

# TELCO S.p.A.

Registered office: Via Filodrammatici 3, Milan, Italy  
Share capital: Euro 879,206,489.00 fully paid up  
Registration no. in Milan Companies' Register,  
Tax identification code and VAT no.: 05277610969

## Press release

At a Board meeting held today, the Directors of Telco approved the company's draft financial statements as at 30 April 2014, reflecting a loss of €952.5m, following interest charges of €120.3m and value adjustments to the Telecom Italia shares totalling €830.5m, of which €498.9m due to aligning the book value to the market value of the shares as at 30 April 2014 (€0.92 per share), and €331.6m due to the writedown charged during the current financial year. Given the €369.1m loss booked in the financial statements as at 31 August 2013, already covered by a resolution adopted by shareholders in an extraordinary general meeting held on 24 September 2013, the residual loss amounts to approx. €583.4m, more than one-third of the company's share capital.

Accordingly, the Board called a general meeting of the company for 9 July 2014 to pass resolutions in respect of, *inter alia*, approval of the financial statements and reduction of the company's share capital pursuant to Article 2446 of the Italian Civil Code.

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The Board also acknowledged receipt of the notices received from shareholders Assicurazioni Generali S.p.A. (also in the name and on behalf of the Telco shareholders which are also Generali group companies), Mediobanca S.p.A. and Intesa Sanpaolo S.p.A. on 16 June 2014, stating their intention to exercise their right to request the demerger of Telco under the terms of the shareholders' agreement. The Board also unanimously approved the proposed partial demerger of the company (the "Demerger") as a result of which four newly-incorporated beneficiary companies, 100%-owned by each shareholder, will be allocated the respective shareholder's stake in Telecom Italia currently held by Telco (equal to 22.4% of Telecom Italia's ordinary share capital), as follows: 14.77% to the newco owned by Telefónica, 4.32% to the newco owned by the Generali Group, and 1.64% to each of the newcos owned respectively by Intesa Sanpaolo and Mediobanca.

As part of the Demerger, Telco will also repay all its bank debt outstanding (€660m as at 30 April 2014) and the bond issue subscribed to by its shareholders (€1,750m nominal value, plus €70m in interest accrued to 30 April 2014), plus the interest that will accrue until the repayment date, via funds to derive from a shareholders' loan to Telco, which will be disbursed pro rata to the shareholders' investment in the company immediately prior to the execution of the demerger. With the Demerger, then, each newco will be allocated the respective share of the shareholders' loan as well as the relevant Telecom Italia stake.

Completion of the Demerger is subject to the requisite clearances from the following authorities: *Conselho Administrativo de Defesa Econômica* "CADE" (Brazilian antitrust authority); *Agência Nacional de Telecomunicações* "ANATEL" (Brazilian regulatory authority); *Comision Nacional de Defensa de la Competencia* "CNDC" (Argentinian antitrust authority) and, for those matters which fall within its scope of responsibility, *Istituto per la Vigilanza sulle Assicurazioni* IVASS (Italian insurance regulatory authority).

Telco will continue to exist with a minimal share capital and with no Telecom Italia shares held, in order to deal with the remaining assets and liabilities on the balance sheet. The company will then be placed in liquidation once this phase is complete.

The Telco demerger will also be submitted to the approval of shareholders in the extraordinary general meeting called to take place on 9 July.

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As at the date on which the Demerger becomes effective, every effect of the shareholders' agreement in force between the shareholders of Telco shall cease to be effective.

**Milan, 26 June 2014**