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**TELECOM ITALIA S.P.A.**



Registered office in Milan, Via Gaetano Negri, no. 1  
Registered in the Companies Register of Milan-Monza-Brianza-Lodi under no. 00488410010  
Share capital of Euro 11,677,002,855.10 fully paid-up

**EXPLANATORY REPORT BY THE BOARD OF DIRECTORS TO THE SHAREHOLDERS'  
MEETING OF TELECOM ITALIA S.P.A.**

**OF JANUARY 28, 2026 ON ITEM 2 OF THE AGENDA OF THE EXTRAORDINARY MEETING**

*Report prepared pursuant to Article 125-ter of Legislative Decree No. 58 of February 24, 1998, as subsequently amended and supplemented (the "**Consolidated Law on Finance**") and Article 72, paragraph 1 bis, of the Regulations adopted by Consob with Resolution No. 11971 of May 14, 1999, and subsequent amendments and additions (the "**Issuers' Regulations**"), in accordance with Annex 3A, Schedule 3, of the Issuers' Regulations, on the proposed resolution relating to item 2 on the agenda of the extraordinary part of the Shareholders' Meeting.*

**Voluntary reduction of share capital, pursuant to and for the purposes of Article 2445 of the Italian Civil Code, to €6,000,000,000.00, allocating the resulting amount (i) to the legal reserve up to one-fifth of the share capital, and, for the remainder, (ii) to the available equity reserve. Amendment of Article 5.1 of the Bylaws. Related and consequential resolutions.**

Dear Shareholders,

this explanatory report is intended to illustrate the proposal that the Board of Directors of Telecom Italia S.p.A. (the "**Company**" or "**TIM**") intends to submit for your approval, concerning the reduction of the share capital to €6,000,000,000.00, the resulting amount of which will be allocated (a) to the legal reserve up to one fifth of the share capital and (b), for the remaining part, to the available equity reserve, with the consequent amendment of Article 5.1 of the Bylaws (the "**Capital Reduction**").

This explanatory report has been prepared pursuant to Article 125-ter of Legislative Decree No. 58/1998 and Article 72, paragraph 1 bis, of the Regulations adopted by Consob with Resolution No. 11971/1999 and in accordance with Annex 3A, scheme no. 3, of the same Consob Regulation, in order to illustrate the rationale behind the proposed capital reduction.

- 1. Description of the Capital Reduction, the rationale underlying the proposal, and inseparability of the Capital Reduction with respect to the conversion of savings shares into ordinary shares submitted for approval by the Shareholders' Meeting**

The proposed Capital Reduction consists of:

- i) the reduction of the share capital to €6,000,000,000.00 (in other words, following the reduction, the share capital will amount to €6,000,000,000.00);
- ii) the allocation to the legal reserve of a portion of the amount corresponding to the share capital reduction, up to one-fifth of the share capital;
- iii) the creation of an available reserve, to which the remaining portion of the amount resulting from the capital reduction will be allocated.

The Capital Reduction will leave the total number of shares issued unchanged, being understood that the implied nominal value will be reduced as a consequence of the Capital Reduction.

With regard to the rationale behind the proposal, it should first be noted that the Capital Reduction is part of a broader operation that also includes the optional and mandatory conversion of savings shares into ordinary shares, as referred to in item 3 on the agenda (respectively, the "**Voluntary Conversion**" and the "**Mandatory Conversion**" and, jointly, the "**Conversion**"). In this regard, the portion of the Capital Reduction that will be allocated to the available reserve is also intended to cover the capital requirements arising from the Conversion, for the purposes of: (i) the payment of the cash adjustment recognized to the holders of TIM savings shares in accordance with the terms of the Conversion; and/or (ii) the possible purchase of savings shares for which the right of withdrawal has been exercised, due as a result of the Mandatory Conversion, as part of the relevant liquidation procedure (for more information on the Conversion proposal, including the relevant terms and conditions and the right of withdrawal available to savings shareholders, please refer to the explanatory report prepared by the Board of Directors pursuant to Articles 125-ter of the Consolidated Law on Finance and 72 of the Issuers' Regulations, available to the public at the Company's headquarters and on TIM's website, [www.gruppotim.it](http://www.gruppotim.it), under the section "*Investors – Shares - AGM and Shareholders' Meetings*").

Due to the functional link between the aforementioned transactions, the Capital Reduction and the Conversion are inseparable transactions. Therefore, the Capital Reduction is subject to: (i) the approval of the Conversion proposal by TIM's Shareholders' Meeting; (ii) the approval of the Mandatory Conversion proposal, pursuant to Article 146, paragraph 1, letter (b), of the Consolidated Law on Finance, by the Special Meeting of Savings Shareholders convened for January 28, 2026, in a single call; and (iii) the fulfillment of the condition attached to the Conversion resolution, according to which the maximum amount to be paid by the Company for the liquidation of the savings shares for which the right of withdrawal has been exercised as a result of the Mandatory Conversion - and which have not been purchased by shareholders or placed with third parties following the procedure referred to in Article 2437-*quater* of the Italian Civil Code - does not exceed a total amount of €100,000,000.00. The conditions referred to in points (i), (ii) and (iii) above are to be understood as being in the exclusive interest of the Company and, therefore, may be waived in whole or in part by the Company at its discretion.

It should also be noted that - again in consideration of the functional link between the two transactions and as described in the explanatory report on the Conversion proposal, to which reference is made for further information - the Conversion resolution is in turn conditional upon: (a) the Capital Reduction resolution being approved by the Shareholders' Meeting and no opposition being filed by the Company's creditors within 90 days of the Capital Reduction resolution being registered with the competent Companies Register, pursuant to Article 2445, paragraph 3, of the Italian Civil Code, or, in the event of opposition, the authorization of the Court, pursuant to Article 2445, paragraph 4, of the Italian Civil Code, within six months - extendable by the Company for a maximum of a further three months - from the registration of the Capital Reduction resolution with the Companies Register (upon expiry of which the condition shall be deemed not to have been fulfilled); as well as (b) the fulfillment of the conditions indicated in points (ii) and (iii) above.

The Capital Reduction is aimed at achieving a more balanced composition of net assets items, which currently do not include available and distributable reserves.

It should be noted that: (i) the Company's shareholders' net assets, as reported in TIM's separate financial statements for the 2024 financial year and already taking into account the coverage of the loss recorded for the same financial year, consists of approximately 96% share capital and the remainder of legal reserves; (ii) TIM's share capital – which has remained substantially unchanged since 2005 following its privatization and subsequent corporate transactions involving the Company – is the highest compared to the market *benchmark* for listed issuers of similar size at national level, both in absolute terms and with reference to the main KPIs (*Key Performance Indicators*); (iii) during 2024, following the completion of the sale of FiberCop, the Group's net financial debt was significantly reduced, as were the Group's main financial indicators: consolidated net invested capital was reduced by more than 40% and the value of "Domestic" goodwill was reduced by approximately 50%. The proposed reduction in share capital to €6,000,000,000.00 – which, as mentioned, will be achieved through allocation to reserves (legal and available) – will allow TIM's net assets structure and share capital to be realigned with the Company's new financial structure and its main *ratios* to be aligned with market *standards*.

In this perspective, the reconstitution of the available reserve allows, with a view to greater flexibility, the use of available financial resources and not used in operational management. In particular, following the Capital Reduction, these resources may also be used to approve any dividend distributions or *buy-back* transactions.

Finally, it should be noted that the Capital Reduction does not affect the rights of savings shareholders, given that it does not affect the rules relating to the privileges granted to savings shares by the Bylaws. As anticipated, the effectiveness of the Capital Reduction is subject to the approval and effectiveness of the Conversion proposal, in accordance with the terms set out in paragraph 2 below.

## **2. Effectiveness of the Capital Reduction**

It should be noted that the capital reduction resolution may be implemented, pursuant to Article 2445, paragraph 3, of the Italian Civil Code, only once the ninety-day period from the date of registration of the resolution in question with the Company Register has elapsed, provided that no creditor of the Company prior to registration has filed an objection within that period.

Notwithstanding any opposition, pursuant to Article 2445, paragraph 4, of the Italian Civil Code, the Court may order that the transaction take place anyway if it considers that there is no risk of prejudice to creditors or if the Company has provided adequate guarantees. In the event of opposition, the Board of Directors proposes to the Shareholders' Meeting to establish that the Capital Reduction be carried out on condition that such authorization is granted within six months (extendable by the Company for a maximum of a further three months) from the registration of the relevant resolution at the Companies Register.

As explained in Paragraph 1 above, the Capital Reduction is also subject to: (i) the approval of the Conversion proposal by the TIM Shareholders' Meeting; (ii) the approval of the Mandatory Conversion, pursuant to Article 146, paragraph 1, letter (b), of the Consolidated Law on Finance, by the Special Meeting of savings shareholders convened for January 28, 2026, in a single convocation; and (iii) the fulfillment of the condition attached to the Conversion resolution, according to which the maximum amount to be paid by the Company for the liquidation of the savings shares for which the right of withdrawal has been exercised as a result of the Mandatory Conversion, and which have not been purchased by shareholders or placed with third parties following the procedure referred to in Article 2437-*quater* of the Italian Civil Code, does not exceed a total amount of €100,000,000.00. The conditions referred to in points (i), (ii) and (iii) above are to be understood as being in the exclusive interest of the Company and, therefore, may be waived in whole or in part by the Company at its discretion.

## **3. Amendments to the Articles of Association**

If the Capital Reduction proposal is approved, it will be necessary to amend Article 5.1 of the Bylaws as indicated below, which, it should be noted, does not take into account the amendments to the Bylaws resulting from the approval of the Conversion.

<p align="center"><b>Article 5.1</b> <b>Current text</b></p>	<p align="center"><b>Article 5.1</b> <b>Proposed text</b></p>
<p>The subscribed and paid-up share capital amounts to €11,677,002,855.10, divided into 15,329,466,496 ordinary shares and 6,027,791,699 savings shares, all without par value.</p>	<p>The subscribed and paid-up share capital amounts to <del>€11,677,002,855.10</del> <b>6,000,000,000.00</b>, divided into 15,329,466,496 ordinary shares and 6,027,791,699 savings shares, all without par value.</p>

#### **4. Exclusion of the right of withdrawal**

The approval of the proposed Capital Reduction does not give the Company's shareholders the right to withdraw, as none of the conditions set forth in Article 2437 of the Italian Civil Code or other legal provisions will apply.

#### **5. Further information on the Capital Reduction**

As noted in the previous paragraphs, the Capital Reduction is subject to the condition of effectiveness set forth in Article 2445, paragraph 3, of the Italian Civil Code.

Further information on the Capital Reduction will be communicated to the market in accordance with current regulations, with announcements published on the Company's website ([www.gruppotim.it](http://www.gruppotim.it), "Investors -Shares - AGM and Meetings" section).

#### **6. Proposed resolution**

In view of the above, we submit the following draft resolution for your approval:

*"The Shareholders' Meeting of Telecom Italia S.p.A., convened in extraordinary session,*

- (i) having heard and approved the presentation of the Board of Directors.*
- (ii) having examined the Board of Directors' Explanatory Report and the proposal contained therein,*
- (iii) agreed with the reasons for the proposals contained therein,*
- (iv) to the extent necessary, also pursuant to and for the purposes of Article 2376 of the Italian Civil Code,*

*resolves*

- 1. to reduce the share capital to €6,000,000,000.00, allocating the resulting amount:*

- (i) to the legal reserve, up to one fifth of the share capital,*
- (ii) for the remaining amount, to the establishment of an available equity reserve called "Available Reserve,"*

*without prejudice to the number of outstanding shares without par value.*

- 2. to amend Article 5.1 of the Bylaws, as follows: "The subscribed and paid-up share capital amounts to 6,000,000,000.00, divided into 15,329,466,496 ordinary shares and 6,027,791,699 savings shares, all without par value", without prejudice to the amendments resulting from the resolution to*

*convert savings shares into ordinary shares referred to in item 3 on the agenda of today's Shareholders' Meeting;*

3. *to acknowledge that, pursuant to Article 2445, paragraph 3, of the Italian Civil Code, the resolutions referred to in points 1 and 2 above may only be implemented once the ninety-day period from the date of registration with the Milan-Monza-Brianza-Lodi Companies Register has elapsed or, in the event of opposition, where authorization is granted by the Court, pursuant to Article 2445, paragraph 4, of the Italian Civil Code, within six months - extendable by the Company for a maximum of a further three months - from the registration of this resolution to reduce the share capital with the Companies Register, with the clarification that if this term expires without result, this condition shall be considered as not having been fulfilled;*
4. *to establish that the effectiveness of the resolutions referred to in points 1 and 2 above is subject to: (i) the approval of the resolution to convert savings shares into ordinary shares referred to in point 3 on the agenda of today's Shareholders' Meeting; (ii) the approval of the mandatory conversion of savings shares into ordinary shares referred to in point 3 on the agenda of today's Shareholders' Meeting also by the Special Meeting of Savings Shareholders convened for January 28, 2026, in a single call, pursuant to Article 146, paragraph 1, letter (b), of the Consolidated Law on Finance; and (iii) the fulfillment of the condition attached to the conversion referred to in item 3 on the agenda of today's Shareholders' Meeting, according to which the maximum amount to be paid by the Company for the liquidation of the savings shares for which the right of withdrawal has been exercised as a result of the mandatory conversion, and which have not been purchased by shareholders or placed with third parties following the procedure referred to in Article 2437-quater of the Italian Civil Code, does not exceed a total amount of €100,000,000.00, being understood that the conditions referred to in points (i), (ii) and (iii) are in the exclusive interest of the Company and therefore waivable in whole or in part by the Company;*
5. *to grant the Board of Directors and, on its behalf, the Chairman and Chief Executive Officer, separately and with the power to sub-delegate, all and any powers, without exception or limitation, necessary or appropriate to implement the resolutions referred to in the previous points and to carry out the resulting legislative and regulatory requirements, including, in particular, the fulfillment of all formalities necessary for their registration in the Register of Companies in accordance with Article 2436 of the Italian Civil Code, the power to make any non-substantial amendments and/or additions to the shareholders' meeting resolution that may be requested by the competent authorities or the notary, or otherwise deemed useful or appropriate, as well as to proceed with the deletions, replacements, and additions to the above-mentioned article of the bylaws, filing and publishing, in accordance with the law, the updated text of the bylaws with the changes made as a result of the previous resolutions.*

\* \* \*

The Executive responsible for preparing the corporate financial reports, Piergiorgio Peluso, hereby declares, pursuant to paragraph 2 of Article 154 *bis* of the Consolidated Law on Finance, that the accounting information contained in this explanatory report corresponds to the documentary results, books, and accounting records.

Milan, December 29, 2025

For the Board of Directors of TIM

Alberta Figari

(Chair of the Board of Directors)