary Shareholders' Meeting, subject to the possibility of some or all of the liquidation being serviced by other equivalent means, at the Board of Director's discretion, based on the normal value of the ordinary share at the end of the two-year term from the date of allocation of the Rights. The Board of Directors therefore also asks the Shareholders' Meeting for authorisation to make the aforementioned treasury shares available.

For only the Top Management a quantity of shares equal to the number of Rights will be subject to a lock-up restriction requiring mandatory deposit in a securities account, at the Company itself, for one year.

The Board of Directors invites you to refer to the information document for an analytical explanation of the initiative, and submits for your approval the following

Proposed Resolution

The Shareholders' Meeting of Telecom Italia S.p.A.,

- having examined the explanatory report of the Board of Directors,
- having examined the information document made available to the public in accordance with the applicable regulations,

resolved

- to approve the mechanism of deferment by liquidation in equities of a portion of the short-term incentive for the 2015 financial year, under the general terms stated above and detailed in the information document published pursuant to the applicable regulations;
- to confer on the Board of Directors all powers necessary or expedient for implementing the initiative, making any changes and/or additions to it that prove necessary for the implementation of what has been resolved, including for the purposes of compliance with any applicable regulatory provision, including authorisation to assign free of charge ordinary treasury shares existing at the appropriate time in the Company portfolio.

**MANDATE TO INCREASE THE SHARE CAPITAL TO SERVICE THE PARTIAL LIQUIDATION IN EQUITY OF THE
SHORT-TERM INCENTIVE FOR THE 2015 FINANCIAL YEAR – AMENDMENT OF ARTICLE 5 OF THE
COMPANY BYLAWS – RELATED AND CONSEQUENT RESOLUTIONS**

Dear Shareholders,

in the ordinary session, a mechanism was submitted to the Shareholders' Meeting for the deferment by liquidation in ordinary Telecom Italia shares of a portion of the short-term management incentive (so-called MBOs), with reference to the 2015 cycle (the Deferment). In particular, for the purposes hereof, the Deferment provides for the allocation to the beneficiaries of the initiative of a maximum of 15,454,545 Telecom Italia ordinary share free allocation rights (the Rights), in a ratio of 2 or 3 shares per each accrued and exercisable Right, subject to the fulfilment of pre-determined conditions and therefore for a maximum of 46,363,635 shares.

To service the Deferment, regulated by specific regulations (the Regulations), we therefore ask you to approve the granting to the Board of Directors, pursuant to article 2443 of the Italian Civil Code and for a period of five years from the date of the shareholders' resolution, of the powers to increase the share capital by issuing a maximum of 46,363,635 ordinary shares (allocating the amount of 0.55 euros per share issued to the share capital), in the amount, under the terms and conditions and according to the procedures set out in the Regulations, by allocating profits in the maximum amount of 25,500,000 euros pursuant to article 2349 of the Italian Civil Code.

The Board of Directors will be granted the power to identify, at the appropriate time, the profits and/or retained profits to be used for this purpose, subject to the proposal for allocation to the "Plans pursuant to article 2349 of the Italian Civil Code" reserve of the aforesaid amount of 25,500,000 euros, drawn from 2015 profits, to service the Deferment, at the time of approval of the financial statements as of 31 December 2014, with the powers to make the appropriate accounting entries resulting from the issue operations, in accordance with the legal provisions and the accounting principles that are applicable in each case.

In relation to the proposed resolution authorising an increase in the share capital (which result in a maximum theoretical dilution of 0.24% of the total share capital and 0.34% of ordinary shares only at 31 December 2014), shareholders who do not vote in favour of this proposal do not have the right of withdrawal.

In view of the above, the Board of Directors submits for your approval the following

Proposed Resolution

The Shareholders' Meeting of Telecom Italia S.p.A.,

- having examined the explanatory report of the Board of Directors;

- given the statement by the Board of Statutory Auditors that the current share capital has been fully paid in;

resolved

1. to grant the Board of Directors, pursuant to article 2443 of the Italian Civil Code and for a period of five years from the date of this resolution, the powers to increase the share capital by issuing a maximum of 46,363,635 ordinary shares without par value, allocating the amount of 0.55 euros per share issued to the share capital, by allocating profits or retained profits in the maximum amount of 25,500,000 euros pursuant to article 2349 of the Italian Civil Code. The aforesaid ordinary shares will be reserved exclusively for part of the employees benefiting from the short-term incentive scheme (so-called MBO) for the 2015 financial year, as identified at the appropriate time by the Company's Board of Directors, subject to the terms and conditions and by the methods specified in the appropriate regulations. Regarding the capital increase, the Board of Directors shall have the right to proceed to duly identify the profits and/or retained profits, stated in the last duly approved financial statements, to be used for this purpose, with the powers to make the appropriate accounting adjustments consequent on the issue operations, in accordance with the legal provisions and the accounting principles that are applicable in each case;
2. to introduce a new subsection at the end of art. 5 of the Company Bylaws which shall read as follows:
"For five years starting from 20 May 2015 the Directors may increase the share capital to service the partial liquidation in equities of the short-term incentive for the 2015 financial year by issuing a maximum of 46,363,635 new ordinary shares without par value, with regular dividend entitlement, allocating the amount of 0.55 euros to the share capital for each share issued and excluding the right of option pursuant to article 2441, subsection 8, Italian Civil Code, to be reserved for part of the management of Telecom Italia S.p.A. and companies controlled by it that are covered by this measure for 2015, as identified at the appropriate time by the Company's Board of Directors".
3. to confer on the Board of Directors – and on behalf thereof on the *pro tempore* legal representatives of the Company, jointly or severally – all the powers necessary to
 - make the changes on a case by case basis to article 5 of the Company Bylaws that are consequent on the resolutions, and on the execution and completion of the increase in share capital authorised as above, and to that end meet all the obligations and publish all information required by the regulations;
 - to complete all the necessary formalities for the adopted resolutions to be entered in the Business Register, accepting and introducing into said resolutions the amendments, additions or deletions of a non-substantial nature that might be requested by the competent authorities, as well as all the powers necessary for legal and regulatory compliance deriving from the resolutions adopted.

AUTHORISATION TO CONVERT THE “€2,000,000,000 1.125 PER CENT. EQUITY-LINKED BONDS DUE 2022” AND INCREASE THE SHARE CAPITAL, IN TRanches, WITH EXCLUSION OF THE PREFERENTIAL SUBSCRIPTION RIGHTS TO SERVICE THE AFOREMENTIONED BOND ISSUE THROUGH THE ISSUE OF ORDINARY SHARES – RELATED AND CONSEQUENT RESOLUTIONS

Dear Shareholders,

the Board of Directors of Telecom Italia S.p.A. (hereinafter: "**Telecom Italia**" or the "**Company**") has called this Extraordinary Shareholders' Meeting to discuss and resolve on, among other matters, the proposed authorisation to convert into ordinary Telecom Italia shares the "€2,000,000,000 1.125 per cent. Equity-Linked Bonds due 2022", issued on 26 March 2015 (the "**Bond Issue**" or, for the sake of brevity, the "**Bond**") reserved for qualified investors and, consequently, the proposed share capital increase to service the Bond, for payment and in tranches, with exclusion of the preferential subscription right pursuant to art. 2441, subsection 5 of the Italian Civil Code, for a total maximum amount of 2,000,000,000 euros, including any share premium, to be paid up in one or more tranches by the issue of ordinary shares with regular dividend entitlement and the same characteristics as the existing ordinary shares (the "**Increase in Capital**").

The Increase in Capital proposed is therefore instrumental to enabling the Company to issue shares in the circumstances provided by the contractual regulations pursuant to the Bond Issue.

This report is aimed at illustrating the proposed share capital increase pursuant to art. 2441, subsection 6, of the Italian Civil Code and art. 72 of the Regulations adopted by Consob with Resolution no. 11971 of 14 May 1999 (the "**Issuers' Regulations**") and Article 125-ter of Italian Legislative Decree no. 58 of 24 February 1998 (the "**CLFI**").

1 Characteristics of the operation

1.1 Reasons and purpose of the Share Capital Increase

The Share Capital Increase comes as part of the Bond issue operation, reserved to qualified Italian and foreign investors (as defined in accordance with current applicable regulations), with the exclusion of the United States of America and U.S. persons (as defined in accordance with the Regulation S of the 1933 Securities Act), Australia, Canada, Japan and South Africa and any other jurisdiction in which the offer or placement of the bonds would be subject to specific authorisations (hereinafter the "**Institutional Investors**") and in any case with the exclusion of any offer to the general public, the issue of which was resolved by the Board of Directors on 19 March 2015 with pricing defined on 20 March 2015, following the placement procedure.

Below are the main characteristics and purposes of the Bond Issue.

1.2 Characteristics and purpose of the Bond Issue

The bond issue (the "**Bonds**") and main terms and characteristics of the Bond Issue were approved by the Board of Directors on 19 March 2015. Bond placement was initiated on 19 March 2015 and completed the following day, with pricing defined on 20 March 2015.

The amount of the Bonds is equal to 2 billion euros.

The Bond placement operation targeted the national and international market of Institutional Investors specialised in equity-linked instruments, due, on the one hand, to the complexity of

the instruments offered and, on the other, the desire to guarantee the successful outcome of the operation in a reasonably short space of time. The offer of the Bond to Institutional Investors made it possible to promptly obtain financial resources from the non-banking capital market, allowing the Company to benefit from the opportunities offered by the favourable market context and the placement conditions deriving from the equity-linked characteristics of the Bond Issue. The Board of Directors believes that the issue of the Bond meets the Company's interests, which has thus completed a collection of financial means on the market at favourable conditions.

In deciding to proceed with the Bond Issue - with the consequent proposal, at this meeting, to approve, pursuant to art. 2441, subsection 5 of the Italian Civil Code, the Increase in Capital - the Board of Directors has considered the main advantages of the operation as structured and as described below:

1. the possibility of benefiting promptly from the positive market conditions through a rapid placement with Institutional Investors, with a reference market, in terms of potential investors, that is compatible with the sum to be raised;
2. the extremely fast execution terms that allow the market risk for the Company to be minimised, compared to alternative instruments, such as, for example, an capital increase with preferential subscription rights. In the trade-off between certainty about the issue conditions on the one hand, and acknowledging preferential subscription rights on the other, the Company opted for the former, since it considered that this option was better suited to the needs of the shareholders, as it allows the Company to issue a relatively small number of new shares at the best possible price. At the same time, placement immediately after Board approval, which represents a fairly common method ("overnight execution") in the case of equity-linked financial instruments such as the Bonds, mitigates the risk that the announcement may be followed by speculation on the shares involved, which could negatively affect the final issue price;
3. the obtaining of funds at favourable conditions, also in view of the equity-linked characteristics of the Bonds;
4. the placement of capital at a premium instead of at market price at the time of Bond issue, where an increase in capital with preferential subscription rights - the market practice - would have had to be carried out at a possibly substantial discount.

The Bond issue is in any case to be used to strengthen the financial structure and the cost of capital of the Company, as well as to finance its business. The capital increase operation that the Board of Directors submits to the Shareholders' Meeting for approval therefore comes within the context of the Bond Issue, and the latter justifies the Company's interest in exclusion of the preferential subscription right.

The Bond regulations set out in the Trust Deed and including *Terms & Conditions* (hereinafter: the "**Regulations**", which may be consulted at www.telecomitalia.com) specify that, following approval of the share capital increase, Telecom Italia shall send a notice, after which all the conversions of Bonds shall be settled in ordinary shares of the Company (hereinafter: the "**Conversion Shares**"), without prejudice to adjustment payments in cash provided in the Regulations. If the Share Capital Increase should not be approved by 30 June 2015, the Bonds may not be converted into Conversion Shares and Telecom Italia shall be entitled to proceed to early redemption of the Bond as described below (see the part on "Early redemption" in paragraph 1.3).

1.3 Purpose of the Share Capital Increase to service the Bond conversion

The Regulations establish that if the Shareholders' meeting does not approve the Share Capital Increase to service the Bond conversion by 30 June 2015 (the "**Long-Stop Date**"), the Company may proceed to make full early redemption of the Bond in cash in the amount of the highest of: (i) 102% of the capital amount of the Bond; and (ii) 102% of the average market price of the bonds recorded over a time frame subsequent to announcement of redemption (plus, in either case, interest accrued).

However, if the Shareholders' meeting should resolve to authorise the potential conversion of the Bond and, consequently, to increase the share capital to service the Bond conversion, the Company will be required to send Bondholders a specific notice (the "**Physical Settlement Notice**"), by virtue of which, as of the date specified therein (the "**Physical Settlement Date**") - and in any case no earlier than 10 and no later than 20 dealing days on the Milan stock exchange after the Physical Settlement Notice date - they shall be entitled conversion rights into ordinary newly issued shares in the Company.

Any conversion of the Bonds into newly issued shares will enable the Company to strengthen its asset structure and diversify its financial one, at the same time limiting the related cash outlay in respect of the financial charges and capital at the due date and to extend its holding structure, with Institutional Investors joining the capital.

For all of the foregoing reasons, the Board of Directors believes that it is important that the Bonds can be converted into Company shares. As highlighted above, the reasons for excluding preferential subscription rights, pursuant to article 2441, subsection 5 of the Italian Civil Code in relation to the proposed Share Capital Increase reflect the same reasons that led to the issue of the Bond.

The Board of Directors therefore believes that the exclusion of preferential subscription rights is entirely justified in view of the characteristics, timing and purpose of the Bond issue.

The proceeds from the bonds will be used within the scope of the recently-announcement 2015 - 2017 Plan, to address the investment plan.

1.4 Main features of the Bond Issue

According to the resolutions passed by the Board of Directors and the terms of the Regulations, the Bond has the following characteristics:

- total principal amount of the issue: 2,000,000,000 euros (two billion);
- minimum denomination of the Bonds: 100,000.00 euros (one hundred thousand euros and zero cents);
- duration: 7 (seven) years, due 26 March 2022;
- issue price: 100 percent of the principal amount of the Bond Issue;
- interest rate: fixed rate of 1.125% (one point one, two, five percent) per year, to be paid in arrears once every six months (on 26 September and 26 March of each year), as from 26 September 2015;
- initial conversion price: 1.8476 euros (one point eight, four, seven, six) per share, subject to adjustments as per the Regulations, in line with current market practice for this type of financial instrument;
- date of dividend entitlement: from date of issue;

- any conversion: subject to approval by the Shareholders' meeting, of the Share Capital Increase by the Long-Stop Date;
- redemption: at the due date, the capital must be repaid as a lump sum for an amount equal to 100% of the principal amount, without prejudice to cases of early redemption;
- early redemption by the Company: faculty to make early redemption in the events defined by the Regulations, in accordance with the market practice "clean-up call", "soft call" or "redemption for taxation reasons", potentially as from a given date;
- change of control and free float event: bondholders may ask the Company for early redemption, at principal amount, plus interest accrued and not yet paid, if: (i) there is a change of control in the Company, as defined in the Regulations; or (ii) in the event of a free float event, as defined in the Regulations. In the event of a change of control or free float event, besides, investors may be granted a specific conversion ratio, adjusted downwards with respect to the initial conversion price calculated in accordance with the methods specified in the Regulations;
- share settlement election: at the due date, the Company may opt to repay all or part of the Bond through the delivery of shares (and in any case in the maximum number of ordinary shares in the Company that would be delivered in the event of conversion) with any cash supplement in order to recognise a value equivalent to par value of each Bond, in accordance with the formula detailed in the Regulations;
- applicable law: English law, except for aspects that must be governed by Italian law.

1.5 Reasons for exclusion of the preferential subscription right

The Bond Issue, the Share Capital Increase and the approval of the potential conversion of the bonds into convertible bonds constitute a single operation aimed at providing the Company with a funding tool by which to obtain, in a short space of time and at significantly limited costs, resources from the non-banking capital market. To this end, in order to complete the operation, a share capital increase must be resolved to service the Bond Issue, with the exclusion of preferential subscription rights. The Board of Directors believes that the exclusion of preferential subscription rights is required in the interests of the Company pursuant to article 2441, subsections 5 and 6 of the Italian Civil Code, for the following reasons:

- (a) the choice to reserve the subscription of the Bond to Institutional Investors only, thereby excluding the preferential subscription rights for shareholders over the subsequent Share Capital Increase is connected with the high degree of complexity and the characteristics of equity-linked financial instruments, which make them entirely unsuitable for a retail public (and, therefore, an indiscriminate offer up to all Company shareholders). The use of the equity-linked instrument (and the specific structure and characteristics of the Bond, offered, amongst others, in denominations of 100,000.00 euros), intended for Institutional Investors only, is an effective means by which to obtain non-banking financial resources at particularly favourable conditions, which sits well with the Company's current needs and enables the financial position and related costs to improve in a way that would not otherwise be possible (and in particular not possible using traditional convertible bonds offered up in option to shareholders);
- (b) the issue and placement of equity-linked instruments presupposes an offer on the market with very quick methods and timing that require the exclusion of preferential subscription rights and the exclusion of the public offering of the Bonds, which would require more onerous corporate procedures, lengthier execution terms and greater costs;

- (c) the approval of the Share Capital Increase and the consequent possibility of converting the Bond Issue means that the provisions of cash settlement by Bondholders cease to apply, except in the event of early redemption as specified under paragraph 1.4 above, potentially stabilising the acquisition of the resources obtained by means of the Bond Issue;
- (d) any conversion of the Bonds into Telecom Italia shares, or in any case the issue of the shares pursuant to the Bond, will, finally, enable the Company (i) to strengthen its asset structure and diversify its financial one, at the same time limiting the related cash outlay in respect of the financial expense and capital at the due date and (ii) to extend its holding structure.

1.6 Terms and methods for the conversion of the Bond into capital

The conversion price, which corresponds to the price of the issue of new shares as a result of the Share Capital Increase, without prejudice to the hypothesis of exercise of the share settlement election, as described herein, is 1.8476 euros, without prejudice to any adjustments to the conversion price, as described herein.

The issue price will be allocated as 0.55 euros (or the lesser amount of the conversion price) in capital and any residual amount, by way of premium.

The number of shares to be issued or transferred to service the conversion will be determined by dividing the principal amount of the Bonds by the conversion price in force as of the related conversion date, rounded down to the nearest whole number of ordinary shares. No parts of shares will be issued or delivered and no cash payment or adjustment will be made in lieu of said parts.

On the basis of these parameters, the initial conversion ratio of the Bond Issue of 1.8476 euros corresponds to the issue of up to 1,082,485,386 ordinary shares.

The Bond Issue Regulations establish that the initial conversion price will be subject to adjustment, in line with current market practice for this type of financial instrument, where, amongst others, the following events should occur, without limitation: grouping or splitting of existing ordinary shares; issue of ordinary shares without charge (with the exception of share capital increase to service remuneration plans based on financial instruments, pursuant to art. 114-bis of the CLFI); 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 remuneration plans based on financial instruments, pursuant to art. 114-bis of the CLFI); amendments to the rights of financial instruments already issued, giving the right or obligations to convert them into ordinary shares and thereby enabling the acquisition of ordinary shares for a price that is below market price.

It is specified that the newly issued shares to service the conversion of the bond named "*Eur 1,300 million mandatory Convertible Bonds due November 2016*", issued by Telecom Italia Finance S.A. and guaranteed by the Company, does not entail any adjustment of the initial Bond conversion price, except for the hypothesised adjustments provided by the regulation of the specified bond named "*Eur 1,300 million mandatory Convertible Bonds due November 2016*" applicable to all conversion hypotheses upon onset of operations or events affecting the Company's ordinary shares, including, without limitation, the payment of dividends or distribution of reserves. If such hypotheses should arise, the initial Bond conversion price may be adjusted.

The Bonds provide investor protection with respect to future dividends paid by the Company. In actual fact, if the Company should decide to distribute dividends, for any amount, to the ordinary shares during the life of the Bond Issue, the conversion price of the Bonds will be adjusted, on the basis of the formulae provided by the Bond Issue Regulations, in order to compensate the Bondholders for the amount of dividends distributed.

In the event of a *change of control* and *free float event*, as defined and regulated by the Regulations, investors may be granted a specific conversion ratio, for a limited period of time (60 days), adjusted downwards with respect to the initial conversion price, on the basis of a mathematical formula that considers the time when the significant event takes place and the overall duration of the Bond, in order to endorse the (unused) value of the option underlying the Bonds, in accordance with the terms and conditions detailed in the Regulations.

The share issue price in the event of exercise of the *share settlement election* will instead depend on their market value in the approach to the exercise of said right, as described in the Regulations. In actual fact, in this case the Regulations give the Issuer the right to settle all or part of the redemption at the due date by delivering shares (in any case in a number that does not exceed the shares it would have had to deliver in the event of the voluntary conversion of the Bonds), calculated in accordance with a mathematical formula that considers the average of volume weighted average prices of an ordinary share recorded on the Electronic Share Market at the end of each dealing day in a period of twenty dealing days prior to the maturity of the Bond, in addition to any cash integration to ensure that the redemption is made as a whole, at par, as specified in the Regulations.

2 Short- and long-term composition of financial debt

A table summarising the net financial debt of the Telecom Italia Group at 31 December 2014 and 2013 is provided below.

(million euros)	31.12.2014	31.12.2013
Non-current financial liabilities	32,325	31,084
Current financial liabilities	4,686	6,119
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	43	27
Total gross financial debt (a)	37,054	37,230
Non-current financial assets (°)		
Non-current financial receivables for lease contracts	(92)	(58)
Non-current hedging derivatives	(2,163)	(1,018)
	(b) (2,255)	(1,076)
Current financial assets		
Securities other than investments	(1,300)	(1,348)
Financial receivables and other current financial assets	(311)	(283)
Cash and cash equivalents	(4,812)	(5,744)
Financial liabilities included in Discontinued operations/Non current assets held for sale	(165)	(657)
	(c) (6,588)	(8,032)
Net financial debt as per Consob notice DEM/6064293/2006 (d=a+b+c)	28,211	28,122
Non-current financial assets (°)		
Securities other than investments	(6)	(6)
Other financial receivables and other financial assets	(184)	(174)
	(e) (190)	(180)

Net financial debt	(f=d+e)	28,021	27,942
Reversal of fair value measurement of derivatives and related financial assets/liabilities	(g)	(1,370)	(1,135)
Adjusted net financial debt	(f+g)	26,651	26,807

(°) At 31 December 2014 and at 31 December 2013, "Non-current financial assets" (b+e) amount to 2,445 million euros and 1,256 million euros, respectively.

A table summarising the net financial debt of the Telecom Italia S.p.A. at 31 December 2014 and 2013 is provided below.

(million euros)		31.12.2014	31.12.2013
Non-current financial liabilities		30,010	29,154
Current financial liabilities		7,747	8,882
Total gross financial debt	(a)	37,757	38,036
Non-current financial assets (°)			
Non-current financial receivables for lease contracts		(25)	(56)
Non-current hedging derivatives		(663)	(356)
	(b)	(688)	(412)
Current financial assets			
Securities other than investments		(802)	(1,462)
Financial receivables and other current financial assets		(303)	(547)
Cash and cash equivalents		(1,305)	(1,284)
	(c)	(2,410)	(3,293)
Net financial debt as per Consob notice DEM/6064293/2006	(d=a+b+c)	34,659	34,331
Non-current financial assets (°)			
Other financial receivables and other financial assets	(e)	(1,236)	(959)
Net financial debt	(f=d+e)	33,423	33,372
Reversal of fair value measurement of derivatives and related financial assets/liabilities	(g)	(1,942)	(1,063)
Adjusted net financial debt	(f+g)	31,481	32,309

(°) At 31 December 2014 and at 31 December 2013, "Non-current financial assets" (b + e) amount to 1,924 million euros and 1,371 million euros, respectively.

For information on the economic-equity and financial effects deriving from the Bond Issue, reference is made to paragraph 9 below.

3 Any existence of guarantee and/or issuance consortia, their composition and the terms and procedures of their intervention

No guarantee and/or issuance consortia are provided in relation to the Share Capital Increase insofar as it is intended exclusively to service any Bond conversion.

Please note, moreover, that the placement of the Bond Issue has been carried out by J.P. Morgan Securities plc and BNP Paribas as *joint global coordinator* and *joint bookrunner*, and Barclays Bank plc, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited and UniCredit Bank AG as *joint bookrunner*.

4 Other forms of placement provided

No other forms of placement are provided.

5 Criteria on which basis the issue price has been determined for the new ordinary shares

Considering the characteristics of both the Bonds and the Share Capital Increase, the Company's Board of Directors has resolved to propose to the Shareholders' meeting that the issue price of the shares from the Share Capital Increase is equal to the Bond conversion price, without prejudice to compliance with the criteria set forth under art. 2441, subsection 6 of the Italian Civil Code, according to which the issue price should be no less than that determined on the basis of the Company's net equity value, also considering the share price as listed on the Electronic Share Market of the Company's ordinary shares in the last six months.

The initial conversion price of the Bonds - considering the nature of the Bond Issue, intended to become convertible into ordinary shares, subject to approval by the Extraordinary shareholders' meeting - has been determined, in compliance with market practice for said financial instruments, upon completion of the placement of the Bond Issue, on the basis of the market value of the Company's ordinary shares, the quantity and quality of the demand expressed under the scope of the placement of the Bond Issue. In particular, in order to determine the market value of the ordinary shares, the volume weighted average price of an ordinary share has been taken as reference, as recorded on the Electronic Share Market as of the end of the dealing day following the start of Bond placement, equal to 1.0868 euros. A conversion premium of 70% has been added to this market value, pre-established on the basis of the indications received from the banks identified to act as *bookrunners* and market conditions, giving rise to a conversion price of 1.8476 euros. The application of this premium was made possible also as a result of the positive market situation.

In compliance with the provisions of art. 2441, subsection 6 of the Italian Civil Code, in order to establish the issue price of the new ordinary shares to service any conversion of the Bonds, the Board of Directors has considered the value of the net equity of Telecom Italia S.p.A. per share as of 31 December 2014, equal to 0.848 euros, and the mathematical average of the price of the Company's ordinary shares, recorded on the basis of the official prices, recorded on the Italian Stock Exchange during the six-month period prior to the date of 19 March 2015 (19/09/2014 - 18/03/2015), equal to 0.9322 euros.

Please remember that, in accordance with the Bond Issue Regulations, the initial conversion price may be adjusted at the conversion date in accordance with market practice in force for this type of instrument, where the events indicated, without limitation, under paragraph 1.61.6 above, to which reference is made, should occur.

Considering the analyses performed, the Board of Directors considers that the criteria adopted to determine the initial conversion price of the Bonds and, therefore, the issue price of the Conversion Shares (and related conversion ratio) are coherent with the criteria provided by art. 2441, subsection 6 of the Italian Civil Code and, therefore, appropriate in terms of identifying a price able to preserve the equity interests of the Company's shareholders, in view of the exclusion of preferential subscription rights.

With reference to the *change of control* and *free float event events*, as defined and regulated by the Regulations, the conversion price adjustment is justified given the specificity of the events described therein. More specifically, in these events, it is provided that investors may be granted a specific conversion ratio, for a limited period of time (60 days), adjusted downwards with respect to the initial conversion price, on the basis of a mathematical formula that considers the moment when the significant event takes place and the overall duration of the Bond, in

order to endorse the (unused) value of the option underlying the Bonds, in accordance with the terms and conditions detailed in the Regulations.

The ordinary share issue price in the event of exercise of the *share settlement election* will instead depend on their market value in the approach to the exercise of said right, as described in the Regulations; this is without prejudice to the fact that this is in any case a right and not an obligation for the Company, the exercise of which will be assessed by the Board of Directors at the appropriate time. In actual fact, in this case the Regulations give the Issuer the right to settle all or part of the redemption at the due date by delivering shares (in any case in a number that does not exceed the shares it would have had to deliver in the event of the voluntary conversion of the Bonds), calculated in accordance with a mathematical formula that considers the average of volume weighted average prices of an ordinary share recorded on the Electronic Share Market at the end of each dealing day in a period of twenty dealing days prior to the maturity of the Bond, in addition to any cash integration to ensure that the redemption is made as a whole, at par, as specified in the Regulations. The Board of Directors deems that, also in relation to these situations, the criteria used to determine the conversion price and, therefore, the issue price of the conversion shares are consistent with the criteria established under art. 2441, subsection 6 of the Italian Civil Code.

6 Shareholders who have declared willing to subscribe the newly issued shares rateably to the share held and any preferential subscription rights not exercised

As described above, the Share Capital Increase is exclusively to service the potential conversion of the Bonds into ordinary newly issued Telecom Italia shares.

Therefore, for the reasons given above, the faculty of shareholders to exercise their preferential subscription rights pursuant to Article 2441, subsection 5 of the Italian Civil Code, is excluded.

7 Period specified for execution of the transaction

The Share Capital Increase will take place as a consequence of any requests for conversion of the Bonds during the period for which the Bond Issue remains valid.

If, as of the last conversion, the Share Capital Increase should not be fully subscribed, the share capital of the Company will have increased by the amount deriving from the subscriptions carried out by that date.

8 Date of dividend entitlement of the newly issued ordinary shares

The ordinary shares to be offered up in conversion of the Bonds shall have regular dividend entitlement and shall, therefore, attribute to their possessors the same rights as the existing ordinary shares of the Company at the time of issue of the former.

9 Pro-forma economic-equity and financial effects able to represent the consequences of the operation on the economic performance and equity position - Effects on the unit share value

For the purposes of estimating the pro-forma capital and financial effects of the Bond Issue, it is assumed that the Bond Issue be converted into ordinary shares of the Company at maturity (26 March 2022).

Consolidated Financial Statements and Separate Financial Statements of Telecom Italia S.p.A.

On the basis of the aforementioned assumptions, the bond issue determines:

- i. as of the trading/settlement date, a partial reduction of the net financial debt corresponding to the difference between the credit to be collected / collected by the bondholders (net of issue costs) and the debt component of the financial instrument issued (net of the relative issue costs attributed to it). The debt component is equal to the fair value of an identical liability issued by the Company at market conditions but without conversion rights, whilst the remaining portion, up to the amount of the credit to be collected, is recorded as an item of equity (the "residual" method). The issue costs are assigned proportionally to the debt component and equity component.
- ii. at maturity, a reduction of up to 2,000 million euros in the net financial debt as a result of the conversion of the bond into ordinary shares in the Company, net of any outgoing cash flow in the event of the application of the share settlement election clause;
- iii. a corresponding increase in net equity (for the consolidated financial statements, an increase in the portion of "net equity attributable to the Shareholders of the Holding Company"), net of the reduction for interest to be paid during the Bond (net of the tax effect); said interest shall have a negative impact on the net financial debt throughout the duration of the Bond.

On the basis of the number of existing shares comprising the Company's share capital as of 26 March 2015, in the event of the full conversion of the Bond into ordinary shares in the Company as of the related due date on the basis of the maximum number of shares above (n. 1.082.485.386 ordinary shares), compliance with an initial hypothetical portion of 1% of the ordinary share capital (corresponding to 0.69% of the total share capital), the shareholder shall hold a portion of 0.93% of the total ordinary share capital - following the conversion - (corresponding to 0.65% of the total share capital), as indicated in the table below:

	Share Capital at 26/03/2015	Potential number of shares to be issued to service the convertible bond	Share capital as of 26/03/2015 + maximum increase of share capital to service the convertible bond
Existing Ordinary Shares*	13,433,283,437	1,082,485,386	14,515,768,823
Savings shares	6,026,120,661		6,026,120,661
TOTAL SHARES	19,459,404,098	1,082,485,386	20,541,889,484
Number of ordinary shares corresponding to possession of 1% of the existing Ordinary Capital as of 26/03/2015	134,332,834		134,332,834
Impact on total ordinary shares	1.00%		0.93%
Impact on total ordinary shares and savings shares	0.69%		0.65%

* net of the ordinary shares held by Telecom Italia S.p.A. (37,672,014)

10 Changes to the By-laws

As a consequence of the Share Capital Increase object of this report, we would also propose introducing a new, additional subsection at the end of art. 5 of the Company by-laws which shall read as follows:

"The extraordinary shareholders' meeting of [•] 2015 resolved to increase the share capital for cash for payment, in tranches, with exclusion of the preferential subscription right pursuant to art. 2441, subsection 5 of the Italian Civil Code, for a total maximum amount, including any share premium, of 2,000,000,000 euros (two billion), to service the conversion of the "€2,000,000,000 1.125 per cent. Equity-Linked bonds due 2022", to be paid up in one or more tranches by the issue of ordinary shares of the Company with regular dividend entitlement, for a maximum amount of 2,000,000,000 euros (two billion), exclusively for the service of the bond issued by the Company named " €2,000,000,000 1.125 per cent. Equity-Linked Bonds due 2022", in accordance with the criteria determined by the related Regulations, without prejudice to the fact that the final terms for subscription of the newly issued shares are established as 26 March 2022 and that if, as of that date, the share capital increase has not been fully subscribed, it will in any case be intended as increased by an amount equal to the subscriptions collected and as of that date, with the specific authorisation of the directors to issue the new shares as they are subscribed. No parts of shares will be issued or delivered and no cash payment or adjustment will be made in lieu of said parts".

It is specified that the proposed amendment of the by-laws concerned by this report does not entail any right of withdrawal as provided by legislation currently in force.

In view of the above, the board of directors submits for your approval the following

Proposed Resolution

"The shareholders' meeting of Telecom Italia S.p.A., met in an extraordinary session,

- having examined the explanatory report of the Board of Directors;
- given the statement by the Board of Statutory Auditors that the current share capital has been fully paid in;

resolved

1. to establish and authorise, in accordance with the provisions of the Regulations, the convertibility of the equity-linked bond issue of a nominal amount of 2,000,000,000 euros, due on 26 March 2022, named "€2,000,000,000 1.125 per cent. Equity-Linked Bonds due 2022", and therefore to approve the proposed share capital increase for cash, in tranches, with exclusion of the preferential subscription right pursuant to art. 2441, subsection 5 of the Italian Civil Code, for a total maximum amount, including any share premium, of 2 billion euros, to service the conversion of the "€2,000,000,000 1.125 per cent. Equity-Linked bonds due 2022", as described herein, potentially to be settled in shares as prescribed in the Regulation, to be paid up in one or more tranches by means of the issue of ordinary shares in the Company for a maximum amount of 2 billion euros, with regular dividend entitlement exclusively to service the bond issued by the Company named "€2,000,000,000 1.125 per cent. Equity-Linked Bonds due 2022", in accordance with the criteria established by the related Regulations. No parts of shares will be issued or delivered and no cash payment or adjustment will be made in lieu of said parts;
2. to approve the sending by the Chairman and Chief Executive Officer, even separately and with the faculty to sub-delegate, of a communication ("Physical Settlement Notice") to Bondholders by virtue of which the possibility will be provided of converting the Bond into ordinary newly issued Company shares;
3. to establish that the issue price of the Conversion shares of the share capital increase is determined on the basis of provisions of the Bond Issue Regulations under point 1 above

and therefore equal to 1.8476 euros, excepting adjustments and without prejudice to the cases where the related conversion price will be calculated in accordance with the methods specified by the bond issue Regulations pursuant to point 1 above and, in particular, without prejudice in the event of exercise of the share settlement election; and is allocated as 0.55 euros (or the lesser amount of the conversion price) in capital and any residual amount, by way of premium.

4. to authorise the Board of Directors and, on its behalf its legal representatives, to carry out the above mentioned share capital increase determining, *inter alia* and each time, in compliance with the provisions of the Regulations (i) the exact issue price of the shares, and, as a consequence of the determination of the issue price, (ii) the exact number of shares to be issued, and, therefore, the spot exchange ratio, where this is necessary for the timely application of the provisions and criteria of the Regulations; it being understood that, should the share capital increase referred to above not be fully subscribed on 26 March 2022, the share capital will be deemed to be increased by an amount equal to the subscriptions received;

5. to introduce a new subsection at the end of art. 5 of the Company by-laws which shall read as follows:

"The extraordinary shareholders' meeting of [•] 2015 resolved to increase the share capital for cash for payment, in tranches, with exclusion of the preferential subscription right pursuant to art. 2441, subsection 5 of the Italian Civil Code, for a total maximum amount, including any share premium, of 2,000,000,000 euros (two billion), to service the conversion of the "€2,000,000,000 1.125 per cent. Equity-Linked bonds due 2022", to be paid up in one or more tranches by the issue of ordinary shares of the Company with regular dividend entitlement, for a maximum amount of 2,000,000,000 euros (two billion), exclusively for the service of the bond issued by the Company named "€2,000,000,000 1.125 per cent. Equity-Linked Bonds due 2022", in accordance with the criteria determined by the related Regulations, without prejudice to the fact that the final terms for subscription of the newly issued shares are established as 26 March 2022 and that if, as of that date, the share capital increase has not been fully subscribed it will in any case be intended as increased by an amount equal to the subscriptions collected and as of that date, with the specific authorisation of the directors to issue the new shares as they are subscribed. No parts of shares will be issued or delivered and no cash payment or adjustment will be made in lieu of said parts"

6. to confer upon the Board of Directors – and on behalf thereof on the *pro tempore* legal representatives of the Company, jointly or severally – all powers to put into effect the aforementioned share capital increase and to make the consequent changes on a case by case basis to article 5 of the Company By-laws, and to that end meet all the obligations and publish all information required by the regulations to complete all the necessary formalities for the approved resolutions to be entered in the Business Register, accepting and making thereto any amendments, additions or deletions of a non-substantial nature that may be required by the competent authorities, as well as all the powers necessary for legal and regulatory compliance deriving from the resolutions adopted."

CHANGES TO CORPORATE GOVERNANCE INTERNAL RULES - AMENDMENT OF ARTICLES 9, 11 AND 17 OF THE BYLAWS – RELATED AND CONSEQUENT RESOLUTIONS

Dear Shareholders,

in formulating its guidance for Shareholders, in view of the Shareholders' Meeting of 16 April 2014, called to renew the administration body, the outgoing Board of Directors concluded its report by recommending that *“the incoming Board of Directors evaluate whether or not the Bylaws and/or the remaining corporate governance instruments in force be amended in order to implement the solutions suggested, and in any case the best company practices”*.

The Board of Directors elected by that Shareholders' Meeting, with a radically renewed composition (only 4 of the 13 Directors were members of the previous structure) and internal balance (currently 9 Directors fulfil the independence requirements established by the Corporate Governance Code, compared to 5 at 31 December 2013, when the total number of Directors in office was 11, out of the 15 established by the Shareholders' Meeting), picked up the baton and decided to conduct a comprehensive review of the corporate governance structures, launching a workout initiative, the results of which are presented here with reference to the work to be done on the Bylaws.

The work proposed essentially relates to:

- clarification regarding the entitlement to submit slates for the renewal of the Board of Directors and the Board of Statutory Auditors (0.5% of the ordinary share capital or less), as specified by the Company (at the request of Consob) in view of the Shareholders' Meeting of 16 April 2014 (renewal of the Board of Directors) and reiterated for today's Shareholders' Meeting (renewal of the Board of Statutory Auditors);
- the introduction of a principle of independence, when renewing the Board of Directors, for at least half of the candidates and elected directors on each slate; Reference is made alternatively to the independence requirements established by law or to those of the Corporate Governance Code drawn up by the Corporate Governance Committee of Borsa Italiana, with which Telecom Italia complies.
- a change to the majority premium, when renewing the Board of Directors, to 2/3 of the Directors to be elected;
- a change to the mechanism for convening the Board of Directors at the request of the Directors, attributing this right to 2 Directors (rather than to one fifth of the Directors in office), in a similar way to the legal provisions regarding Auditors.

The amendments proposed are deemed to be largely self-explanatory: the objective is to align the Bylaws of Telecom Italia with best practice, particularly as regard the crucial matter of the appointment of corporate bodies by the Shareholders' Meeting, enhancing the pluralism of the shareholding structure and the weight and role of independent Directors.

At the same time, the opportunity would be seized to eliminate transitional clauses whereby the gender quota is restricted to one fifth (instead of one third) on first renewal of the Board of Directors and the Board of Statutory Auditors respectively, subsequent to the introduction of the rule on gender balance. With today's Shareholders' Meeting (called, among other things, to elect the supervisory body), the rules will come into full effect.

Note that shareholders who do not approve the proposed changes to the Bylaws being examined do not have the right of withdrawal.

The proposed resolution of the Shareholders' Meeting is reproduced below, with a comparison of the relevant articles 9, 11 and 17, in their current form and after incorporation of the proposed amendments

In view of the above, the Board of Directors submits for your approval the following

Proposed Resolution

The Shareholders' Meeting of Telecom Italia S.p.A.,

- having examined the explanatory report of the Board of Directors;

resolved

1. to amend articles 9, 11 and 17 as stated in the text below, with indications of the amendments made.

Article 9

Current text	Proposed text
9.1 - The Company shall be managed by a Board of Directors consisting of not less than seven and not more than nineteen members, at least one third of whom shall be of the less represented gender, rounding any fractions up to the next whole number. The Shareholders' Meeting shall establish the number of members of the Board of Directors, which shall remain unchanged until a different number is established.	UNCHANGED
9.2 - The Board of Directors shall be appointed, in accordance with the applicable laws and regulations, on the basis of slates presented by the shareholders or by the outgoing Board of Directors.	UNCHANGED
9.3 - Each shareholder may present or participate in the presentation of only one slate and each candidate may appear on only one slate on pain of ineligibility. Slates that contain a number of candidates greater than or equal to three must ensure that both genders are present, in such a way that candidates of the less represented gender are at least one third of the total, rounding any fractions up to the whole number.	9.3 - Each shareholder may present or participate in the presentation of only one slate and each candidate may appear on only one slate on pain of ineligibility. The slates must ensure the presence of candidates who fulfil the requirements of independence established by Article 148 of Legislative Decree 58/1998 and/or the Corporate Governance Code for listed companies, in such a way that at least one half of the members chosen

	<p>from each slate, at the outcome of the vote, possesses such requirements. Slates that contain a number of candidates greater than or equal to three must also ensure that both genders are present, in such a way that candidates of the less represented gender are at least one third of the total. For the purpose of applying the independence and gender requirements, rounding any fractions up will be rounded up to the nearest whole number.</p>
<p>9.4 - Slates may be submitted only by shareholders who alone or together with other shareholders hold a total number of shares representing at least 0.5% (or such other amount established by Consob regulations) of the share capital entitled to vote at the Ordinary Shareholders' Meeting .</p>	<p>9.4 - Slates may be submitted only by shareholders who alone or together with other shareholders hold a total number of shares representing at least 0.5% (or such eitherlower amount established by Consob regulations) of the share capital entitled to vote at the Shareholders' Meeting.</p>
<p>9.5 - Together with each slate, it is necessary to file individual candidates' acceptance of their candidacy and declarations in which they attest, on their own responsibility, that there are no grounds for ineligibility or incompatibility, and that they meet any requirements, as well as any other information requested by applicable law or regulation or the bylaws. Together with the declarations, a curriculum vitae shall be filed for each candidate setting out their main personal and professional data with an indication of the positions held in management and control bodies of other companies and of the grounds for their qualifying as independent in accordance with the criteria established by law and the Company. Any changes that occur up to the day the Shareholders' Meeting is held must be promptly notified to the Company.</p>	<p>UNCHANGED</p>
<p>9.6 - Each person entitled to vote may vote for only one slate.</p>	<p>UNCHANGED</p>
<p>9.7 - The Board of Directors shall be elected as specified below:</p> <p>a) four-fifths of the Directors to be elected shall be chosen from the slate that obtains the majority of the votes (the Majority Slate) in the order in which they are listed on the slate, rounding any fractions down to the nearest whole number.</p> <p>b) without prejudice to compliance with the applicable laws and regulations concerning the limits to the link with the Majority Slate, the remaining directors shall be taken from the other slates; to that end, the votes obtained by the various slates shall be divided successively by whole numbers from one up to the number of directors to be chosen. The quotients thus obtained shall be assigned to the candidates on each slate in the order specified thereon. On the basis of the quotients assigned, the candidates on the various slates shall be arranged in a single decreasing ranking. Those who have obtained the highest quotients shall be elected. If more than one candidate obtains the same quotient, the candidate from the slate that has not yet elected any director or that has</p>	<p>9.7 - The Board of Directors shall be elected as specified below:</p> <p>a) from the slate which has obtained the majority of the votes (the so-called Majority Slate) four-fifthstwo thirds of the Directors to be elected shall be chosen, in the order in which they are listed on said slate, rounding any fractions down to the nearest whole number. At least one half of the Directors chosen from the Majority Slate (with fractions rounded up to the nearest whole number) must possess the independence requirements envisaged in art. 148 of Legislative Decree 58/1998 and/or the Corporate Governance Code for listed companies; if this is not the case, the last candidate chosen from the Majority Slate who does not fulfil such requirements shall be replaced by the first of those not elected from the same slate who possesses these requirements. In the absence of independent candidates on the Majority Slate in sufficient number to proceed with the replacement, the Shareholders' Meeting shall supplement the board with the majorities required by law, thus ensuring that the requirement is met;</p>

<p>elected the smallest number of directors shall be elected.</p> <p>If none of such slates has yet elected a director or all of them have elected the same number of directors, the candidate from the slate that obtained the largest number of votes shall be elected. If the different slates have received the same number of votes and their candidates have been assigned the same quotients, a new vote shall be held by the entire Shareholders' Meeting and the candidate obtaining the simple majority of the votes shall be elected.</p> <p>If the composition of the resulting board does not reflect gender balance, taking into account their ranking order on the slate, the necessary number of the last candidates of the more represented gender elected from the Majority Slate shall forfeit their post to ensure compliance with this requirement, and shall be replaced by the first candidates not elected from the same slate who are of the less represented gender. In the absence of candidates of the less represented gender on the Majority Slate in sufficient number to proceed with the replacement, the Shareholders' Meeting shall supplement the board with the majorities required by law, thus ensuring that the requirement is met.</p>	<p>c) without prejudice to compliance with the applicable laws and regulations concerning the limits to the link with the Majority Slate, the remaining directors shall be taken from the other slates; to that end, the votes obtained by the various slates shall be divided successively by whole numbers from one up to the number of directors to be chosen. The quotients thus obtained shall be assigned to the candidates on each slate in the order specified thereon. On the basis of the quotients assigned, the candidates on the various slates shall be arranged in a single decreasing ranking. Those who have obtained the highest quotients shall be elected, provided that at least one half of the candidates chosen from each slate (with fractions rounded up to the nearest whole number) possesses the independence requirements envisaged in art. 148 of Legislative Decree 58/1998 and/or the Corporate Governance Code for listed companies, proceeding, if this is not the case, to replace the last candidate elected who does not fulfil such requirements with the first of those not elected from the same slate who possesses these requirements. In the absence of independent candidates on the Majority Slate in sufficient number to proceed with the replacement, the candidates with the next largest number of votes and fulfilling the independence requirements, according to the order as per the single ranking as set forth above, shall be elected. If this is not the case, the Shareholders' Meeting shall supplement the board with the majorities required by law, thus ensuring that the requirement is met.</p> <p>If more than one candidate obtains the same quotient, the candidate from the slate that has not yet elected any director or that has elected the smallest number of directors shall be elected.</p> <p>If none of such slates has yet elected a director or all of them have elected the same number of directors, the candidate from the slate that obtained the largest number of votes shall be elected. If the different slates have received the same number of votes and their candidates have been assigned the same quotients, a new vote shall be held by the entire Shareholders' Meeting and the candidate obtaining the simple majority of the votes shall be elected.</p> <p>If the composition of the resulting board does not reflect gender balance, taking into account their ranking order on the slate, the necessary number of the last candidates of the more represented gender elected from the Majority Slate shall forfeit their post to ensure compliance with this requirement, and shall be replaced by the first candidates not elected from the same slate who are of the less represented gender. In the absence of candidates of the less represented gender on the Majority Slate in sufficient number to proceed with the replacement, the Shareholders' Meeting</p>
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	shall supplement the board with the majorities required by law, thus ensuring that the requirement is met. The elected members of the more represented gender who possess the independence requirements specified by Article 148 of Legislative Decree no. 58/1998, and/or the Corporate Governance Code for listed companies, shall in all cases be replaced with nominees who similarly possess these requirements.
9.8 - In appointing directors who for any reason have not been appointed pursuant to the procedure specified above, the Shareholders' Meeting shall vote on the basis of the majorities required by law, ensuring that the requirements of the law and the Bylaws regarding the composition of the board are respected.	UNCHANGED
9.9 - If in the course of the financial year one or more vacancies occur on the Board, the procedure specified in Article 2386 of the Civil Code shall be followed, ensuring that the requirements of the law and the Bylaws regarding the composition of the board are respected.	UNCHANGED
9.10 - Should a majority of the seats on the Board of Directors become vacant for any cause or reason, the remaining directors shall be deemed to have resigned and they shall cease to hold office from the time the Board of Directors has been reconstituted by persons appointed by the Shareholders' Meeting.	UNCHANGED
9.11 - At the first renewal of the Board of Directors after the Shareholders' Meeting of 15 May 2012, the quota to be assigned to the less represented gender is limited to one fifth of the total, rounding any fractions up to the nearest whole number.	REMOVED

Article 11

Current text	Proposed text
11.1 - The Chairman or his/her substitute shall call meetings of the Board of Directors at the Company's registered office or elsewhere, on his/her own initiative and whenever he/she receives a written request to do so from at least one fifth of the directors holding office or from the members of the Board of Statutory Auditors. The Chairman shall give advance notice of the matters to be discussed in Board meetings and arrange for adequate information on the questions to be examined to be provided to all the Directors, taking account of the circumstances of each case.	11.1 - The Chairman or his/her substitute shall call meetings of the Board of Directors at the Company's registered office or elsewhere, on his/her own initiative and whenever he/she receives a written request to do so from at least two one-fifth of the directors holding office or from the members of the Board of Statutory Auditors. The Chairman shall give advance notice of the matters to be discussed in Board meetings and arrange for adequate information on the questions to be examined to be provided to all the Directors, taking account of the circumstances of each case.
11.2 - Meetings shall be called, using suitable means in relation to the notice to be given, normally at least five days prior to the date thereof, except in urgent cases, when at least twelve hours' notice must in any case be given.	UNCHANGED
11.3 - Notice shall be given to the Statutory Auditors within the same time limits.	UNCHANGED
11.4 - Participation in Board meetings may - if the Chairman or his/her substitute verifies the	UNCHANGED

necessity - be by means of telecommunication techniques that permit participation in the discussion and informational equality for all those taking part.	
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Article 17

Current text	Proposed text
17.1 - The Board of Statutory Auditors shall consist of five standing auditors, including at least two from the less represented gender. The Shareholders' Meeting shall also appoint four alternate auditors, two of each gender.	UNCHANGED
17.2 - For the purposes of Article 1, subsection 2, letters b) and c) of the regulation referred to in Justice Minister Decree 162/2000, the following sectors of activity and matters shall be considered closely linked to those of the Company: telecommunications, information technology, online systems, electronics and multimedia technology, and matters related to private and administrative law, economics and business administration.	UNCHANGED
17.3 - The appointment of the Board of Statutory Auditors shall be in compliance with the applicable laws and regulations on the basis of slates presented by shareholders.	UNCHANGED
17.4 - Each shareholder may present or participate in the presentation of only one slate and each candidate may appear on only one slate on pain of ineligibility.	UNCHANGED
17.5 - Slates may be submitted only by shareholders who alone or together with other shareholders hold a total number of shares representing at least 0.5% (or such other amount established by Consob regulations for the appointment of the Board of Directors) of the voting share capital.	17.5 - Slates may be submitted only by shareholders who alone or together with other shareholders hold a total number of shares representing at least 0.5% (or such other lower amount established by Consob regulations for the appointment of the Board of Directors) of the voting share capital
17.6 - Together with each slate, it is necessary to file individual candidates' acceptance of their candidacy and declarations in which they attest, on their own responsibility, that there are no grounds for ineligibility or incompatibility, and that they meet the requirements, as well as any other information requested by applicable law or regulation or the bylaws	UNCHANGED
17.7 - Together with the declarations, a curriculum vitae for each candidate shall be filed setting out their main personal and professional data with an indication of the positions held in management and control bodies of other companies. Any changes that occur up to the day the Shareholders' Meeting is held must be promptly notified to the Company.	UNCHANGED
17.8 - The slates shall be divided into two sections: one for candidates to the position of standing auditor and the other for candidates to the position of alternate auditor. Slates which in one or both sections contain three or more candidates must ensure the presence of both genders in said section, so that candidates of the less represented gender are at least one third of	UNCHANGED

<p>the total, rounding any fractions up to the next whole number. The first candidate in each section shall be selected from among the external auditors entered in the appropriate register who have worked on external audits for a period of not less than three years.</p>	
<p>17.9 - Each person entitled to vote may vote for only one slate.</p>	<p>UNCHANGED</p>
<p>17.10 - The Board of Statutory Auditors shall be elected as specified below:</p> <p>a) from the slate that obtains the majority of the votes (the Majority Slate) three standing and two alternate auditors shall be chosen in the order in which they are listed on the slate;</p> <p>b) without prejudice to the applicable laws and regulations concerning the limits to link with the Majority Slate, two standing and two alternate auditors shall be chosen from the other slates (the Minority Slates).</p> <p>To this end, the votes obtained by the Minority Slates shall be divided by one and by two. The quotients thus obtained shall be assigned to the candidates of the one and the other section of each slate in the order specified thereon. On the basis of the quotients assigned, the candidates on the various slates shall be arranged respectively in a single decreasing ranking for the appointment of the standing auditors and a single decreasing ranking for the appointment of the alternate auditors and those who have obtained the two highest quotients shall be elected.</p> <p>If more than one candidate obtains the same quotient, the candidate from the slate that has not yet elected a statutory auditor shall be elected or, subordinately, there shall be a tiebreaker vote by the entire Shareholders' Meeting and the candidate who obtains the simple majority of the votes shall be elected.</p> <p>If the composition of the resulting board or category of alternate auditors does not reflect the gender balance, taking into account their ranking order in the respective sections, the necessary number of the last candidates of the more represented gender elected from the Majority Slate shall forfeit their position to ensure compliance with this requirement, and shall be replaced by the first unelected candidates of the less represented gender on the same slate and the same section. In the absence of candidates of the less represented gender in the relevant section of the Majority Slate in sufficient number to proceed with the replacement, the Shareholders' Meeting shall appoint the standing or alternate auditors that are missing with the majorities required by law, ensuring that the requirement is met.</p>	<p>UNCHANGED</p>
<p>17.11 - The Shareholders' Meeting shall appoint the Chairman of the Board of Statutory Auditors from among the standing auditors elected from Minority Slates.</p>	<p>UNCHANGED</p>

<p>17.12 - In appointing statutory auditors who for any reason have not been appointed pursuant to the procedure specified above, the Shareholders' Meeting shall vote on the basis of the majorities required by law, ensuring compliance with the requirements of the law and the Bylaws regarding the composition of the board and the category of alternate auditors.</p>	<p>UNCHANGED</p>
<p>17.13 - In the event of the termination of the appointment of statutory auditors chosen from the Majority Slate or from one of the Minority Slates, alternate auditors chosen respectively from the Majority Slate or the Minority Slates shall take their place in declining order of age, always in compliance with the requirements of the Bylaws regarding the composition of the board. Appointments to fill vacancies on the Board of Statutory Auditors pursuant to Article 2401 of the Italian Civil Code shall be approved by the Shareholders' Meeting with the affirmative vote of the absolute majority of those voting and in compliance with the principle of the necessary representation of the minority shareholders, and of the requirements of the Bylaws regarding gender balance. In the event of the termination of the appointment of a statutory auditor chosen from the Minority Slates the principle of the necessary representation of the minority shareholders shall be deemed to be complied with in the event of the appointment of an alternate auditor chosen from the Minority Slates.</p>	<p>UNCHANGED</p>
<p>17.14 - After notifying the Chairman of the Board of Directors, the Board of Statutory Auditors, may call, as provided for by law, a Shareholders' Meeting or a meeting of the Board of Directors or the Executive Committee. This power to call meetings may be exercised individually by each statutory auditor, except for the power to call a Shareholders' Meeting, which must be exercised by at least two statutory auditors.</p>	<p>UNCHANGED</p>
<p>17.15 - Participation in the meetings of the Board of Statutory Auditors may - if the Chairman verifies the necessity - be by means of telecommunication techniques that permit participation in the discussion and informational equality for all those taking part.</p>	<p>UNCHANGED</p>
<p>17.16 - If the Chairman is absent or unable to act, the other standing auditor elected from the Minority Slates shall take his/her place.</p>	<p>UNCHANGED</p>
<p>17.17 - At the first renewal of the Board of Statutory Auditors after the Shareholders' Meeting of 15 May 2012, the quota to be assigned to the less represented gender is limited to one fifth of the total rounding any fractions up to the nearest whole number".</p>	<p>REMOVED</p>

2. to confer on the Board of Directors - and on behalf thereof on the legal representatives *pro tempore* of the company, jointly or severally, - all the powers necessary to complete all the necessary formalities for the adopted resolutions to be entered in the Business Register, accepting and introducing into said resolutions the amendments, additions or deletions of non-

substantial parts that might be requested by the competent authorities, as well as all the powers necessary for legal and regulatory compliance deriving from the resolutions adopted".

MERGER BY INCORPORATION OF TELECOM ITALIA MEDIA S.P.A. INTO TELECOM ITALIA S.P.A. – RELATED AND CONSEQUENT RESOLUTIONS

Dear Shareholders,

This report (the “**Report**”) has been prepared by the board of directors (the “**Board of Directors**”) of Telecom Italia S.p.A. (“**Telecom Italia**” or the “**Surviving Company**”) to explain and justify, in legal and economic terms and with specific reference to the criteria used to determine the exchange ratio, the plan for the merger (the “**Merger Plan**”) by incorporation of Telecom Italia Media S.p.A. (“**Telecom Italia Media**” and, together with Telecom Italia, the “**Companies Participating in the Merger**”) into Telecom Italia.

This Report has been prepared in accordance with Article 2501-*quinquies* of the Italian Civil Code and, as the ordinary and savings shares of the Companies Participating in the Merger are listed on the Electronic Share Market (the “**MTA**”) organised and managed by Borsa Italiana S.p.A., also in accordance with Article 70, subsection 2 of the implementation regulation of Italian Legislative Decree no. 58 of 24 February 1998 (the “**CLFI**”), adopted by Consob resolution no. 11971 of 14 May 1999 (the “**Issuer Regulations**”), in compliance with Chart 1 of Annex 3A to the Issuer Regulations.

1. DESCRIPTION OF THE COMPANIES PARTICIPATING IN THE MERGER

1.1 Telecom Italia S.p.A.

1.1.1 Company Information

Telecom Italia S.p.A. is an Italian joint stock company with registered office at Via Gaetano Negri n.1 in Milan; it is registered with Milan Business Register and has tax code and registration number 00488410010.

The share capital is equal to 10,723,391,861.60 euros, divided into 13,470,955,451 ordinary shares and 6,026,120,661 savings shares, all without par value.

1.1.2 Company purpose

Telecom Italia carries out the activities described herewith: a) the installation and operation, using any technique, method or system, of fixed and mobile equipment and installations, including radio stations, links for maritime wireless communications, and dedicated and/or integrated networks, for the purpose of providing, operating and marketing, without territorial restrictions, communications services, including those resulting from technological progress, and the performance of activities directly or indirectly related thereto, including the design, construction, operation, maintenance, integration and marketing of telecommunications, information technology and electronic products, services, networks and systems and, in general, ICT (Information Communication Technology) solutions for final users; b) the performance of related or instrumental activities, including publishing,

advertising, information technology, on-line and multimedia activities and, in general, all commercial, financial, property, research, training and consulting activities; c) the acquisition, provided it is not Telecom Italia's principal activity, of equity interests in other companies and undertakings falling within the scope of the corporate purpose or related, complementary or similar thereto; d) the control and the strategic, technical and administrative and financial coordination of subsidiary companies and undertakings, and the financial planning and management thereof, with the implementation of all related transactions.

Activities reserved to persons entered in a professional register and activities involving dealings with the public covered by Article 106 of Legislative Decree 385/1993 are expressly excluded.

1.2 Telecom Italia Media S.p.A.

1.2.1 Company Information

Telecom Italia Media S.p.A. is an Italian joint stock company with registered office at Via della Pineta Sacchetti 229 in Rome; it is registered with Rome Business Register and has tax code and registration number 12213600153.

The share capital is equal to 15,902,323.62 euros, divided into 103,308,421 ordinary shares and 5,496,951 savings shares, all without par value.

1.2.2 Company purpose

Telecom Italia Media's purpose is as follows: a) the exercise of publishing, typographic and graphic in general trade and industry, carried out in any form and on any means, including on-line; b) the collection and execution - also on behalf of third parties - of advertising, in any form and intended for any means of communication, including in exchange for goods or services; c) the management of activities - including promotional activities - in the field of advertising communication and public relations initiatives; d) the exercise, processing and sale, using all technological means and any transmission support, including on-line and over the internet, of all types of documentation services in any case concerning the multiple forms of the economic business, such as, merely by way of example, databases and support services for the trade of goods and services; e) the management of all activities connected with the processing and exercise of information of all types and in any form such may be carried out, including those concerning the exercise and marketing of communication services of all types and using any instruments and methods and, in general, all productive and commercial activities related, complementary or instrumental to the above-specified scope of operation.

Telecom Italia Media may also carry out all commercial, industrial, financial and real estate operations and investments considered useful to the achievement of the company purpose; to this end it may also directly or indirectly - in a non-prevalent manner - take on interests

and investments in other companies or businesses, with the specific exclusion of any activities relating to the collection of public savings and all other activities not permitted by the law.

2. DESCRIPTION OF THE BUSINESSES OF THE COMPANIES PARTICIPATING IN THE MERGER

2.1 Telecom Italia business

The Telecom Italia Group mainly operates in Europe, in the Mediterranean basin and in South America. It is involved in the ICT sector and in particular in national and international fixed and mobile telecommunications. Telecom Italia operates in Italy.

2.1.1 Summary of the most significant data of the business of the Surviving Company

Consolidated Operating and Financial Data^(*)

(million euros)	Telecom Italia Group	
	2014	2013
Revenues	21,573	23,407
EBITDA (1)	8,786	9,540
EBIT before goodwill impairment loss (1)	4,530	4,905
goodwill impairment loss	-	(2,187)
EBIT (1)	4,530	2,718
Profit (loss) before tax from continuing operations	2,347	532
Profit (loss) from continuing operations	1,419	(579)
Profit (loss) from Discontinued operations/Non-current assets held for sale	541	341
Profit (loss) for the year	1,960	(238)
Profit (loss) for the year attributable to owners of the Parent	1,350	(674)
Capital expenditures	4,984	4,400

Consolidated Financial Position Data^(*)

(million euros)	31.12.2014	1.12.2013
Total Assets	71,551	70,220
Total Equity	21,699	20,186
- attributable to owners of the Parent	18,145	17,061
- attributable to non-controlling interests	3,554	3,125
Total Liabilities	49,852	50,034
Total Equity and Liabilities	71,551	70,220
Capital	10,634	10,604
Net financial debt carrying amount (1)	28,021	27,942
Adjusted net financial debt (1)	26,651	26,807
Adjusted net invested capital (2)	48,350	46,993
Debt ratio (Adjusted net financial debt/Adjusted net invested capital)	55.1%	57.0%

Consolidated Profit Ratios^(*)

	2014	2013
EBITDA / Revenues (1)	40.7%	40.8%
EBIT / Revenues (ROS) (1)	21.0%	11.6%
Adjusted net financial debt/EBITDA (1)	3.0	2.8

(1) Details are provided under "Alternative Performance Measures".

(2) Adjusted net invested capital = Total equity + Adjusted net financial debt.

(*) Following stipulation of the agreements, in November 2013, for the sale of the controlling share held in the Sofora - Telecom Argentina, it has been classified as Discontinued operations - Assets held for sale.

(units) ⁽³⁾	1.12.2014	1.12.2013
Headcount (excluding headcount relating to Discontinued operations/Non-current assets held for sale)	66,025	65,623
Headcount relating to Discontinued operations/Non-current assets held for sale	16,420	16,575
(equivalent units)	2014	2013
Headcount (excluding headcount relating to Discontinued operations/Non-current assets held for sale)	59,285	59,527
Headcount relating to Discontinued operations/Non-current assets held for sale	15,652	15,815

(3) Include employees with temp work contracts.

Alternative Performance Measures

The main financial performance indicators used by the Telecom Italia Group and the Telecom Italia Media Group include, in addition to the conventional financial performance indicators contemplated under IFRS, some *alternative performance indicators* in order to give a clearer picture of the trend of operations and the company's financial position. Such measures, which are also presented in other periodical financial reports (annual and interim), should, however, not be considered as a substitute for those required by IFRS.

The alternative performance measures used are described below:

- **EBITDA:** this indicator is used as a financial target in internal presentations (business plan) and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of operating performance in addition to EBIT. These measures are calculated as follows:

Profit (loss) before tax from continuing operations	
+	Finance expenses
-	Finance income
+/-	Other expenses/(Income) from investments
+/-	Share of losses (profits) of associates and joint ventures accounted for using the equity method
EBIT - Operating profit (loss)	
+/-	Impairment reversals/(losses) of non-current assets
+/-	Losses (gains) on disposals of non-current assets
+	Depreciation & amortisation
EBITDA - Operating profit (loss) before depreciation and amortization, Capital gains (losses) and Impairment reversals (losses) on non-current assets	

- **Net Financial Debt:** Net Financial Debt represents an indicator of a company's ability to meet financial obligations. It is represented by Gross Financial Debt less Cash and Cash Equivalents and other Financial Assets.

In order to better represent the actual change in Net Financial Debt, in addition to the usual indicator (renamed "Net financial debt carrying amount") the "Adjusted net financial debt" is also shown, which excludes, where present, effects that are purely accounting in nature resulting from the fair value measurement of derivatives and related financial liabilities/assets.

Net financial debt is calculated as follows:

+ Non-current financial liabilities
+ Current financial liabilities
+ Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale
A) Total gross financial debt
+ Non-current financial assets
+ Current financial assets
+ Financial assets relating to Discontinued operations/Non-current assets held for sale
B) Financial Assets
C=(A - B) Net financial debt
D) Reversal of fair value measurement of derivatives and related financial assets/liabilities
E=(C + D) Adjusted net financial debt

2.2 Telecom Italia Media business

Telecom Italia Media is involved, through its subsidiary Persidera S.p.A. (formerly Telecom Italia Media Broadcasting S.r.l.) (“**Persidera**”), in the operation of a digital television broadcasting network operation and the supply of accessory services and signal broadcasting platforms.

2.2.1 Summary of the most significant data of the business of Telecom Italia Media Group

Consolidated Operating and Financial Data^(*)

(million euros)	Telecom Italia Media Group	
	2014	2013
Revenues	71	72
EBITDA	(1) 25	30
EBIT	(1) 6	2
Profit (loss) before tax from continuing operations	-3	-4
Profit (loss) from continuing operations	-3	-4
Profit (loss) from Discontinued operations/Non-current assets held for sale	0	-134
Profit (loss) for the year	-3	-138
Profit (loss) for the year attributable to owners of the Parent	-5	-132
Capital expenditures	6	6

Consolidated Financial Position Data

(million euros)	31.12.2014	1.12.2013
Total Assets	322	258
Total Equity	-22	-59
- attributable to owners of the Parent	-66	-59
- attributable to non-controlling interests	44	0
Total Liabilities	344	317
Total Equity and Liabilities	322	258
Capital	248	201
Net financial debt	(1) 269	260

Consolidated Profit Ratios^(*)

	2014	2013
EBITDA / Revenues (1)	35.21%	41.67%
EBIT / Revenues (ROS) (1)	8.45%	2.78%

(1) Details are provided above under ("Alternative Performance Measures").

(*) As a consequence of the transfer of LA7 S.r.l., completed on 30 April 2013, and the transfer of MTV Italia S.r.l., completed on 12 September 2013, for FY 2013, their economic results have been classified in accordance with the provisions of IFRS 5, to "Profit (loss) from discontinued operations/assets held for sale".

(units)	1.12.2014	1.12.2013
Employees	89	84

(equivalent units)	2014	2013
Employees	87	84

3. EXPLANATION OF AND REASONS FOR THE TRANSACTION, WITH SPECIFIC REGARD TO THE OPERATIONAL OBJECTIVES OF THE COMPANIES PARTICIPATING IN THE MERGER AND THE PROGRAMMES FORMULATED TO ACHIEVE THEM

3.1 Structure, terms and conditions of the transaction

3.1.1 Description of the transaction

- A.** The transaction to be submitted for your approval is the merger by incorporation of Telecom Italia Media into Telecom Italia (the "**Merger**" or the "**Transaction**"), pursuant to Article 2501 and subsequent articles of the Italian Civil Code.

The Merger Plan was approved by the boards of directors of Telecom Italia Media and Telecom Italia on 19 March 2015.

The Merger Plan was generated using the financial positions of the Companies Participating in the Merger as reported at 31 December 2014 and, specifically, of the respective draft financial statements relative to FY 2014, also valid in accordance with and pursuant to Art. 2501-*quater* of the Italian Civil Code. These draft financial statements are subject to the opinion of the company appointed to carry out the external audit of the accounts, PricewaterhouseCoopers S.p.A., and to the approval of the ordinary shareholders' meetings of Telecom Italia and Telecom Italia Media, also convened to an extraordinary session to approve the Merger Plan.

- B.** In accordance with Art. 2504-*ter* of the Italian Civil Code, the Merger will result in the cancellation without exchange of the investment held by Telecom Italia in Telecom Italia Media at the time the Merger takes effect. Shareholders of ordinary and savings shares of Telecom Italia Media, other than Telecom Italia, will be allocated newly issued ordinary and savings shares of Telecom Italia, respectively, in accordance with the exchange ratio. The transaction will take place by means of an increase in the share capital of Telecom Italia (as detailed in paragraph 3.1.2), with the issuance of new ordinary and savings shares.

- C. During the exchange, shareholders with savings shares of Telecom Italia Media will be allocated savings shares of the Surviving Company.

The Merger will not depend upon approval by the special meeting of savings shareholders of Telecom Italia Media insofar as the rights granted by the respective bylaws to this shareholder category are not adversely affected by the Transaction.

- D. Upon completion of the Merger, the ordinary and savings shares of Telecom Italia will continue to be listed on the MTA (Electronic Share Market) and the New York Stock Exchange, in the form of ADRs (American Depositary Receipts), such ADRs representing ten ordinary shares and ten savings shares respectively.
- E. Please note that no publication of the information document on the merger is envisaged in accordance with Art. 70, subsection 6 of the Issuer Regulations, as both Companies Participating in the Merger have exercised the opt-out faculty permitted by the last subsection of said Art. 70.

3.1.2 Amendments to the bylaws

By virtue of the Merger, Art. 5 of the bylaws of the Surviving Company in relation to share capital shall incorporate the changes necessary to permit the issuance of the new ordinary and savings shares pursuant to the exchange ratios, as described in paragraph 4 below.

The amount of the share capital increase of Telecom Italia to fulfill the exchange will be equal to a maximum par value of 10,612,042.10 euros:

- (i) by means of the issuance of up to 16,735,479 new ordinary shares with no par value, in application of the exchange ratio and share allocation methods pursuant to paragraphs 4 and 5;
- (i) by means of the issuance of up to 2,559,143 new savings shares with no par value, in application of the exchange ratio and share allocation methods pursuant to paragraphs 4 and 5;

The amount of the maximum share capital increase of Telecom Italia to fulfill the exchange is calculated without considering the ordinary shares and savings shares of Telecom Italia Media held by Telecom Italia as at the date of the Merger Plan; these shares will be cancelled without exchange during the Merger.

No further changes to the bylaws of the Surviving Company are envisaged as a result of the Merger. The bylaws of Telecom Italia are expected to undergo a series of additional amendments, if approved, at the Shareholders' Meeting of Telecom Italia convened to approve the Merger Plan. These amendments are not related to the Merger and will take effect as of their registrations in the Business Register, regardless of the effect of the Merger.

3.2 Rationale for the Transaction; operational objectives and programmes formulated to achieve them

The transaction has been approved on the following basis:

- rationalisation and simplification of the group structure;
- elimination of Telecom Italia Media's listing costs, no longer justified by the company's business (mainly consisting of holding and management of the investment in Persidera) as well as by the lack of market demand for the shares, trading in which has been increasingly limited in quantity and value, including among institutional investors, and which have received poor coverage by analysts;
- resolution of the structural equity, financial and liquidity issues and net losses of Telecom Italia Media;
- the possibility of ensuring a more efficient form of management of medium/long-term opportunities and of the valuation process of Persidera;
- the possibility of guaranteeing the minority shareholders of Telecom Italia Media an exchange in securities of the same category (but with far greater volumes and value of trade, in part due to the significant concentration of institutional investors) or, alternatively, the right of withdrawal at market prices.

Rationalisation and simplification of structure and assets

The Merger enables a clear rationalisation and simplification of the group's assets, deriving first and foremost from the elimination of intra-group debt.

Other organisational and cost benefits are expected to result from the rationalisation of staff function duties.

Elimination of listing costs

The Merger enables an increase in operational efficiency through the elimination of listing costs on the MTA. These costs can no longer be justified by the business of Telecom Italia Media (consisting of the holding and management of the investment in Persidera) as well as by the poor liquidity of the shares.

Solution to the financial and liquidity issues and net losses

Telecom Italia Media currently suffers financial and liquidity issues and net losses as a result of which its business continuity can only be maintained with the financial support of Telecom Italia.

The Merger should solve these issues and ensure the full and prompt integration of Telecom Italia Media and Telecom Italia.

More efficient management of the Persidera valuation process

The Merger would not compromise the Persidera valuation process; rather, it would manage it more efficiently, including over the medium/long-term.

Exchange in securities of the same category with better trading characteristics

Lastly, the Merger will guarantee shareholders of Telecom Italia Media an exchange into more liquid securities represented by shares of the same category as those they already hold or access to liquidity through withdrawal rights.

4. EXCHANGE RATIOS AND THEIR UNDERLYING CRITERIA

4.1. The exchange ratios

- A. The boards of directors of the Companies Participating in the Merger have determined the exchange ratio should follow a weighted valuation of Telecom Italia and Telecom Italia Media taking into account the nature of the transaction and using valuation methods commonly used in Italy and internationally for similar transactions and adjusted to suit the characteristics of each of the Companies Participating in the Merger.

In preparing the valuation of the exchange ratio, the Board of Directors considered, in identifying the values to be assigned to Telecom Italia and Telecom Italia Media, the documentation prepared by its consultants. More specifically, the Board of Directors used the reports prepared by the financial advisors Citigroup Global Markets Ltd and Studio Tasca, each of which provided a fairness opinion, from a financial point of view, on the exchange ratio (each report, including the fairness opinion, is hereinafter referred to as an "Opinion" and jointly, the "Opinions"). The Opinions concluded that the exchange ratio proposed was financially fair.

- B. After having examined the valuations of their respective advisors, the boards of directors of Telecom Italia and Telecom Italia Media approved—on a preliminary basis on 19 February 2015 and on a definitive basis on 19 March 2015—the exchange ratios of ordinary and savings shares of Telecom Italia Media and ordinary and savings shares of Telecom Italia by which shares of the Surviving Company will be allocated. The ratios were determined as follows:

- (i) 0.66 ordinary shares in Telecom Italia, without par value and with the same dividend entitlement as the existing Telecom Italia ordinary shares as of the date on which the Merger takes effect, for every 1 (one) ordinary share in Telecom Italia Media; and
- (ii) 0.47 savings shares in Telecom Italia, without par value and with the same dividend entitlement as the existing Telecom Italia savings shares as at the date on which the Merger takes effect, for every 1 (one) savings share in Telecom Italia Media.

No cash balance payments are envisaged.

- C. On 13 March 2015, following the joint application filed by the companies involved in the Merger, the Court of Milan appointed Reconta Ernst & Young S.p.A. as common expert charged with drawing up the fairness report on the Exchange Ratio, in accordance with and pursuant to Article 2501-sexies of the Italian Civil Code.

4.2 Valuation methods used to determine the exchange ratio

Telecom Italia was assisted in the determination of the exchange ratio by Citigroup Global Markets Ltd and Studio Tasca as financial advisors with respect to the valuation of the economic capital of the Surviving Company and the economic capital of Telecom Italia

Media. The value of the individual shares was derived from these valuations, distinguishing between ordinary and savings shares for both companies. For savings shares, the value was determined on the basis of the average market discount of savings shares versus ordinary shares in the last three months (20% for Telecom Italia and 41% for Telecom Italia Media) and in the last six months (20% for Telecom Italia and 42% for Telecom Italia Media).

The aim was to use homogeneous methods and assumptions to define comparable values, in relation to profitability, capital structure and financial trends of the Companies Participating in the Merger, on a standalone basis, in order to establish a fair exchange rate for each category of shares. The standalone valuations reflect the current position and future prospects of the two companies considered independently, regardless of the effects of the merger, as well as synergies that can potentially be achieved.

In order to identify the appropriate exchange ratios, the valuations employed a methodological principle that focused on accurately estimating the relative values of the companies, rather than on determining their absolute economic values. Different standard valuation methodologies, including the valuation expressed by the market (*i.e.*, using market multiples of comparable companies, target prices of analysts and discounted cash flows based on the plans of the two companies) were considered.

Considering the specific characteristics of Telecom Italia and Telecom Italia Media, their specific operations and the valuation practices of the reference market, as well as international standards, the main method used was the “Sum of the Parts” discounted cash flow (“DCF”) method, as other methods were believed to be unable to express values that are adequately representative of TI Media, prejudicing the homogeneity and comparability of the values.

In view of the highly liquid nature of Telecom Italia’s shares and the number and quality of the financial analysts covering it, in order to verify the consistency of the value ranges determined as described above, a finding was identified using market multiples of comparable companies, stock market prices and financial analysts’ target prices. In the case of Telecom Italia Media, due to its limited float and the consequently low level of liquidity of its shares, together with the fact that its coverage by financial analysts was limited and not up-to-date and institutional investors had a limited presence in its share capital, the market prices of Telecom Italia Media’s shares and financial analysts’ target prices were not considered significant.

Moreover, it should also be noted that, as further explained below, the transaction results—in accordance with current legislation—in a right of withdrawal at market values for investors not interested in participating in the Merger.

Determination of the equity value by means of the DCF falls under the more extensive scope of cash flow-based valuations. The cash flow method considers the Enterprise Value (“EV”) as the current value of a succession of future cash flows generated by the business given its terminal value (“TV”).

The valuation is based on the following formula:

$$EV = \sum_{i=1}^n \frac{FCFF_i}{(1+WACC)^i} + \frac{TV}{(1+WACC)^n}$$

where:

- “FCFF” = Annual unlevered operating free cash flow forecast for the period i
- “ n ” = number of forecast years
- “WACC” = Weighted Average Cost of Capital

The equity value is therefore determined by subtracting the debt and other non-operating adjustments from the EV at time $t=0$.

In applying the DCF method, the WACC of the individual Companies Participating in the Merger were determined on the basis of the cash flows of the business plans and the terminal values (determined on the basis of the normalised cash flows beyond the specific plan period) of both Companies Participating in the Merger.

$$WACC = K_D (1 - t) \times \left(\frac{D}{D + E} \right) + K_E \times \left(\frac{E}{D + E} \right)$$

where:

- “Kd” = Cost of Debt
- “Ke” = Cost of Equity
- “D” = Debt
- “E” = Equity
- “t” = Tax rate

Cost of Debt represents the cost of debt in the medium and long-term of a company with a similar risk level net of tax effects. Cost of Equity represents the return expected by the investor and considers the risk associated with the investment, calculated on the basis of the Capital Asset Pricing Model according to the following formula:

$$K_e = rf + \beta (rm - rf)$$

where:

- “rf” = forecast rate of return on a risk-free investment
- “ β ” = coefficient that measures the correlation between the forecast return on the investment analysed and the return expected by the market
- “m” = average return expected from investments in equities on the market
- (rm - rf) = Equity Risk Premium (“ERP”)

Depending on the case at hand, an additional risk premium (“Small Cap Risk Premium” or “SCRPM”) may apply which increases as the size of the company being valued decreases.

When applied, this SCRP coefficient is added to the Cost of Equity, calculated on the basis of the above formula.

The sum of the parts, also defined as the "break up analysis", provides a range of values by adding the EVs of the individual company businesses, determined using the DCF method, to achieve the total EV. The Equity Value is therefore calculated by deducting net debt and other non-operating adjustments.

Below is a table summarising the main valuation data. The exchange ratios selected for the two share categories fall within the range derived from said valuation.

Telecom Italia

Values in € per share

	Ordinary Shares		Savings Shares	
	Minimum	Maximum	Minimum	Maximum
DCF	0.75	1.54	0.60	1.23
Control methods				
EV/EBITDA	1.12	1.41	0.89	1.13
Market prices over the last 12 months	0.77	1.14	0.61	0.91
Research analysts target price	0.60	1.20	0.50	0.96
Selected range (DCF)	0.75	1.54	0.60	1.23

Telecom Italia Media

Values in € per share

	Ordinary Shares		Savings Shares	
	Minimum	Maximum	Minimum	Maximum
Selected range (DCF)*	0.44	1.15	0.26	0.63
	Ordinary Shares		Savings Shares	
	Minimum	Maximum	Minimum	Maximum
Exchange ratio range**	0.59x	0.75x	0.43x	0.51x
	Ordinary Shares		Savings Shares	
	Minimum	Maximum	Minimum	Maximum
Exchange ratio	0.66x		0.47x	

* For information on the control methods, reference is made to that specified in the text above.

** Ratio of the range selected for Telecom Italia Media and that selected for Telecom Italia.

5. TELECOM ITALIA SHARE ALLOCATION METHOD AND DIVIDEND ENTITLEMENT DATE

- A.** The exchange of Telecom Italia Media shares with Telecom Italia shares deriving from the share capital increase will be carried out at no expense to the shareholders and with no commission payable through the authorised intermediaries in accordance with applicable laws and regulations. Non-dematerialised Telecom Italia Media shares can only be exchanged by delivering them to an intermediary authorised to release them to the centralised management system under the dematerialisation regime.
- In order to facilitate management of the rounding-off procedure relating to fractional shares, an authorised intermediary will be appointed. Additional information on the methods for the assignment of shares and rounding-off procedures will be communicated in due time in a shareholder notice.
- B.** As mentioned above, it is confirmed that the ordinary and savings shares to be issued by Telecom Italia to fulfill the exchange will have the same dividend entitlement date as that of

the existing ordinary and savings shares of Telecom Italia as of the time the Merger takes effect. Newly issued Telecom Italia shares, therefore, will not receive the dividend for which distribution will be proposed at the shareholders' meeting of the Surviving Company convened to approve the Merger Plan.

6. DATE OF APPLICATION OF THE TRANSACTIONS OF THE COMPANIES PARTICIPATING IN THE MERGER TO THE FINANCIAL STATEMENTS OF TELECOM ITALIA AND FOR TAX PURPOSES

The effects of the Merger will be applied to the statutory financial statements, in accordance with Art. 2504-bis, subsection 2, of the Italian Civil Code, as from the date of the last of the registrations of the Deed of Merger, or as from a subsequent date as may be specified in said deed.

The transactions performed by Telecom Italia Media will be applied to the financial statements of the Surviving Company as from 1 January of the year in which the Merger takes effect. The fiscal effects will also be applied as from that same date.

7. TAX EFFECTS OF THE MERGER ON THE COMPANIES PARTICIPATING IN THE MERGER

In accordance with Art. 172 of the TUIR (Consolidated Law on Income Tax), the Merger is a tax-neutral transaction in terms of income tax; it does not, therefore, constitute the realisation or distribution of assets of Telecom Italia Media. In determining the income of the Surviving Company, no consideration will be given to any surplus or deficit stemming from the share exchange ratio and the cancellation of the shares held by the Surviving Company. For tax purposes, the assets of Telecom Italia Media registered on the financial statements of the Surviving Company are valued at the last value recognised for income tax purposes of Telecom Italia Media.

As there are no tax suspension reserves currently or prospectively allocated to the share capital of Telecom Italia Media, the specific provisions of Art. 172, subsection 5 of the TUIR do not apply.

For shareholders of Telecom Italia Media, the exchange of their shares for shares of the Surviving Company does not constitute any realisation or distribution of capital gains or losses and is not recognised as revenue.

8. FORECAST FOR THE SIGNIFICANT SHAREHOLDER COMPOSITION AND CONTROL STRUCTURE OF TELECOM ITALIA FOLLOWING THE MERGER

8.1. Significant shareholdings and control structure of Telecom Italia

To date, the shareholders who, according to the records of the shareholders' register, supplemented by the communications of significant shareholdings in accordance with Article 120 of the CLFI and the information publicly available, have a number of ordinary shares of Telecom Italia representing more than 2% of the share capital, are specified in the table below:

DECLARANT OR PARTY AT THE TOP OF THE CHAIN OF HOLDINGS	PERCENTAGE OF TOTAL ORDINARY SHARES
Telco S.p.A.	22.297 %
BlackRock Inc.	4.794%
People's Bank of China	2.072%

8.2. Significant shareholdings and control structure of Telecom Italia Media

To date, the shareholders who, according to the records of the shareholders' register, supplemented by the communications of significant shareholdings in accordance with Article 120 of the CLFI and the information publicly available, have a number of ordinary shares of Telecom Italia Media representing more than 2% of the share capital, are specified in the table below:

DECLARANT OR PARTY AT THE TOP OF THE CHAIN OF HOLDINGS	DIRECT SHAREHOLDER	PERCENTAGE OF TOTAL ORDINARY SHARES
Telecom Italia S.p.A.	Telecom Italia S.p.A.	75.455%
	Telecom Italia Finance SA	2.256%

Telecom Italia exercises direction and coordination, as well as legal control, over Telecom Italia Media.

8.3. Forecast for the significant shareholding composition and control structure of Telecom Italia following the Merger

Considering the proposed exchange ratio, the Merger will have only marginal effects on the ordinary share capital of Telecom Italia insofar as the maximum dilution for minority shareholders of Telecom Italia Media following the issue of new shares to fulfill the exchange is approximately 0.124% (or 0.114% net of own shares held directly and through subsidiaries). This maximum dilution effect assumes no shareholder of Telecom Italia Media exercises the right of withdrawal in accordance with Article 2437, subsection 1(a) and is calculated assuming that there are no changes to the current ownership structure of Telecom Italia and Telecom Italia Media. For your information, maximum dilution is approximately 0.042% of the current savings capital.

The table below shows the shares that will be held by the major ordinary shareholders of Telecom Italia following the Merger:

DECLARANT OR PARTY AT THE TOP OF THE CHAIN OF HOLDINGS	PERCENTAGE OF TOTAL ORDINARY SHARES
Telco S.p.A.	22.269 %
BlackRock Inc.	4.788 %
People's Bank of China	2.069 %

9. EFFECTS OF THE MERGER ON SIGNIFICANT SHAREHOLDERS' AGREEMENTS IN ACCORDANCE WITH ARTICLE 122 CLFI

9.1. Shareholders' agreement containing forecasts relating to Telecom Italia

- A. The agreement (the “**Telco Agreement**”) stipulated by the shareholders of Telco S.p.A. (“**Telco**”), a major shareholder in Telecom Italia which as of 31 December 2014 held 22.297% of its ordinary share capital, qualifies as significant for Telecom Italia under Article 122 of the CLFI and the applicable provisions of the Issuer Regulations.

The Telco Agreement defines, among other things, the criteria for the composition of the slate of candidates for appointment to the Board of Directors submitted by Telco.

- B. For the sake of completeness it should be noted that in 2014, the parties to the Telco Agreement launched a Telco break up process, which has not yet been completed to date, as a result of which four newly constituted beneficiary companies (each a “**Newco**”) - each wholly controlled by one of the parties to the Telco Agreement - will be assigned a respective portion of the shares held by Telco in Telecom Italia as follows as of the date hereof: 14.72% to the Newco controlled by Telefónica S.A., 4.30% to the Newco controlled by the Generali Group and 1.64% to each of the Newcos controlled respectively by Intesa Sanpaolo S.p.A. and Mediobanca S.p.A. The breakup resolution was passed by the extraordinary shareholders' meeting of Telco on 9 July 2014.

On 27 February 2015, the term of the Telco Agreement was renewed until the earlier of 30 June 2015 and the date on which the Telco breakup takes effect. The breakup project requires authorisation from the Brazilian *Conselho Administrativo de Defesa Economica* (CADE), the Brazilian *Agencia Nacional de Telecomunicacoes* (Anatel), the Argentinian *Comision Nacional de Defensa de la Competencia* (CNDC) and the Italian *Istituto per la Vigilanza sulle Assicurazioni* (IVASS, previously ISVAP) before the operation can be finalised.

9.2. Shareholders' agreement concerning Telecom Italia Media

- A. On 9 April 2014, as part of agreements (the “**GELE Agreements**”) entered into by Telecom Italia Media and Gruppo Editoriale l'Espresso S.p.A. (“**GELE**”) for the integration of their

respective activities as network operators for terrestrial digital television, GELE made a specific standstill commitment with regards to Telecom Italia Media shares which may be considered as relevant in accordance with Art. 122, subsection 5(b) of the CLFI. GELE has undertaken not to, and to ensure that the parent companies controlled by or subject to joint control with GELE, shall not, purchase or hold, directly or indirectly, any Telecom Italia Media shares or any other financial, capital or debt instruments of Telecom Italia Media or any rights that enable GELE or its affiliated companies to directly or indirectly acquire, including at term, said shares or said financial instruments.

The agreement has a duration of three years starting from 30 June 2014.

9.3. Effects of the Merger on shareholders' agreements

The Merger has no effect on the Telco Agreement.

GELE's commitment under the GELE Agreements not to purchase Telecom Italia Media shares shall remain in force until the Merger comes into effect, at which point the additional commitments and rights assigned to or in favour of Telecom Italia Media in the GELE Agreements shall be transferred to the Surviving Company.

10. ASSESSMENT OF THE BOARD OF DIRECTORS ON THE APPLICABILITY OF THE RIGHT OF WITHDRAWAL

- A. The Merger shall not give rise to any right of withdrawal pursuant to Art. 2437 of the Italian Civil Code for ordinary and savings shareholders of Telecom Italia who did not vote in favour of the resolution approving the Merger.

Nor does Article 2437-*quinquies* of the Italian Civil Code, which assigns the right of withdrawal to shareholders who did not vote in favour of the resolution resulting in the exclusion from listing, apply insofar as the ordinary and savings shares of Telecom Italia shall continue to be listed on the MTA.

- B. Certain Telecom Italia Media shareholders shall have the right to withdraw in accordance with Art. 2437, subsection 1, letter a) of the Italian Civil Code (which concerns the “*amendment of the clause setting out the company purpose, when it enables a significant change to the company's business*”), since the adoption of the company bylaws of Telecom Italia will imply, for the shareholders of Telecom Italia Media, a significant change in the business of the company in which they will hold shares upon completion of the Merger.

Ownership of the shares for which the right of withdrawal can be exercised must be uninterrupted from the date of the extraordinary shareholders' meeting convened to approve the Merger until the date on which the right of withdrawal is exercised. Given that the event envisaged by Article 2437, subsection 1, letter a) of the Italian Civil Code shall only take place if the Merger is finalised, the effect of withdrawal is subject to the Merger taking effect.

Holders of ordinary shares of Telecom Italia Media who do not vote in favour of the Merger decision and holders of savings shares of Telecom Italia Media shall have a right to withdraw at an exit price of 1.055 euros per ordinary share and 0.6032 euros per savings share. In accordance with the Italian Civil Code, this value coincides with the arithmetic mean of the closing share price in the six months prior to publication (on 19 February 2015) of the notice convening the shareholders' meeting of Telecom Italia Media called to approve the Transaction.

The maximum theoretical cost of withdrawal, if all minority shareholders should exercise this right, amounts to approximately 30 million euros. This cost exceeds the value of the shares used for the exchange, but the difference is more than quantitatively compensated for by the value of the cost synergies management has identified as a result of the Merger. On the basis of these results, even if all those entitled to do so should withdraw, the economic benefit of the transaction for Telecom Italia is in any case confirmed, as reflected by the Opinions.

11. INDICATION OF THE PARTIES ENTITLED TO EXERCISE A RIGHT OF WITHDRAWAL, THE TERMS AND CONDITIONS ENVISAGED FOR THE EXERCISE OF SAID RIGHT AND PAYMENT OF THE RELATED REPAYMENT

The terms and conditions for the exercise of the right of withdrawal due to the shareholders of Telecom Italia Media will be described in the documents prepared and published for this purpose by Telecom Italia Media.

In view of the above, the Board of Directors submits for your approval the following

Proposed Resolution

The Shareholders' Meeting of Telecom Italia S.p.A.,

- *given the plan for merger by incorporation of Telecom Italia Media S.p.A. into Telecom Italia S.p.A.;*
- *having examined the Directors' Explanatory Report on the merger plan specified above;*
- *having acknowledged the financial position of the companies participating in the merger, represented by the draft financial statements for FY 2014;*
- *having acknowledged the fairness report on the exchange ratio prepared by Reconta Ernst & Young S.p.A., as expert appointed in accordance with Article 2501-sexies of the Italian Civil Code by the Court of Milan;*
- *having acknowledged the timely deposit of the documentation, in accordance with current provisions; and*
- *given the statement by the Board of Statutory Auditors that the current share capital has been fully paid in;*

resolved

1. *to approve the merger plan and consequently to proceed with the merger by incorporation of Telecom Italia Media S.p.A. into Telecom Italia S.p.A., in accordance with the terms and conditions set out therein. The exchange of the ordinary and savings shares in the company being incorporated, Telecom Italia Media S.p.A., will be achieved by issuing*
 - *0.66 ordinary shares of the Surviving Company for each 1 ordinary share in Telecom Italia Media and*
 - *0.47 savings shares of the Surviving Company for each 1 savings share in Telecom Italia Media,*

with the same dividend entitlement date as that of the existing Telecom Italia S.p.A ordinary and savings shares as of the date on which the Merger takes effect, all without par value, in application of the share allocation methods envisaged in the merger plan;
2. *to increase, in tranches, the share capital of the incorporating company, Telecom Italia S.p.A., to fulfill the exchange by a maximum par value of 10,612,042.10 euros, by means of the issue of up to 16,735,479 new ordinary shares and up to 2,559,143 new savings shares, all without par value, allocating 0.55 euros per share to capital. Said maximum amount is calculated without considering the ordinary shares and savings shares of Telecom Italia Media S.p.A. held by Telecom Italia S.p.A. as at the date of the merger plan; these will be cancelled without exchange. It is specified that in order to facilitate management of the rounding-off procedure relating to fractional shares, a specific appointment will be made of an authorised intermediary.*
3. *to accordingly amend Art. 5 of the company Bylaws by introducing a new, last subsection as follows:*

"The shareholders' meeting of 20 May 2015 resolved a divisible share capital increase by a maximum total of 10,612,042.10 euros by means of the issue of up to 16,735,479 new ordinary shares and up to 2,559,143 new savings shares, all without par value, allocating 0.55 euros per share to capital, with regular entitlement, to fulfill the merger by incorporation of Telecom Italia Media S.p.A.";
4. *to confer upon the Board of Directors and, on behalf thereof, on the pro tempore legal representatives, severally and also by means of special proxies to be appointed to this end, all powers to make any non-substantive amendments, supplements or eliminations to and from the meeting resolutions as may be necessary at the request of any competent administrative authority or when registering it with the Business Register; and*
5. *to confer upon the Board of Directors and, on behalf thereof, on the pro tempore legal representatives, severally and also by means of special proxies to be appointed to this end, full powers, with no exclusions, to implement the merger in accordance with the terms and conditions laid down by the merger plan and this resolution and, therefore, without any limitation to:*

- *stipulate and sign the public deed of merger and any deed of recognition, supplement and adjustment as may be necessary or appropriate, defining all relevant conditions, clauses, terms and methods in compliance with and fulfilment of the merger plan;*
- *to supplement and amend, when stipulating the deed of merger, the numerical expressions given in Article 5 of the Bylaws of Telecom Italia S.p.A., in application of the criteria identified by the merger plan and in relation to the number of shares to be issued in accordance with the terms of the Merger;*
- *generally to carry out all else as may be required, necessary, useful or appropriate to fully implement the above resolutions, including enabling the transfers, transcriptions, notes, amendments and adjustments of ownership in public registers and all other competent offices, as well as the presentation to the competent authorities of all applications, requests, communications or petitions for authorisation as may be required, necessary or appropriate for the purpose of the transaction.*

SUPPLEMENTS TO THE BYLAWS REQUESTED BY TELEFÓNICA, THROUGH TELCO, PURSUANT TO THE RULING BY THE AGÊNCIA NACIONAL DE TELECOMUNICAÇÕES (ANATEL). RELATED AND CONSEQUENT RESOLUTIONS

Dear Shareholders,

This report has been drawn up by Telco S.p.A. ("Telco") pursuant to and for the purposes of article 126-legislative decree 58 of 24 February 1998 (the "bis, subsection 4, of CLFI") - to accompany the request for the amendment of the agenda for the annual shareholders' meeting of Telecom Italia S.p.A. ("Telecom Italia" or the "Company"), being called for 20 May 2015 after the resolution by the Board of Directors of Telecom Italia on 19 March 2015, with the addition of the following item, to be discussed and resolved on in the extraordinary part of the meeting:

"1. *Amendments of the Bylaws requested by Telefónica, through Telco, pursuant to the ruling issued by Agência Nacional de Telecomunicações (ANATEL). Related and consequent resolutions*".

* * * * *

1. REASONS FOR THE REQUEST FOR AMENDMENT AND FOR THE ADOPTION OF THE PROPOSED RESOLUTIONS.

On 20 March 2015, after the ANATEL decision of 22 December 2014, subsequently amended on 12 March 2015, Telefónica S.A. ("**Telefónica**"): (i) gave binding undertakings to Telecom Italia in which it irrevocably renounced its administrative rights (*direitos políticos*) connected to its future shareholding in Telecom Italia and its subsidiaries and (ii) asked Telco to call a meeting of its Board of Directors in order to, in turn, request that Telecom Italia call an extraordinary meeting of the shareholders of Telecom Italia or to supplement the agenda for the meeting of the shareholders of the Company being called for 20 May next to resolve on the introduction into the by-laws of Telecom Italia of certain changes to said Bylaws prescribed by the *Agência Nacional de Telecomunicações* "ANATEL" (the Brazilian regulatory authority) in its authorisation (the "**Authorisation**") of the partial non-proportional break-up of Telco (the "**Break-up**"), currently being implemented, approved by the Board of Directors and Extraordinary Meeting of the shareholders of Telco on 26 June 2014 and 6 July 2014 respectively (a note summarising the aforementioned Break-up process is annexed at "A").

The ANATEL ruling originates from the request made by the Telco shareholders to said Authority to authorise completion of the Break-up. In fact, the shareholders agreement between the Telco partners expires as an effect of the break-up, and Telefónica – which is a partner in Telco with a shareholding equivalent to 66% of the share capital, and a competitor of Telecom Italia in the Brazilian market - becomes owner of a direct shareholding in Telecom Italia equivalent to approximately 14.8% of its ordinary share capital.

On 22 December, ANATEL issued its Authorisation of the Break-up, subject to certain conditions. In particular, in the Authorisation ruling, as amended on 12 March 2015, ANATEL has ordered Telefónica:

- (a) to suspend its exercise of any administrative rights (*direitos políticos*) that may be exercised by Telefónica in the shareholders' meetings of Telecom Italia and its subsidiaries (including Tim Celular and Intelig Telecomunicações Ltda.), with particular regard to:
 - i. the designation of members of the Board of Directors, Board of Statutory Auditors and any corporate body of such companies with equivalent powers;
 - ii. the exercising by Telefónica of its voting rights and veto rights in the shareholders' meetings of Telecom Italia and said companies or in any corporate body thereof with equivalent powers;
 - iii. its participation (in order to calculate quorums for the purpose of constituting such meetings and for resolutions) in shareholders' meetings or in any corporate body of Telecom Italia and said companies with equivalent powers;
- (b) to request that Telecom Italia submit the amendment of its company Bylaws to a meeting of its shareholders, so as to incorporate into said Bylaws the prescriptions set out in the Authorisation mentioned in paragraph (a) above, doing everything in its power, and also making provision for said restrictions to prevail over the other provisions of the Telecom Italia Bylaws, so that Telefónica is always precluded from participating, intervening or exercising a voting right or veto, or registering its presence (in order to calculate *quorums* for the purpose of constituting such meetings and for resolutions) in relation to any resolution adopted by Telecom Italia or a company directly or indirectly controlled by the latter, and;
- (c) that the restrictions mentioned in paragraphs (a) and (b) above shall remain valid for as long as Telefónica remains a shareholder of Telecom Italia, irrespective of the number of shares, or until the moment in which this control, object of the restriction identified in the ANATEL case (“Ato nº 454 22 January 2015), shall cease to have efficacy.

2. PROPOSED RESOLUTION.

In light of the Authorisation ruling, given below is the text of the transitory clause that it is proposed be inserted at the end of the company Bylaws of Telecom Italia, with efficacy limited in time (i) for so long as Telefónica retains a shareholding in Telecom Italia or (ii) if earlier, until the moment in which the restrictions imposed by ANATEL should cease to have effect.

“Article 20-bis

Transitory clause

In conformity with the prescriptions made by Agência Nacional de Telecomunicações “ANATEL” in its ruling dated 22 December 2014, as subsequently amended on 12 March 2015, the exercise of all the administrative rights (direitos políticos) of Telefónica S.A. in Telecom Italia and in its subsidiaries

(including Tim Celular S.A. and Intelig Telecomunicações Ltda.) shall be understood to be suspended, particularly with regard to:

- i. the designation of members of the Board of Directors, Board of Statutory Auditors and Executive Committee or any corporate body of such companies with equivalent powers;
- ii. the exercising by Telefónica S.A. of its voting rights and veto rights in the shareholders' meetings of Telecom Italia and said companies or in any corporate body thereof with equivalent powers;
- iii. its participation (in order to calculate quorums for the purpose of constituting such meetings and for resolutions) in shareholders' meetings or in any corporate body of Telecom Italia and said companies with equivalent powers;

The aforementioned restrictions shall prevail over the other provisions of the company Bylaws of Telecom Italia that are incompatible with them, in such a way that Telefónica S.A. is always precluded from participating, intervening or exercising a voting right or veto, or registering its presence (in order to calculate quorums for the purpose of constituting such meetings and for resolutions) in relation to any resolution adopted by Telecom Italia or said companies.

The content of this article 20-bis shall have efficacy for as long as Telefónica remains a shareholder of Telecom Italia, irrespective of the number of shares, or until the moment in which this control, object of the restriction identified in the ANATEL case ("Ato n° 454 22 January 2015), shall cease to have efficacy."

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It should be noted that the proposed amendment of the Bylaws does not attribute the right of withdrawal to those Shareholders who might not have participated in the approval thereof, since this does not include any of the withdrawal cases identified in article 2437 of the Italian Civil Code.

In the eventuality that, in the presence of the prescribed authorisations, the Telco Break-up has already taken place before the proposed amendments to the bylaws have been introduced, shareholder Telefónica has already stated, now and henceforth - as set out in the irrevocable undertaking sent to Telecom Italia on 20 March 2014 - that it fully accepts the aforementioned restrictions, and thus, also for said shareholder, no right of withdrawal is applicable.

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Milan, 26 March 2015

Telco S.p.A.
The Chairman
(Clemente Rebecchini)

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