Long Term Incentive Plan 2012

Information document
Pursuant to art. 84-bis of the Issuer regulations
Published on April 2 2012

Translation for the reader's convenience only. In case of inconsistency, the Italian text will prevail.
Introduction

With this information document (the “Information Document”) Telecom Italia S.p.A. (with registered office in Milan, at 2 Piazza degli Affari, tax code and registration number in the Milan Company Register 00488410010, also referred to as “Telecom Italia”, the “Company” and the “Issuer”) fulfils the requirements for compensation plans involving the award of financial instruments with reference to the “Long Term Incentive Plan 2012” (the “Plan”). The plan is an initiative to provide long term incentives for Top Management and selected senior managers (the “Selected Executives” as specified below) in relation to the achievement of specific pre-established three-year performance objectives that are identical for the two categories of beneficiaries.

The Plan carries on from the similar initiatives started by the Company in 2010 (limited to the Selected Executives) and 2011 (extended to the Executive Directors), approved respectively by the shareholders’ meetings of 29 April 2010 and that of 12 April 2011. As in previous years, the aim of the Plan is to strengthen the link between management pay and both business performance as defined in the 2012-2014 industrial plan (“absolute performance”: weighting 35%) and increased value against a peer group (“relative performance”: weighting 65%).

The level of performance in the three years of incentivisation determines the level of benefit which, at the end of the period,

- is, for Selected Executives, a cash bonus equal at target to 30% of current gross annual remuneration, with the option of investing 50% of the accrued bonus in ordinary shares of the Company at market price (and in any case not below par value), and the free assignment of matching shares by the issuer after two years, applying a ratio of one free share for each paid share, in the event that the employment relationship and ownership of the shares subscribed have been maintained;
- is, for the Top Management, a bonus equal at target to 60% of gross annual remuneration, 50% in cash and 50% in non transferable rights to the free assignment after two years of shares of equivalent market value (based on the price at the time the three year performance is assessed, and it being understood that – if the market value should be lower than the par value, the par value will be used), subject to maintenance of the employment relationship with the Group;

Definitions

**Share/Shares** – the ordinary shares of Telecom Italia, with a par value of €0.55 each. The Shares are traded on the MTA electronic share market organised and operated by Borsa Italiana S.p.A.

**Matching Share/Shares** – the Shares that may be assigned to Beneficiaries who have retained possession of the Subscribed Shares for the whole of the twenty four months following their subscription.

**Beneficiary/Beneficiaries** – the beneficiaries of the Plan among the Selected Executives and Top Management, identified by the Board of Directors of the Issuer.

**Selected Executives** – the selected part of the executives to be determined by the Board of Directors of Telecom Italia, taking account of the role of the individual beneficiaries within the organisation and their strategic potential.

**Telecom Italia Group or the Group** – Telecom Italia and the companies it controls directly and indirectly.

**Key Managers** - persons performing executive functions and managers having regular access to sensitive information and authorized to take management decisions that can influence the development and prospects of the Issuer, pursuant to Article 152-sexies, subsection 1(c)-c.2 of the Issuer Regulations; in the case of Telecom Italia these persons coincide with those persons classified as key managers for the purposes of IAS 24 (“Related party disclosures”) or as executive officers when applying US rules and regulations.

**Reference Panel** - the group of the ten leading European telecoms companies in terms of capitalisation (Vodafone, Telefonica, Deutsche Telekom, France Telecom, TeliaSonera, Telenor, Telecom Italia, KPN, Swisscom, British Telecom and Telecom Italia itself, or other telecoms companies as determined by the Board of Directors of the Company at the recommendation of the Nomination and Remuneration Committee if any of the aforementioned operators should no longer qualify due to unforeseen events) within which the performance of the Telecom Italia share price is measured.

Translation for the reader's convenience only. In case of inconsistency, the Italian text will prevail.
Top Management – the human resources occupying positions of strategic importance in the Telecom Italia business organisation, employees with management contracts or collaborators of Telecom Italia or its subsidiaries.

1. Beneficiaries of the Plan

1.1 Names of the Beneficiaries of the Plan by virtue of their membership of the Board of Directors of the Issuer or the Issuer’s controlling companies or subsidiaries

Some of the Beneficiaries identified from among the Top Management and Selected Executives may hold office in the governing bodies of subsidiaries of the Issuer; nevertheless, in no case will participation in the Plan be correlated with the circumstance that the Beneficiary is a member of the Board of Directors of a subsidiary of the Issuer.

This provision is not applicable in relation to the governing bodies of the companies controlling the Issuer, since the Issuer is not subject to any control (nor are the current members of the Board of Directors of the reference shareholder, Telco S.p.A., among the Beneficiaries).

1.2 Categories of employees or collaborators of the Issuer or the controlling or subsidiary companies of the Issuer

The individual Beneficiaries will in due course be identified by the Board of Directors of Telecom Italia from amongst the Top Management and Selected Executives.

1.3 Names of the Beneficiaries belonging to the following groups:

a) general managers of the Issuer of financial instruments

Not applicable. Currently there are no subjects in the Issuer performing the role of General Manager.

b) other directors with strategic responsibilities for the Issuer of financial instruments that is not a “smaller company” pursuant to article 3, subsection 1, letter f) of Regulation no. 17221 of 12 March 2010, if they have received total remuneration (obtained by adding monetary remuneration and remuneration based on financial instruments) that is greater than the highest total remuneration received by members of the board of directors, management board or managing directors of the issuer of financial instruments

Not applicable.

c) natural persons controlling the Issuer who are employees or collaborators of the Issuer

Not applicable.

1.4 Description and indication of number, divided by category:

a) key managers with strategic responsibilities other than those indicated in subsection b) of paragraph 1.3.

The Beneficiaries (Top Management category) include the pro tempore Key Managers of Telecom Italia working in Italy. At the date of publication of this Information Document these are the Senior Managers of the Administration, Finance and Control & International Development; Human Resources and Organization; Legal Affairs; National Wholesale Services; Public & Regulatory Affairs; Supply Chain & Real Estate; Technology; Consumer; Top Clients and Public Sector divisions.

Key Managers working abroad (Senior managers of Tim Brasil and Telecom Argentina) participate in local long term incentive schemes.

b) in the case of companies that are “smaller companies” pursuant to article 3, subsection 1, letter f) of Regulation no. 17221 of 12 March 2010, the total number of all the key managers with strategic responsibilities of the issuer of financial instruments.

Not applicable.

c) any other categories of employees or collaborators for whom different Plan characteristics have been provided

The Board of Directors of the Issuer will identify the selected executives to involve in the initiative, taking account of the role of the individual beneficiaries within the organisation and their strategic...
2. Reasons for the adoption of the Plan

2.1 Objectives it was intended to achieve by adoption of the Plan

The Plan intends to promote the alignment of the interests of the management with those of the shareholders, by participation by the Beneficiaries in the opportunity and risk to the value of the Company, which should have positive effects in terms of growth in share value, and at the same time improve the competitiveness of the management remuneration package with the provision of a long term component, as is common market practice. Moreover, the time reference of the incentive period corresponds to the time period used for strategic planning (three years), and therefore commits the Beneficiaries – in principle – to the pursuit of the development policies announced to the market.

The proposed ratios of fixed and equity based remuneration components for the two categories of Beneficiaries (Top Management and Selected Executives) are different.

2.2 Key variables, including performance indicators, considered for the purpose of the application of the Plan

The Plan provides for Beneficiaries to be awarded a bonus that, at the end of the three-year incentive period 2012-2014, will vary identically according to the achievement of the related Total Shareholder Return (TSR) and Cumulated Free Cash Flow targets, as follows.

The relative TSR of Telecom Italia determines 65% of the target bonus. The parameter measures the positioning of the Telecom Italia TSR, calculated by hypothesising that Share dividends in the Incentive Period are reinvested, in the ranking of TSRs of the members of the Reference Panel. The value is calculated using the formula:

\[
\text{TSR}_t = \frac{P_1 \text{ (Share price at the end of the period)} - P_0 \text{ (Share price at the start of the period)} + \text{(Reinvested dividends)}}{P_0 \text{ (Share price at the start of the period)}}
\]

where:

- **T**: Years of the plan 1 January 2012 - 31 December 2014,
- **P₀**: Share price at the start of the period: Mean of the official prices of the share in the October – December quarter 2011, to two decimal places, equal to 0.84 euros.
- **P₁**: Share price at the end of the period: Mean of the official prices of the share in the October – December quarter 2014, to two decimal places.

The objective provides different levels to achieve, depending on the position of the Telecom Italia TSR in the ranking of TSRs of the companies on the Reference Panel, to which a different percentage of the associated bonus corresponds (as specified above: 65% of the target bonus).

- 40% for positioning in seventh place (entrance threshold);
- 100% for positioning in fourth place;
- 150% for positioning in first place.

The Cumulated Free Cash Flow in the 2012-2014 three-year period determines 35% of the target premium. The parameter measures the Free Cash Flow available for the payment of dividends and paying down debt, and will be calculated as a cumulative value for the 2012-2014 period, using the following formula:

Free Cash Flow before dividends= Ebitda – Capex +/- change in working capital and operating funds) – Financial Investments + disposals – net financial charges – taxes +/- cash used (produced) by assets earmarked for sale (or Discontinued Operations)

To better represent the true dynamics of the debt and of the financial flows generated by operations, we believe that an “adjusted” measure of cash flow should be used, which excludes from the debts, and consequently from the cash flow, the merely accounting and non-monetary effects created by the valuation of the derivatives and the related financial liabilities/assets at fair value.
The bonus associated with the Cumulated Free Cash Flow objective (as indicated above: 35% of the target bonus) will be paid according to the level of performance achieved over the three-years:

- 80% if the minimum value, set at 95% of the Cumulated Free Cash Flow value provided in the Industrial Plan 2012-2014 is achieved.
- 100% if the objective of the 2012-2014 plan is achieved;
- 150% in the case of overperformance equating to 110% (or more) of the value provided in the plan;

The pay-out in case of performance levels that are between those listed above will be calculated by linear interpolation.

2.3 Factors involved in determining the amount of remuneration based on financial instruments

Given the different weightings of the Beneficiaries inside the business organisation, the three-year target pay opportunity is equal to 30% of the fixed component of their remuneration for the Selected Executives and 60% of the fixed remuneration for the Top Management.

For the Selected Executives, the size of the remuneration based on financial instruments depends on the size of the bonus, which for this type of Beneficiaries provides an option to invest 50% of the bonus actually paid to them in Shares that are the object of the subscription offer reserved for them, with the opportunity of free matching shares allocated by the Company if the employment continues and the Shares are retained for the two subsequent years.

While for the Top Management the proposed mechanism provides for the granting of non-transferable rights to ordinary shares with a total market value, at the moment they are allocated, equal to the cash bonus (50% of the bonus earned) at the end of the three-year incentive period, to be allocated free of charge two years later.

In both cases the investment (and/or prospective) component is designed to secure retention, and to provide a further incentive for the market performance of the Share in the two years following the three-years of the incentive period. This is optional for Selected Executives and mandatory for Top Management and Senior Executives, according to the position of the Beneficiary inside the business organisation.

2.4 Reasons for adopting remuneration plans based on financial instruments not issued by the Issuer.

Not applicable: the Plan is based on the allocation and/or subscription by payment of Shares issued by Telecom Italia.

2.5 Evaluation of significant tax and accounting implications that have influenced the design of the Plan

There were no significant tax and accounting implications that influenced the design of the plan.

2.6 Any support for the Plan from the special Fund for encouraging employee ownership of firms, pursuant to Article 4, subsection 112 of Law no. 350 of 24 December 2003

The Plan does not receive support from the special Fund for encouraging employee ownership of firms, pursuant to Article 4, subsection 112 of Law no. 350 of 24 December 2003.

3. Approval procedure and calendar for the award of the financial instruments

3.1 Scope of the powers and functions delegated by the Shareholders’ Meeting to the Board of Directors for the implementation of the Plan

The Plan is subject to the approval of the Shareholders’ Meeting called for 15 May 2012, which will also be asked to approve a proposal to attribute the following powers to the Board of Directors:

- (i) for cash, by the issue of new ordinary shares of 0.55 euros par value each, with regular dividend entitlement, up to a maximum amount of 5,500,000 euros, excluding the right of pre-emption pursuant to article 2441, subsection 8, of the Italian Civil Code, and of article 134, subsection 2, of legislative decree no. 58/1998, to be reserved for a part of the employees who are beneficiaries of the “2012 Long Term Incentive Plan” as previously identified by the Board of Directors of the Company, and then, subsequently (ii) for a maximum amount of 5,500,000 euros by allocation of the
corresponding maximum amount of profits or retained profits pursuant to article 2349 of the Italian Civil Code, by the issue of a sufficient number of ordinary shares for the allocation of one free share for every paid share subscribed, as above, subject to the terms and conditions and by the methods specified in the “2012 Long Term Incentive Plan”.

• up to a maximum amount of 4,000,000 euros by allocation of the corresponding maximum amount of profits or retained profits pursuant to article 2349 of the Italian Civil Code, with the issue of ordinary shares reserved to some of the employees who are beneficiaries of the “Long Term Incentive Plan 2012” as previously identified by the Board of Directors of the Company, subject to the terms and conditions and by the methods specified in the “Long Term Incentive Plan 2012”.

There will also be a proposal to confer on the Board of Directors all the powers necessary or expedient for implementing the Plan, making any changes and/or additions to it that prove necessary for the implementation of what has been resolved, including for purposes of compliance with any applicable regulatory provision, including authorisation to assign ordinary treasury shares in the Company portfolio free of charge.

3.2 Information on the persons charged with administering the Plan and their functions and duties
The Board of Directors, in exercising the powers and mandates granted to it by the Shareholders’ Meeting, may decide to delegate all or part of the activities of managing and administering the Plan.

3.3 Procedures for revising the Plan, including with regard to any changes in the underlying objectives
No special procedures for revising the Plan are envisaged.
The Board of Directors will still be able to make any changes and/or additions to the Plan necessary for its implementation, also in order to comply with all applicable legal provisions.

3.4 Description of how the availability and allocation of the financial instruments on which the Plan is based were established
The Plan provides the following for the Selected Executives:
• at the end of the three-year incentive period, the Beneficiaries will be granted the option of investing 50% of their accrued bonus in Shares from a specific increase in capital reserved to them, subject to their achievement of the performance parameters for the three-year period 2012-2014;
• the persons subscribing to the reserved capital increase referred to above, who retain the Shares thus subscribed for two years, will then be allocated free shares pursuant to article 2349 of the Italian Civil Code, in the proportion of one Matching Share for every Share subscribed, subject to the continuation of their employment in Telecom Italia Group companies.

The Plan provides the following for the Top Management:
• at the end of the three-year incentive period, the granting of a bonus 50% in cash and 50% in non-transferable rights to the Beneficiaries for the free allocation, two years later, of Shares of total equivalent market value (based on the moment the three-year performance will be assessed, and it being understood that – if the market value should be lower than the par value, the par value will be used) to the part of the bonus paid in cash;
• at the end of the subsequent two year period, the issue of the number of free Shares required to satisfy the rights specified above, subject to the continuation of their employment relationship with Telecom Italia Group companies, by allocation of profits pursuant to article 2349 of the Italian Civil Code.

To service the Plan, the scheme also provides residually, where necessary, the use of the treasury shares in the Company’s portfolio always with the possibility of satisfying the assigned rights by payment of an equivalent.

3.5 Role played by each director in determining the characteristics of the Plan; any conflict of interest involving the directors concerned
In defining the proposed Plan to submit to the Shareholders’ Meeting called for 15 May 2012, the Board of
Directors concurred with the conclusions reached by the Nomination and Remuneration Committee of the Company. At the date of this document the members of the Board of Directors of Telecom Italia were: Franco Bernabé (Executive Chairman), Aldo Minucci (Vice Chairman), Marco Patuano (Chief Executive Officer), César Alierta Izuñ, Tarak Ben Ammar, Lucia Calvosa, Elio Cosimo Catania, Massimo Egidì, Jean Paul Fitoussi, Gabriele Galateri di Genola, Julio Linares López, Gaetano Miccichè, Renato Pagliaro, Mauro Sentinelli, Luigi Zingales. The members of the Nomination and Remuneration Committee were Elio Cosimo Catania (Chairman), Massimo Egidì, Jean Paul Fitoussi and Gabriele Galateri di Genola.

3.6 Steps in the approval of the Plan
The Nomination and Remuneration Committee concluded the process of defining the terms and conditions of execution of the Plan in its meeting of 28 March 2012, and resolved to submit it to the Board of Directors of the Issuer for approval on 29 March 2012. The meeting of the Board of Directors of the Issuer held on 29 March 2012 resolved to submit the Plan (and the amendments to the company by-laws required for its implementation) to the Shareholders’ Meeting for approval. The Board of Directors has convened an ordinary and extraordinary Shareholders’ Meeting for 15 May 2012 in single call.

3.7 Date of the decision taken by the competent body concerning the award of the financial instruments and any proposal made to such body by the remuneration committee, if any
See section 3.6

3.8 Market price on the above-mentioned dates of the financial instruments on which the Plan is based, if traded on regulated markets
The official price of the Shares on the Borsa Italiana S.p.A. electronic share market was
- 0.92319 euros on 28 March 2012;
- 0.91002 euros on 29 March 2012.

3.9 Time limits and procedures considered by the Issuer in identifying the calendar for the award of the financial instruments in implementing the Plan, of the possible coincidence between (i) such award or any decisions taken in this respect by the remuneration committee and (ii) the dissemination of any relevant information pursuant to article 114, subsection 1 of the CFL
On 29 March 2012, Telecom Italia issued a press release on the financial results for the year at 31 December 2011, having already disclosed the 2011 preliminary results and the industrial objectives 2012-2014 on 24 February 2012. It is expected that the Board of Directors will be able to pass the resolutions necessary to implement the Plan (including the definition of the Regulations) by the end of July 2012.

4. Characteristics of the financial instruments awarded

4.1 Description of how the Plan is structured
The first phase of the Plan is the granting to the Beneficiaries (in 2012) the right to receive a sum in cash quantified for each person in terms of a percentage of their fixed annual retribution, and actually paid out (in 2015) in a variable way, depending on their achievement of pre-established performance in the three-year period 2012-2014. The Beneficiaries will then be awarded an equity component commensurate with the size of the bonus:
- for the Selected Executives, in 2015, in terms of the option to invest 50% of their accrued bonus in Shares (to be subscribed at market value, and in any event never below par value), with the opportunity of the free allocation of Matching Shares (in 2017 and provided certain specific
conditions are fulfilled), at a ratio of one Matching Share for every subscribed one. The allocation of the Matching Shares is not correlated with performance indicators;

- for the Top Management, in terms of the right to the free allocation (in 2017 and provided certain specific conditions are met) of Shares of total equivalent market value (based on the price at the time the rights will be granted, which means the moment the three-year performance will be assessed, and it being understood that – if the market value should be lower than the par value, the par value will be used) to the part of the bonus paid in cash.

4.2 Indication of the period of actual implementation of the Plan, with reference also to any different cycles envisaged

The Plan envisages a first period for the ascertainment (in 2015) of the level of achievement of the performance objectives for the three-year period 2012-2014, which dictates the amount of the bonus, in the form articulated for the various categories of Beneficiaries.

The subsequent two-year period:

- for the Selected Executives, corresponds (if the Beneficiary avails him- or herself of the investment option) to the necessary investment period for access to the free allocation of Matching Shares;
- for the Top Management, represents the vesting period for the free allocation of Shares, the number of which to be calculated at the end of the three-year incentive period;

As previously stated in the Information Document published on the Long term Incentive Plan 2011, the Board of Directors reserves the right to launch new long term incentive plans each year for the Selected Executives and the Top Management, corresponding to the new strategic planning cycles, defining the beneficiaries and conditions on each occasion.

4.3 Expiration of the Plan

See section 4.2

4.4 Maximum number of Shares involved in the Plan allocated in each fiscal year in relation to the persons individually identified or to the categories specified

At the moment it is not possible to indicate the number of Shares involved in the Plan. However, the maximum number of Shares that might be issued free of charge for allocation to the Top Management in 2017 is 7,272,727, while the maximum amount of the increase in share capital by payment reserved to the Selected Executives in 2015 is 10,000,000 Shares, which will be followed by the issue free of charge of an identical maximum number of Matching Shares in 2017, when the specific conditions have been met. It should also be noted that the numbers of shares indicated represent the theoretical maximum quantities, calculated applying the par value of the share as denominator to the theoretical maximum bonus that might be received by the Beneficiaries.

4.5 Plan implementing procedures and clauses, specifying if the actual allocation of the Shares is dependent on conditions being met, or on the achievement of specific results, including performance results

The Plan provides for the bonus awarded to the Beneficiaries to vary according to the extent to which they reach pre-established performance objectives for the three-year period 2012-2014. Specifically:

- payment of 65% of the bonus will be correlated with the position of the Telecom Italia TSR in the three-year incentive period in relation to the companies in the Reference Panel, with the bonus awarded varying between 40% and 150% of this value, depending on the positioning of Telecom Italia among its peers;
- payment of 35% of the target bonus will be correlated with an absolute performance indicator represented by the Cumulated Free Cash Flow in the three-year incentive period, with bonus awarded varying between 80% and 150% of this amount, depending on the extent to which the Cumulated Free Cash Flow target indicated in the 2012-2014 Industrial Plan was achieved.

See section 2.2 for details of the performance metrics and parameters.
4.6 Information on any restrictions on the availability of the Shares
The Shares in the Plan will rank pari passu.

4.7 Description of any resolutory conditions which apply in relation to the allocation Shares under the Plan in the event that the Beneficiaries engage in hedging transactions which enable them to neutralise any prohibitions on the sale of financial instruments allocated to them, including those in the form of options, or financial instruments deriving from the exercise of such options
Not applicable/not envisaged.

4.8 Description of the effects produced by the termination of employment
In all cases, the granting of a bonus at the end of the incentive period is dependant on the employee's maintaining the same position, or an equivalent or superior position, for the entire three-year period, and the Board of Directors (or any person or persons delegated to manage the Plan) will have the right to cancel the participation of an individual in the Plan.
The right to the free allocation of the Matching Shares for the Selected Executives at the end of the two-year investment period
• depends on the number of Shares subscribed and retained uninterruptedly at the Issuer throughout the same period;
• lapses in case of death or termination of the employment/collaboration of the Beneficiary by or with the Company for any reason (or by or with companies directly or indirectly controlled by the latter, even if the company is not the same Group company by which the individual was employed, or with which it collaborated in any way, at the end of the three-year incentive period).
The right to the free allocation of Shares promised to the Top Management lapses if, before the expiry of the two year period, the employment/collaboration with the Company (or by or with a company directly or indirectly controlled by the latter, even if the company is not the same Group company by which the individual was employed, or with which it collaborated, at the end of the three-year incentive period) is terminated
• by resignation or dismissal for just cause or justified subjective grounds;
• by exit from the perimeter of the company or business unit for which the Beneficiary works;
and hence the right (which should be satisfied by the Company by transfer of own shares or equivalent) is maintained in the case of retirement as a result of reaching the age limit, consensual termination of the relationship or if the Beneficiary has died.

4.9 Indication of any other grounds for annulling the Plan
All the powers necessary or appropriate to implement the Plan, making any changes and/or additions that might be necessary, shall be attributed to the Board of Directors.

4.10 Reasons for an option for the Company to “repurchase” the financial instruments underlying the Plan, introduced pursuant to Article 2357 et seq. of the Italian Civil Code, and related description
Not applicable: no provision is made for an option for the Company to “repurchase” the Shares that underlie the Plan.

4.11 Any loans or other credit facilities that are to be granted for the subscription of the Shares pursuant to Article 2358, subsection 3 of the Italian Civil Code
Not applicable: no provision is made for credit facilities pursuant to Article 2358, subsection 3 of the Italian Civil Code for the subscription of the Shares that are the object of the option to purchase reserved for the Selected Executives.

4.12 Indication of the cost the Company is expected to incur at the time of the allocation of the shares, as may be determined on the basis of predefined terms and condition, in total and for each financial instrument in
At the date of this document, it is not possible to indicate the exact amount of the expected cost of the Plan for the Issuer, for the following reasons:

- as far as the Selected Executives are concerned, this cost depends on the degree to which they achieve the three-year performance parameters (2012-2014) and on their exercising their right to invest 50% of their accrued bonus in shares, and hence the consequent number of Matching Shares assigned at the end of the subsequent two year period to those Beneficiaries who retain the subscribed Shares and maintain their employment relationship with Telecom Italia Group companies.

- for the Top Management, this cost depends on the degree to which they achieve the three-year performance parameters (2012-2014), and for the 50% of the bonus that is represented by free Share assignment rights, also depends on maintenance of their employment or collaboration relationship with Telecom Italia Group companies;

Pursuant to IFRS 2 (Share-based payment), the Company and, where applicable, each subsidiary company, for the part pertaining to them:

- will recognise a pro-rata temporis liability for the duration of the accrual period, with a counter-entry among Personnel Costs, for the component of the Plan corresponding to the right of the Beneficiaries of the Plan to receive cash bonuses;

- will determine the net equity component of the Plan corresponding to the right to receive free shares for the Top Management, and Matching Shares for the Selected Executives. This expense will be recognised pro-rata temporis in the profit and loss account separated throughout the accrual period with an item in personnel costs as a counter-entry to a net equity reserve.

These expenses recognised among the personnel costs may be deducted for IRES (corporation tax) purposes by the Company and, where applicable, by each subsidiary company with registered offices in Italy, for the portion pertaining to it.

Telecom Italia will guarantee the administration of the Plan as part of the current activities of its corporate structures, with no additional costs for the Company.

4.13 Indication of any capital dilution effects caused by the Plan

The Plan does not cause dilution effects in relation to the rights destined to be satisfied by the use of the Company’s treasury shares, or in cash.

The issue of the maximum theoretical number of shares in the increases in share capital, which it is proposed that the Shareholders’ Meeting entitle the Board of Directors to resolve, would determine a dilution of 0.203% in the ordinary share capital of the Issuer at the date of this Information Document (of which 0.149% to the benefit of the Selected Executives and 0.054% to the benefit of the Top Management).

4.14 Any restrictions on the exercise of voting right or the attribution of property rights

Not envisaged.

4.15 If the shares are not traded on regulated markets, provide all the information needed to properly assess the value attributed to them.

Not applicable: both the Subscribed Shares and the Matching Shares will be traded on the MTA electronic share market organised and operated by Borsa Italiana S.p.A.
# COMPENSATION PLAN BASED ON FINANCIAL INSTRUMENTS

Table no. 1 of scheme 7 of Annex 3A to Regulation no. 11971/1999

**Date:** 2/04/2012

<table>
<thead>
<tr>
<th>Name and surname or category</th>
<th>Office</th>
<th>Financial instruments other than stock options</th>
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<tr>
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<td><strong>Section 2</strong></td>
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<td>New assignment instruments on the basis of the decision of the board of directors to propose to the shareholders’ meeting</td>
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<table>
<thead>
<tr>
<th>Date of shareholders’ meeting resolution</th>
<th>Type of financial instruments</th>
<th>Number of financial instruments assigned</th>
<th>Assignment date</th>
<th>Instruments purchase price</th>
<th>Market price at the time of assignment</th>
<th>Vesting period</th>
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### TELECOM ITALIA - LONG TERM INCENTIVE PLAN 2012

<table>
<thead>
<tr>
<th>Top Management</th>
<th>N.A.</th>
<th>Allotment of Telecom Italia ordinary Shares free of charge subject to performance parameters</th>
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<tr>
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<td>N.A. (**)</td>
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### Notes

(*) The maximum number of shares that might be issued free of charge for allocation to the Top Management in 2017 is 7,272,727.

(**) The maximum amount of the increase in share capital for cash reserved to the Selected Management in 2015 is 10,000,000 ordinary Shares, which will be followed by the issue free of charge of an identical maximum number of ordinary Shares in 2017.

(****) The subscription price of the ordinary Shares shall be equal to the market price (and in any case not below the par value).

(*****) Three-year period 2012-2014 for the ascertainment (in 2015) of the level of achievement of the performance objectives, followed by a two-year period at the end of which the Shares will be assigned (in 2017). For the description see the Information Document published on 02 April 2012.

(******) Three-year period 2012-2014 for the ascertainment (in 2015) of the level of achievement of the performance objectives, followed by a possible two-year period (in the case of the subscription of Shares) at the end of which (2017) there will be a free assignment of a number of Shares equal to those subscribed. For the description see the Information Document published on 02 April 2012.

Translation for the reader's convenience only. In case of inconsistency, the Italian text will prevail.
## Compensation Plan Based on Financial Instruments

### Table no. 1 of scheme 7 of Annex 3A to Regulation no. 11971/1999

**Date:** 2/04/2012

<table>
<thead>
<tr>
<th>Name and surname or category</th>
<th>Office</th>
<th>Date of shareholders’ meeting resolution</th>
<th>Type of financial instruments</th>
<th>Number of financial instruments</th>
<th>Date assigned</th>
<th>Instruments purchase price</th>
<th>Market price at the time of assignment</th>
<th>Vesting period</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Franco Bernabe, Executive Chairman</td>
<td>12/04/2011</td>
<td>Allotment of Telecom Italia ordinary Shares free of charge with a two-years lock-up</td>
<td>3,380,553 (*)</td>
<td>CdA/oc 7/07/2011</td>
<td>N.A.</td>
<td>0.90459</td>
<td>(^)</td>
<td>(***)</td>
</tr>
<tr>
<td>Marco Patuano, Managing Director</td>
<td>12/04/2011</td>
<td>Allotment of Telecom Italia ordinary Shares free of charge with a two-years lock-up</td>
<td>2,414,681 (*)</td>
<td>CdA/oc 7/07/2011</td>
<td>N.A.</td>
<td>0.90459</td>
<td>(^)</td>
<td>(***)</td>
</tr>
<tr>
<td><strong>Top Management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which key managers</td>
<td>12/04/2011</td>
<td>Allotment of Telecom Italia ordinary Shares free of charge with a two-years lock-up subject to performance parameters</td>
<td>N.A. (***)</td>
<td>CdA/oc 7/07/2011</td>
<td>N.A.</td>
<td>0.90459</td>
<td>(^)</td>
<td>(***)</td>
</tr>
<tr>
<td><strong>Selected Management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12/04/2011</td>
<td>Subscription of Telecom Italia ordinary Shares subject to performance parameters with deferred free allotment subject to keeping subscribed shares</td>
<td>N.A. (****)</td>
<td>CdA/oc 7/07/2011</td>
<td>N.A. (*****</td>
<td>0.90459</td>
<td>(^^^^)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Notes

- (*) Maximum number of Shares that can be assigned upon the achievement of the performance objectives (see the Information Document published on 10/03/2011). The maximum number of Shares that can be assigned is calculated based on the average official price of the Share in the period 7 June - 6 July 2011 (30 days preceding the date of the meeting of Board of Directors that approved the start of the Plan).
- (**) Number of Shares for a maximum total amount of 3,256,200 euros; number to be decided based on the market value at the time of the ascertainment of the three-year performance (and in any case not below the par value).
- (***) Number of Shares for a maximum total countervalue of 1,783,350 euros; number to be determined on the basis of the market value at the time of the ascertainment of the three-year performance (and in any case not below the par value).
- (****) Number of ordinary Shares that can be subscribed for a maximum total countervalue (including share premium) of 4,747,125 euros, the subscription price of which is to be determined by the Board of Directors, to which it is possible to add the number of ordinary Shares that may be assigned free of charge for a maximum total countervalue of 4,747,125 euros.
- (***** The subscription price of the ordinary Shares shall be equal to the market price (and in any case not below the par value).
- (^) The official price of Telecom Italia ordinary shares on the MTA (electronic share market) of Borsa Italiana S.p.A. on the date the rights are assigned.
- (^^^) Three-year period 2011-2013 for the ascertainment (in 2014) of the level of achievement of the performance objectives, followed by a possible two-year period (in the case of the subscription of Shares) at the end of which (2016) there will be a free assignment of a number of Shares equal to those subscribed. For the description see the Information Document published on 10 March 2011.

Translation for the reader’s convenience only. In case of inconsistency, the Italian text will prevail.
## COMPENSATION PLAN BASED ON FINANCIAL INSTRUMENTS

Table no. 1 of scheme 7 of Annex 3A to Regulation no. 11971/1999

Date: 2/04/2012

<table>
<thead>
<tr>
<th>Name and surname or category</th>
<th>Office</th>
<th>Date of shareholders’ meeting resolution</th>
<th>Type of financial instruments</th>
<th>Number of financial instrument</th>
<th>Date assigned</th>
<th>Instruments purchase price</th>
<th>Market price at the time of assignment</th>
<th>Vesting period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecom Italia Group Management</td>
<td>N.A.</td>
<td>29/04/2010</td>
<td>Subscription of Telecom Italia ordinary Shares subject to performance targets with deferred free allotment subject to keeping subscribed shares</td>
<td>N.A. (*)</td>
<td>Board of Directors /appropriate body 29/07/2010</td>
<td>N.A. (**)</td>
<td>1.00768</td>
<td>(***)</td>
</tr>
</tbody>
</table>

### Notes

(*) Number of ordinary Shares that can be subscribed for a maximum total amount (including share premium) of 4,118,175 euros, the subscription price of which is to be determined by the Board of Directors, to which it is possible to add the number of ordinary Shares that may be assigned free of charge for a maximum total amount of 4,118,175 euros.

(**) The subscription price will be determined by the Board of Directors, based on the market value of the ordinary Share at the time of the Offer.

(***) Three-year period 2010-2012 for the ascertainment (in 2013) of the level of achievement of the performance objectives, followed by a two-year period at the end of which the Shares will be assigned (in 2015). For the description see the Information Document published on 13 April 2010.
<table>
<thead>
<tr>
<th>Name and surname or category</th>
<th>Office</th>
<th>Box 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td><strong>Stock Option</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Section 1</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Options relating to plans, currently valid, approved on the basis of previous shareholders’ meeting resolutions</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Date of meeting resolution</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>14/04/2008</strong></td>
</tr>
<tr>
<td>Franco Bernabé</td>
<td>Executive Chairman</td>
<td></td>
</tr>
<tr>
<td>Gabriele Galateri di Genola</td>
<td>14/04/2008</td>
<td>Options on Telecom Italia ordinary shares with physical settlement</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes**

(*) Subscription price of Telecom Italia ordinary shares deriving from exercise of the Options
(****) Official price of Telecom Italia ordinary shares as shown by the MTA of Borsa Italiana S.p.A. on the Grant Date for the options.