SHAREHOLDERS' MEETING ON MARCH 29 2019

LONG-TERM INCENTIVE PLAN 2018

SUPPLEMENT TO THE INFORMATION DOCUMENT
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The supplement was approved by the Board of Directors at its meeting of February 21, 2019 and is available on the company website www.telecomitalia.com. It refers to the information document approved by the Board of Directors at its meeting of March 6, 2018 (as amended to take into account Consob Request 0109908/18 of April 13, 2018), also available on the company website and prepared in accordance with article 84-bis of Consob Resolution 11971 of May 14, 1999.
Introductory note

On February 21, 2019, the Board of Directors of Telecom Italia S.p.A. resolved – on the basis of the preparatory work by the Nomination and Remuneration Committee – to put a proposal to the Shareholders Meeting called for March 29, 2019 to amend one of the performance conditions of the incentive plan based on financial instruments (the Long Term Incentive Plan 2018 or “LTI Plan 2018”), which was approved by the Shareholders Meeting by resolution of April 24, 2018 and which the Board of Directors has since implemented as per the disclosure contained in the Remuneration Report available on the company website www.telecomitalia.com. The amendment was necessary due to the significant change in consolidated cash-generation forecasts (as formalized in the Industrial Plan 2019-2021) in the remaining two years of the three-year incentive period 2018-2020. The amendment therefore responds to the company’s desire to maintain the incentive and retention potential of the LTI Plan 2018 as the competitive scenario and the market evolves, as contemplated by the objectives of the new strategic planning cycle.

This document is intended as a supplement to the information document already prepared and published in accordance with the Issuers Regulation (Consob Resolution 11971/1999), as amended to take into account Consob Request 0109908/18 of April 13, 2018 and available on the company website www.telecomitalia.com (the “Information Document”).

Unless otherwise specified, the terms, conditions and definitions set out in the Information Document are understood to be reproduced and confirmed here in their entirety.

Updated Performance Parameters

The Performance Parameters of the LTI Plan 2018 are:

– The stock-market performance of the Share during the Vesting Period (except in cases of early termination with continued entitlement, or subsequent allocation), compared with a basket of shares issued by the panel of peers indicated in the Information Document (weighting: 70%).

– The free cash flow adjusted as below and accumulated in the Vesting Period (without prejudice to the exceptions indicated in the Information Document).

The Performance Shares mature in a variable amount depending on the extent to which the Performance Parameters are achieved, as ascertained by the Board of Directors when it approves the Group consolidated financial statements for the year ended December 31, 2020. When choosing the Performance Parameters, the Board of Directors was guided by the need to choose simple indicators that are easy to read and understand for the market and the incentivized population, as well as valid indicators of the success of the Company’s Industrial Plan.

This is precisely the reason why – now that the Strategic Plan 2018-2020 (approved by the BoD on March 6, 2018) has been replaced and the new Industrial Plan 2019-2021 has been adopted (approved by the BoD on February 21, 2019) – there is a need to measure the Performance Parameter connected to cash generation in proportion to net cash flow over the three years, resulting from combining

– the 2018 target as for the 2018-2020 plan and

– the 2019 and 2020 target as for the 2019-2021 plan
Equity Free Cash Flow will be measured as follows:

- (+) adjusted EBITDA, or reported EBITDA adjusted of non-recurring items, if any;
- (-) capital expenditures (capex; not including the investment in frequencies);
- (+/-) changes in adjusted net working capital (reported adjusted for any non-recurring items), including the changes in the operating provisions;
- (-) total finance expenses;
- (-) taxes

This amount represents the free cash flow available for paying dividends, repaying debt, the impact of IAS 17 (financial leasing) and investment in frequencies. It does not include the financial impact of any acquisitions and/or disposals of equity investments (M&A).

The target value will be recalculated by excluding the impact of changes to the three-year plan in terms of consolidation scope, exchange rates and accounting principles.

The payout metric requires that the final figure - net of the deductions proposed by the Nomination and Remuneration Committee to ensure operational significance - be compared with the Updated Target and payment as follows:

- Minimum, in the event of reaching 90% of the Updated Target.
- Target, in the event of reaching 105% of the Updated Target.
- Maximum, in the event of reaching 115% of the Updated Target.

The number of Performance Shares accruing if the value falls between the levels shown above will be calculated based on linear interpolation.

However, the Performance Parameter based on the relative stock-market performance of the Share in the Vesting Period remains unchanged,

- calculated:
  - from January 1, 2018 for beneficiaries of Performance Shares at initial allocation; from January 1, 2019 for subsequent beneficiaries until January 31, 2019; from January 1, 2020 for beneficiaries from February 1, 2019 to January 31, 2020.
  - until December 31, 2019 in the event of early termination with continued entitlement, and up to December 31, 2020 in remaining cases.

considering the average official Share prices on the Mercato Telematico Azionario, organized and run by Borsa Italiana S.p.A., in the quarters before the start and end of the period, rounded to two decimal places.

- compared to the average stock-market performance, calculated in the same way and over the same period, of shares issued by Deutsche Telekom AG, Vodafone Group PLC, Telefonica SA, Orange SA, BT Group PLC, Telenor ASA, Swisscom AG, Telia Co AB, Koninklijke KPN NV, Proximus SADP and Elisa OYJ (the Peer Basket) in their respective main markets of listing.

With regard to said Performance Parameter, the payout metric is as follows:
- Minimum, in the event of relative performance of the Share that is equal to the average performance of the Peer Basket.
- Target, in the event of relative performance of the Share equal to the average performance of the Peer Basket + 10%.
- Maximum, in the event of relative performance of the Share equal to the average performance of the Peer Basket + 20%, as long as the Share performance in absolute terms is positive in the period.

For intermediate performance levels, linear interpolation will be used:

- Between minimum and target.
- Between target and maximum, as long as the share performance in the period is positive.

Reference

The Information Document continues to apply to all other matters not otherwise governed by this Supplement.