

SHAREHOLDERS' MEETING OF 25 MAY 2016

DIRECTOR'S EXPLANATORY REPORT AND PROPOSED RESOLUTIONS

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EXPLANATORY REPORTS AND PROPOSED RESOLUTIONS

Agenda

- Financial statements as at 31 December 2015 - approval of the documentation on the financial statements - related and consequent resolutions
- Distribution of a privileged dividend to savings shares through utilization of reserves - related and consequent resolutions
- Report on remuneration - resolution on the first section
- Special Award - related and consequent resolutions
- Resignation of a director - redetermination of the number of members of the board of directors from 17 to 16
- Integration of the corporate name - amendment of article 1 of the Bylaws - related and consequent resolutions

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015 – APPROVAL OF THE DOCUMENTATION ON THE FINANCIAL STATEMENTS – RELATED AND CONSEQUENT RESOLUTIONS

Dear Shareholders,

The draft financial statements submitted to the Shareholders Meeting gives rise to a net loss of 456,471,515.99 euros.

Said sum is fully offset by the amount of the company shareholders' equity, positive at 31 December 2015 by over 16.1 billion euros. It is therefore proposed that the loss be covered by using the Reserves for 93,408,945.53 euros and withdrawing retained earnings for 363,062,570.46 euros.

For an analysis of this situation, 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.;

resolves

1. to approve the financial statements of Telecom Italia S.p.A. for the year 2015;
2. to cover the net loss resulting from the financial statement (of 456,471,515.99 euros)
 - for 93,408,945.53 euros, using other reserves;
 - for 363,062,570.46 euros, withdrawing retained earnings.

DISTRIBUTION OF A PRIVILEGED DIVIDEND TO SAVINGS SHARES THROUGH UTILIZATION OF RESERVES - 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 loss of 456,471,515.99 euros.

Notwithstanding this, in view of the amount of the company's net equity and in order to avoid carrying over the debt into the next two financial years, as permitted by the Company Bylaws, we propose to distribute the privileged dividend on savings shares only, in the amount of 0.0275 euros (5% of 0.55 euros) per share, withdrawing funds from Merge Surplus Reserve (capital reserve). We consider that this solution represents appropriate response to market's expectations in the light of previous Company results, without prejudice to the strategic priority of directing available resources to increasing the pace of making innovative investments.

The amounts for dividends will be payable in favour of entitled parties, on the basis of the evidence of the share deposit accounts at the end of the record date of 21 June 2016, starting from the coming 22 June 2016, while the coupon date will be 20 June 2016.

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.;
- in view of the authority of the Shareholders' Meeting, in the event of a lack of or insufficient net profits resulting from the financial statements to meet the privilege granted to savings shares, to meet it by distributing available reserves, resulting in the exclusion of the mechanism to carry over in the two subsequent financial years the entitlement to the privileged dividend not received by the distribution of profits, as stated in Article 6 of the Bylaws;

resolves

- to pay savings Shareholders the privileged dividend in the amount of 0.0275 euros per savings share, gross of the withholdings required by law, which will be applied to the number of savings shares that they own at the record date, withdrawing the funds from the Merge Surplus Reserve (capital reserve) in the amount of 165,764,271.73 euros;

- to make the dividend payable starting on 22 June 2016, with a coupon date of 20 June 2016 (*record date* 21 June 2016).

REPORT ON REMUNERATION - RESOLUTION ON THE FIRST SECTION

Dear Shareholders,

pursuant to article 123-*ter* of Legislative Decree no. 58 of 24 February 1998, the remuneration report has been prepared for the Shareholders' Meeting to be held on 25 May 2016; it is divided into two sections:

- the first sets out the Company's policy regarding the remuneration of directors and key managers with strategic responsibilities, with reference at least to the 2016 financial year;
- the second provides a report on the items that make up the remuneration of the subjects mentioned above, with a detailed presentation of the compensation paid to them in the 2015 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,

resolves

to approve the first section of the remuneration report.

SPECIAL AWARD - RELATED AND CONSEQUENT RESOLUTIONS

Dear Shareholders,

Pursuant to art. 114-bis of Legislative Decree 58 of 24 February 1998, the Board of Directors submits for your approval, only for the part proposed to be disbursed as shares, the extraordinary compensation plan called 2016-2019 Special Award, according to the company remuneration policy as illustrated in the first section of the corresponding report, which is also submitted to the Shareholders' Meeting for review.

While you are invited to refer for further details to the information document drawn up according to the format resulting from 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 initiative.

Reasons

The Special Award is intended to promote the alignment of the interests of the managers who benefit from the initiative with those of the shareholders with reference to the goal of the turnaround of the company, represented, in brief, in terms of exceeding the targets set out in the Business Plan for some indicators deemed to be priorities.

At the same time, it also provides the Chief Executive Officer with a management lever that is immediately perceived, and immediately effective, which allows him to reward, annually, those resources who have made a particular contribution to achieving these results, hence providing an incentive for the management team.

Beneficiaries

The Special Award is destined for the Chief Executive Officer, Flavio Cattaneo (it represents an essential component of his compensation package), and other managers of the Group that the Chief Executive Officer identifies for the single years of the four year period 2016-2019 that are the object of the incentive plan.

How it works

The Special Award provides for an annual bonus to be provided for totalling a maximum of 5.5% of the difference between (i) the results achieved separately in each of the years 2016, 2017, 2018 and 2019 and (ii) the consolidated targets for EBITDA, Opex reduction and NFP (with weights of 50%, 25% and 25%, respectively) as defined in the 2016-2018 Industrial Plan, using for 2019 the same values as the plan for the 2018 financial year. The results considered

will be the organic results, on the same corporate perimeter as used for the 2016-2018 Industrial Plan and applying the same accounting, fiscal, tax, economic and financial criteria in force at the time of its approval, net of payments that could not be foreseen deriving from the management prior to 30 March 2016 (the date of appointment of Mr Cattaneo as Chief Executive Officer) or changes to the share capital affecting the results of the calculation parameters.

4% of the aforementioned difference will be reserved for the remuneration of the Chief Executive Officer, while the remaining maximum 1.5% will be destined to benefit other managers of the Company, to be identified by the Chief Executive Officer.

If approved by the Shareholders' Meeting, against the sum of the respective annual bonuses, after the approval of the 2019 financial reports by the board, the beneficiaries will receive, consistently with the Group's remuneration policies in force at the time (including any claw-back mechanisms):

- the free allocation, for the 80% of the bonus, of a number of Shares calculated by dividing said sum by the normal value of the ordinary share at the time the level of annual accrual of the bonus was ascertained;
- payment in cash of 20% of the bonus.

Payment of the bonus (to a maximum of 55 million euros) will be conditional on retention of the employment relationship between the beneficiaries and Telecom Italia Group for the whole incentive period, without prejudice to the provisions of early termination set out in the information document.

To service the Special Award, the Company's treasury shares may be used (and authorisation to do so is therefore proposed), it remaining possible for all or part to be satisfied by equivalent, at the discretion of the Board of Directors, based on the normal value of Telecom Italia ordinary share at the time the bonus is paid. The Company also expressly reserves the right to define, during the four year period 2016-2019, further arrangements to acquire the availability of Telecom Italian Shares to service the Special Award.

Restrictions on the shares

The Shares allocated shall carry full and regular rights from the moment they are allocated, and shall not be subject to any availability restrictions.

Furthermore, ex post correction mechanisms (including any claw-back mechanisms) in force at the time shall be applicable to both the cash and equity components of the bonus actually paid.

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 incentive plan called the 2016-2019 Special Award in the general terms described above and detailed in the information document published in accordance with 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.

RESIGNATION OF A DIRECTOR - REDETERMINATION OF THE NUMBER OF MEMBERS OF THE BOARD OF DIRECTORS FROM 17 TO 16

Dear Shareholders,

as you know, the former Chief Executive Officer of the Company, Marco Patuano, resigned on 22 March 2016. The following week, the Board of Directors appointed Mr. Flavio Cattaneo, one of the Directors, in his stead.

On the other hand the Board of Directors decided not to appoint a replacement Director, by co-opting one, both considering that its term of office is very near by now, and since it considered the current membership adequate to carry out the tasks assigned to it by the law, the company by-laws, and best practice. Indeed, the Board has an effective mix in terms of professional experience, knowledge and background, also accrued internationally, and gender diversity (over the legal ratio of 1 in 3), as well as robust number of independent Directors (Directors Benello, Calvosa, Cioli, Cornelli, Gallo, Herzog, Kingsmill, Marzotto and Valerio fulfil the requirements set out in the Borsa Italiana Code).

In light of these considerations, the Board proposes that its composition be redefined as 16 members.

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

Proposed Resolution

The Meeting of the Shareholders of Telecom Italia S.p.A., given the resignation of Mr. Marco Patuano as Director,

resolved

to redetermine the composition of the Board of Directors, reducing its number from 17 to 16.

INTEGRATION OF THE CORPORATE NAME – AMENDMENT OF ARTICLE 1 OF THE BYLAWS – RELATED AND CONSEQUENT RESOLUTIONS

Dear Shareholders,

In January this year we went ahead with an important rebranding operation.

Over the years, the Group had developed a complex brand architecture, with many very diverse logos, which were not capable of communicating a common identity. The Telecom Italia trademark itself, furthermore, suffered from the difficulties arising from its double role: on the one hand that of legal entity, on the other that of commercial brand for fixed telephony only. From 2014 onwards we therefore started to rationalise this situation, proceeding step by step, so as to accompany the market towards the new architecture without causing disorientation: we moved first from the use of two separate logos to joint use, then to the TIM "signature" with Telecom Italia "endorsement" and finally to the single brand TIM, as a single commercial brand, leaving Telecom Italia the role of representing the company's legal personality.

This revolution was enhanced by a strong design, capable of expressing the Company's point of view to the customer and supporting the creation of a coherent and distinctive experience. This is the reason for the creation of the new TIM logo, characterised by a red TIM icon and the white wordmark on a blue background, which corresponds to the need for simplicity, flexibility and iconic quality required by the market. The new logo offers a simpler customer experience and expresses to the highest degree the values and characteristics of a company projected towards the future with a solid base on which to build, enabling its investments in communication to be optimised.

The next step which we propose to you, for clarity of relations with the outside world and to further reinforce the corporate identity, is to enable the alignment of the name with the brand, while retaining the consolidated institutional name, by replacing article 1, subsection 1 of the Company Bylaws as follows:

Current text	Proposed new wording
<i>The name of the Company shall be "TELECOM ITALIA S.p.A."</i>	<i>The name of the Company shall be "TELECOM ITALIA S.p.A."; and it shall also and alternatively be named "TIM S.p.A."</i>

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., having examined the explanatory report of the Board of Directors,

resolves

- to replace the current article 1, subsection 1 of the Company Bylaws with the following text:

The name of the Company shall be "TELECOM ITALIA S.p.A."; and it shall also and alternatively be named "TIM S.p.A."

- 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 resolution to be entered in the Business Register, as well as all the powers necessary for legal and regulatory compliance consequent on the resolution adopted.

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Milan Business Register Number 00488410010