The meeting of the Shareholders of TELECOM ITALIA S.p.A. started at 11:00 am on 29 April 2010, in Via Toscana 3, Rozzano.

Dr. Gabriele Galateri di Genola, Chairman of the Board of Directors, declared the meeting open and, with the unanimous agreement of those present, called upon Prof. Carlo Marchetti to perform the functions of secretary to the meeting, and thanked him.

The Chairman then first of all read out the Agenda, containing the following items:

**Ordinary session**
- Financial statements as at 31 December 2009. Related and consequent resolutions;
- Appointment of a Director;
- Appointment of a firm of external auditors for the period 2010-2018. Related and consequent resolutions;
- Employee shareholding plan. Related and consequent resolutions;
- Long Term Incentive Plan for senior management. Related and consequent resolutions.

**Extraordinary session**
(omission)

The Chairman then announced that:
- the notice convening the Shareholders’ Meeting was published in the Official Gazette of the Italian Republic – Part 2, no. 37, of 27 March 2010, and also in the following newspapers: Il Sole 24 Ore, Finanza & Mercati and the Financial Times;
- on 27 and 28 April 2010 the Shareholders’ Meeting [which had been called respectively on first call (extraordinary part) and on first call (ordinary part) and second call (extraordinary part)] was not quorate, as per the official notarized minutes of the events;
- as stated in the declaration filed on 30 December 2009, the share capital is 10,673,865,180.00 Euros, divided into 19,407,027,600 shares with a par value of 0.55
Euro each, of which 13,380,906,939 are ordinary shares and 6,026,120,661 are savings shares;
- as of today’s date, the Company holds 37,672,014 of its own ordinary shares. In addition, 124,544,373 Telecom Italia ordinary shares are held by its subsidiary Telecom Italia Finance S.A..

Since the Bylaws provide that the right to vote may be exercised by post, the Chairman of the Board of Auditors delivered to the Chairman the voting slips which had arrived within the time-limit.
In total the number of slips which proved to be in order and valid for the purposes of the proper constitution of the Shareholders’ Meeting was one, representing a total of 12,250 ordinary shares.

The Chairman therefore declared at 11:02 am that the ordinary shares participating in the Meeting for the purposes of its being validly constituted numbered a total of 4,654,260,971, including the postal votes. The total capital represented at the Meeting was therefore 34.78% of the total of the ordinary shares.

After this preamble, the Chairman determined and gave notice that the Meeting was regularly constituted and could discuss and deliberate on the items on the Agenda.

The Chairman then announced that:
- the list of names of people taking part in the meeting would be available as soon as it was printed;
- the documentation relating to the various items on the agenda was published in accordance with the applicable regulations, and also made available on the Company’s website;
- the following documents, among other things, had been distributed at the entrance:
  - the printed financial report for 2009 (including the various proposed resolutions and the associated explanatory reports);
  - a binder containing the Consob request under Article 114, subsection 5 of Legislative Decree no. 58/1998, dated 22 April 2010, and a document containing the information and data required;
  - the report on corporate governance and share ownership;
- the information documents relating to the “2010-2014 Employee Shareholding Plan” and the “2010-2015 Long Term Incentive Plan”;
- the 2009 Sustainability Report;

According to the figures in the possession of the Company, the following hold shares with voting rights amounting to more than 2% of the ordinary capital:

- Telco S.p.A., with a direct holding, by way of ownership, corresponding to 22.447% of the capital with voting rights;
- Findim Group S.A., with a direct holding, by way of ownership, corresponding to 4.999% of the capital with voting rights;
- Brandes Investment Partners LP, with a holding in the capacity of savings manager corresponding to 4.024% of the capital with voting rights;
- Blackrock Inc, with a holding in the capacity of savings manager corresponding to 2.823% of the capital with voting rights;
- Alliance Bernstein LP, with a holding in the capacity of savings manager corresponding to 2.069% of the capital with voting rights;

As regards shareholders’ agreements significant for Telecom Italia for the purposes of article 122 of Legislative Decree no. 58/1998, the Chairman indicated that the extract of the agreement modifying and renewing the shareholders’ agreement signed on 28 April 2007 between the shareholders of the relative majority shareholder Telco S.p.A. (at that time: Intesa San Paolo S.p.A., Mediobanca S.p.A., Sintonia S.A., companies belonging to the Generali Group and Telefónica S.A.), whereby the parties to the original agreement other than Sintonia S.A. renewed it for three years, with effect from 28 April 2010 till 27 April 2013 had been published in the national press. The description of the essential elements of the above-mentioned agreements is contained in the report on corporate governance and the Company’s share ownership.

The Chairman, continuing, announced that the following were present at the meeting:
- besides the Chairman and the Chief Executive Officer (Franco Bernabè), the Directors Elio Catania, Jean Paul Fitoussi, Julio Linares, Aldo Minucci, Luigi Zingales, as well as the Auditors Enrico Maria Bignami (Chairman of the Board of Auditors), Gianluca Ponzellini, Lorenzo Pozza and Ferdinando Superti Furga;
- Prof. Carlo Pasteris, common representative of the holders of savings shares;
- Francesco Pensato, common representative of the holders of bonds relating to the following loans:
  - Telecom Italia 2002-2022 a Tasso Variabile, Serie Speciale Aperta, riservato in sottoscrizione al personale del Gruppo Telecom Italia, in servizio e in quiescenza" (Telecom Italia 2002-2022 Floating Rate bonds, Open Special series, reserved for subscription by serving or retired employees of the Telecom Italia Group);
  - “Telecom Italia S.p.A. 750,000,000 Euros 4.50 per cent. Notes due 2011”;
  - “Telecom Italia S.p.A. 1,250,000,000 Euros 5.375 per cent. Notes due 2019”;
- he informed the meeting that the absent auditor had given reasons for his absence;
- and finally, that representatives were present of the firm of external auditors, as well as financial experts and analysts and staff engaged in the proceedings of the meeting;
- as per the Regulations for the Shareholders’ Meeting, 15 minutes was set as the maximum length of speeches during the discussion; as is now normal, a single debate would be held on all the items on the agenda, respectively, of the ordinary session and the extraordinary session; voting would then take place separately on the various items.

In this connection the Chairman recalled that, as had happened at the Shareholders’ Meeting the previous year, the operations of recording attendances and counting the votes would be performed with the aid of a remote unit known as a “televoter” and suitable computer software.

At the Chairman’s invitation, the Secretary, with the aid of some slides, explained the operation of the televoter, making the following points:
- each participant had received a televoter, which had his/her identifying data associated with it. The televoter’s computer software combines the votes which each person at the Shareholders’ Meeting holds. The televoter is a device for strictly personal use, which shareholders are asked to carry throughout the duration of the meeting, since it also functions as an identifying pass for access to the premises where the meeting is being held;
- there are five keys on the televoter, and alongside each one there is an indication of what vote it represents. In order from top to bottom, the keys are used for abstaining, for casting a vote against, and for casting a vote in favour. The three keys marked respectively In Favour 1, In Favour 2 and In Favour 3 are equivalent.
– the instructions for the use of the televoter are anyway printed in the leaflet distributed at the entrance, and the auxiliary staff of the Company are available for clarification: they are identified by a special badge;
– during the proceedings, the opening of voting is announced, and the subject of the vote is specified each time. While voting is open, the televoters are enabled and each person can cast their vote. They can alter the choice that they have made up to the moment when voting is closed, which will also be announced. The system records the last vote cast; in order for the televoter to operate correctly, it must of course be used in the hall.
– the fact that a vote has been recorded is shown by a green lamp lighting up at the top left-hand corner of the device. If the lamp turns red, it means that the vote has not been recorded by the computer software. Participants are therefore recommended to always check the colour that the lamp is showing after each time that a key is pressed;
– in any case, the auxiliary staff are available if any help is needed, and there is also a station at the back of the hall marked “ASSISTED VOTING”.
– in all cases, as is normal practice, the details of the voting will be reported in the minutes.

The Chairman took the floor again:

- before proceeding to deal with the items on the Agenda, he reminded shareholders who intended to address the meeting to book at the desk in front of the platform. When they were called upon to speak, they should go to the podium set up for the purpose, and avoid making speeches from the floor;
- he indicated that the equipment necessary for projecting slides had been set up next to the podium, in case any speakers wanted to use slides when making points during the course of their speech. He asked shareholders not to abuse this opportunity;
- he then informed the meeting that recording equipment was being used solely to facilitate minute-taking, and that there was also a simultaneous translation service from Italian into English and vice versa (headphones were available at the entrance to the hall). The personal data gathered by means of the recording process, and also during accreditation for participation in the proceedings, would be handled for the purposes of the proper conduct of the meeting and for minute-taking. All data would be handled in accordance with the legislation on privacy. He reminded the meeting that audio and video recording of the meeting by shareholders is not permitted;
Since the documentation for all the items on the Agenda had been made available on paper and via the internet, and also distributed at the entrance to the hall, the Chairman announced, and no one objected, that the reading of the Agenda would be omitted.

The Chairman then read out the text of the speech reproduced below.

Shareholders,

As soon as the financial year 2009 had closed, we were certain that we would be bringing satisfactory results to this Shareholders’ meeting, all the more so considering the grave difficulties which the Italian and international markets have suffered.

We were and we remain proud of those results: we have remained faithful to the commitments which we had undertaken in terms of improving cashflow and revenue generation, rationalization, the reduction of costs and indebtedness and, last but not least, increasing customer satisfaction in all the principal sectors of the market.

However, the fruits of this hard and demanding work by the whole Company have been pushed into second place by the emergence of the Sparkle affair and by the new involvement of Telecom Italia in matters with criminal implications, which have raised a storm in the media and have also had an obvious effect on our day-to-day work.

These new facts have aroused great, and, I may add, justified public indignation. We, too, share this indignation.

We have reacted promptly and with the maximum transparency.

A responsible decision reflecting this transparency was the one taken to postpone, not once but twice, the Board Meeting to approve the financial statements for 2009 and consequently to defer this meeting until today.

This was necessary so that we could carry out all the essential in-depth investigations, which included calling in independent external advisors, and then draw up financial statements based on reasonable certainties.

1. The legal proceedings and our line of conduct

I want to dwell for a while on the judicial issues.

The events which are being investigated by the magistrates are based on individual people’s behaviour (whose legality under the criminal law will be decided in the proper place), which has damaged the Company in terms of its worth and image.
We are doing and will do everything possible to avoid repetitions of this kind of situation in the future, to behave with proper transparency and to take the necessary action, including imposing sanctions and making demands for compensation.

We are doing and will do our utmost to ensure that individual liabilities are identified and enforced.

We will do all this sensibly, but also with great determination, and always pursuing the interests of the Company and of all its shareholders.

This goes both for the Security affair and for the Sparkle affair.

As regards the Security affair, it is well-known that on 30 January 2010 Telecom Italia presented an application for settlement, after obtaining the consent of the Public Prosecutor.

Settlement is an important goal for us, and the application which we entered is the outcome of a long, hard road. As the Prosecutor himself recognized, Telecom Italia acted effectively to pay compensation for the damage caused by the behaviour of its ex-collaborators and has equipped itself with a suitable organizational model for preventing offences of the type committed in this episode.

With the civil parties (five public bodies) admitted in the proceedings against Telecom Italia, a settlement has been agreed whereby the Company - by way of a concrete gesture of solidarity - offered the sum of 3,000 Euros net to its employees and ex-employees on the list of the “dossiered”, and this was accepted by a very high proportion.

These initiatives were taken without this implying, even indirectly, that the Company acknowledged any liability.

All this entailed a cost which so far we have succeeded in containing: the ex gratia payments made to the employees meant a total payout of 1.85 million Euros; the case brought by the public bodies was closed with a payment of approximately 800,000 Euros; the fine which will be applied to the Company in the event of the acceptance of the application for settlement amounts to 400,000 Euros, and the application for settlement also provides for the possible payment of 67,000 Euros by way of confiscation.

There are also numerous other cost entries attributable to the affair, major costs because they include, among other things, the recovery of tax on non-deductible expenses and the associated penalties which so far have entailed the payment of about 24 million Euros.
This is to say nothing, naturally, of the damage to the Company’s image and the sums illegally taken from Telecom Italia and Telecom Italia Latam by way of illicit appropriations, amounting to a sum assessed by the Public Prosecutor’s office at around 20 million Euros.

With regard to the recovery of these losses, the Company has not remained idle. In the first place Telecom Italia, together with Telecom Latam and Telecom Italia Audit and Compliance Services, has filed a civil claim in the criminal proceedings against its ex-employees and the third parties accused, and has requested and obtained a precautionary sequestration of the assets of one of the co-defendants to the value of more than 15 million Euros.

The Company has also tasked its lawyers with assessing, on the basis of the circumstances already known and those which are emerging and may emerge in the course of the trial and other investigations, whether violations have been committed by parties not indicted in the criminal proceedings.

The Board of Directors will make the due determinations, within the terms allowed by the law, at the conclusion of the investigations which are now in progress and, obviously, not on the basis of “emotional” considerations.

I believe that I have now said everything on this point.

In the Sparkle case, where investigations are still in progress, irrespective of the degrees of criminal liability, the Board of Directors of Sparkle first, and then of Telecom Italia, as sole shareholder in Sparkle, have voted to start a corporate action alleging liability against the former Chief Executive Officer of the subsidiary.

2. Stronger and more effective governance, in the service of all the shareholders

May I be permitted, at this point, to raise a general consideration?

It is said that adversity tempers the character, that by confronting difficulties we grow and mature. This holds good not only for people, but also – we know – for businesses.

This therefore needs to be said: Telecom Italia is emerging from the judicial proceedings on which I have been dwelling, stronger and more aware of risks.

We already had robust and effective governance. Today it is even more robust and even more effective. Yesterday it showed itself to be prompt and reactive in dealing with a crisis; today it is equipped to anticipate and prevent it, thanks to the spread of a new culture of responsibility and legality.
The solidity of Telecom Italia’s corporate governance is not only concerned with the quality of the dialectic between the corporate bodies, and between these bodies and the management. It is not demonstrated solely by the validity of the Internal Control System which is recognized by authoritative independent experts. What counts also – and I would say above everything else – is that throughout the management, starting with the Members of the Board of Directors, there is an absolute determination not to accept deviations from compliance with the highest standards of ethical behaviour.

Telecom Italia is and intends to remain a responsible, reliable and credible company; a company which wants and knows how to manage its relations transparently, calmly and fairly with all shareholders, large or small, whether or not they are on the Board.

### 3. A responsible and sustainable company: relations with stakeholders – plans for promoting loyalty

The same values of transparency, calm, and fairness which distinguish our relations with the shareholders characterize our relationship with all the Company’s stakeholders.

We have demonstrated this in our open and fair collaboration with national and international institutions and, in particular, with the Italian Communications Authority and the other independent Authorities.

Our dialogue and dealings with the political institutions are equally collaborative, particularly in the case of two objectives which we fully share: overcoming the infrastructure gap in broadband access, and developing the digitalization of public bodies. There are frequent interactions with consumer organizations, and we have launched a joint programme with them for improving the quality of our services and making arbitration procedures more effective.

We maintain a constant commitment to the ideal of environmental sustainability. Last year the eco-sustainability of the Group was further improved.

We pay great and constant attention to the needs of the society, particularly those of the more vulnerable members of the community, whether this is a matter of alleviating the effects of the human drama suffered by the people who lived through the tragic earthquake in Abruzzo, or whether it is a matter of promoting the “digital inclusion” of elderly people, or helping the social advancement of the less fortunate, as the Telecom Italia Foundation in particular is doing at the moment.
In this model of a responsible and sustainable business to which we aspire, our employees, naturally, have a key position. We have a very clear view of how decisive their role will be in the implementation of the Group’s industrial plan.
And it is for this reason – to consolidate pride in belonging and reinforce involvement and active participation in the achievement of the corporate objectives – that we considered it essential to propose two innovative programmes for the approval of this Shareholders’ meeting: the Shareholding Plan for Employees of the Telecom Italia Group, and the 2010-2015 Long Term Incentive Plan which is reserved for a carefully selected section of executives.

When I say ‘innovative’, I am thinking of it from several different points of view:
as regards the public Shareholding Plan, on account of the simplicity of the mechanism, the ease of making investments in instalments, the fact that subscribers pay no management charges, the growth in benefits the longer the shares are held, and the strengthening of the bonds between employees and Company.
The Long Term Incentive Plan, for its part, is designed to align the interests of the management strictly with the interests of shareholders over a long period of time. It not only links the payment of a monetary bonus 50% of which can be reinvested in shares when demanding income and financial targets (in terms of net Cumulative Cashflow of around 10.5 billion Euros and of Total Shareholder Return) have been achieved, but also specifies that the free assignment of a number of ordinary shares equal to the number of shares subscribed shall take place five years after the launch of the plan.
Certainly, it is a complicated time for the Company. But the decision to invest in people is never a mistake: this is the way that human and professional energies are activated to achieve ambitious objectives.

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<th>4. Performance of the share price on the Stock Exchange</th>
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<td>Our objectives are indeed ambitious. What we are proposing to do in the 2010-2012 Industrial Plan is to bring the Company up to national and international levels of excellence.</td>
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<td>We know that the macroeconomic climate will not be particularly brilliant, especially in Europe, and in Italy in particular. Although the estimates for the growth of Italian GDP are moderately positive (+0.8% according to the International Monetary Fund), 2010 is still looking like a difficult year: uncertainty factors remain, consumption remains weak, employment figures continue to be worrying.</td>
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However, the stock market, as we know, characteristically anticipates economic trends. Since the last shareholders’ meeting, the main stock exchange indices have shown positive performance.

In 2009, too, wealth in Italy invested in shares showed growth of 2 percentage points compared with 2008, reaching 11% of total wealth. We are however still far from the values for the years preceding the crisis: in 2006 and 2007 they oscillated between 16% and 17%.

In the last twelve months, the Italian stock exchange index has registered an improvement of around 30%, helped by the low level of interest rates.

Against this background, from April last year to today – at the height of the new phase of the crisis which has struck the markets – ordinary Telecom Italia shares have gained 2% and savings shares have gained about 9%.

If we look at our performance from the outbreak of the international crisis in autumn 2008 onwards, the “defensive” characteristics of our shares have so far enabled them to outperform the Italian market. Ordinary Telecom Italia shares have in fact grown by about 7%, and savings shares by 17%, while the Milan FTSE index has lost 0.5%.

Our efforts are now concentrated on updating the financial market on the drivers of the 2010-2012 Industrial Plan, which was presented in this very hall a few weeks ago and well-received by the stock exchange: during trading on April 13, the ordinary shares showed an increase of 1.2% (with a maximum during the day of almost 4%), and the savings shares an increase of 3.5%.

45% of the verdicts of financial analysts on Telecom Italia shares are buy recommendations. This percentage increased by more than 10 points after the presentation of the update to the Industrial Plan.

5. Prospects for the telecoms sector - Conclusion

When thinking about prospects, however, I believe we need to lift our gaze towards a less narrow horizon than the current economic situation.

It is now clear that among the effects of the economic crisis which erupted in 2008, there is also a very different political awareness of the role that digital technology can play in the economic recovery and in improving ordinary people’s welfare.
The European Union, for example, in its Digital Agenda 2020, outlines a programme commitment to broadband access for all citizens by the end of 2013, and to speeds of at least 20 megabytes by 2020, with 50% of European families connected to the Internet at more than 100 megabytes.

Certainly, all this presupposes a new generation of networks and will require innovative regulation by comparison with the regulation governing traditional networks. This regulation must be capable of stimulating private initiative by ensuring the sustainability of the huge investments in infrastructure that will be necessary.

But it is clear that we are approaching a time of transformation into a knowledge society, inclusive and respectful of the environment. This represents the great challenge and the great opportunity of this decade.

We want to arrive at this appointment prepared.

That is why we are working so hard on our fundamentals: on financial solidity, on efficiency, on leanness of the organization, on the development of infrastructures and network platforms with targeted and selective investments, and on motivating people.

Our faith in the capacity of Telecom Italia to be a partner and driver of the process of modernizing the countries in which it operates is even greater today than it was yesterday.

* * *

Before handing the floor to Dr. Franco Bernabè, I want to add a very short comment.

This will be the last Telecom Italia shareholders’ meeting before the new rules contained in the European Directive on “Shareholders’ Rights” come into force, profoundly altering the relationship between the issuer and its shareholders, This change will be to the great advantage of real participation by shareholders in the life of their company, particularly in the shareholders’ meeting.

Telecom Italia greets with satisfaction the opportunities flowing from the application of new technology such as electronic voting to the shareholders’ meeting. It views with favour a less restrictive set of rules (the “record date”) on taking part and voting in the shareholders’ meeting. Telecom wants to examine opportunities for rewarding the loyal small shareholders who represent an important component of its shareholder base.

While we await the completion of the regulatory framework we are carefully examining and assessing the new institutions introduced by the legislatory body. We are convinced, however, that they will give us the possibility of a more complete and effective dialogue with you the shareholders.
The Chairman then handed over to the Chief Executive, who read out the text of the speech reproduced below.

Good morning, everyone.

Before coming to the main part of my speech, I too would like to reaffirm – as the Chairman already has – that Telecom Italia Sparkle’s involvement in the enquiries by the investigating magistrates has been conducted by our Group in a spirit of absolute transparency and collaboration, both in its dealings with the authorities and in its dealings with the market and the shareholders.

With regard to this affair, as requested by CONSOB, a document will be read out during the meeting, in which we will provide a precise answer to the questions posed by the body responsible for the protection of shareholders' interests.

Results for the financial year 2009

2009 was one of the most difficult years in the post-war period: the financial crisis which erupted in autumn 2008 gave rise, over the course of 2009, to a large contraction in aggregate demand in all western countries, with a particularly significant impact on consumption by families and investment by businesses. In spite of this, Telecom Italia’s results were particularly positive, as shown by the growth in pre-tax earnings and extraordinary items (up 15.4% compared with the previous year).

With reference to operations in 2009, we achieved three important results:

1) A strong recovery in cost efficiency which, in part, will be passed on to our customers in terms of more competitive prices and, in part, will be used to generate the cashflow needed to sustain investment and reduce indebtedness;

2) An increase in the effectiveness and speed of our commercial processes and in the quality perceived by our customers, which will enable us to consolidate our performance in fixed network services and improve our performance in mobile network services;

3) The sale of our business in Germany, which was not making a useful contribution to the Group and was absorbing resources of which the Group will be able to make better use elsewhere, by concentrating on markets and services where we continue to maintain a real competitive advantage.

Integrity of the company
But the most important result which we have been able to achieve has been to ensure the integrity of the company, which represents the most important guarantee that once the burden of debt derived from the past has been reduced, Telecom Italia can start again on a virtuous path of expansion.

I am referring to the proposal for separation of the network which originated, in the political and regulatory debate, as an extreme remedy for a market structure which was incapable of ensuring adequate levels of competition.

The creation of the “Open Access” division, responsible for infrastructure and network access services, and the resolution of the binding undertakings which we achieved over the last 15 months, besides anticipating by more than two years the European Commission’s recommendations set out in the new Directives published on 18 December 2009, is now considered an outstanding example of international best practice in the matter of equality of access.

The efficacy of the technical and operational solutions which we adopted in the course of 2009 and the first quarter of 2010 has been so great that it has allowed Telecom Italia to comply fully with the times fixed for implementation: the entire series of commitments was in fact translated into the corresponding procedures, processes, systems and equipment in the space of only 15 months (by contrast the completion of the undertakings signed by British Telecom took more than five years).

Given that the regulatory and pro-competition reasons no longer apply, there is now no other reason why any further proposals for separation of the network infrastructure should continue to be considered.

A Telecom Italia divested of its network would be a company deprived of its very raison d’être, and would expose it to a very uncertain future. The network is the tool which has allowed us and will allow us in the future to express our potential and to put our skills at the service of the market and the country, by offering innovative services of increasing quality.

**Efficiencies and cost reductions**
We are working to enable Telecom Italia to return to being a major league player in the world of international telecommunications. The road for arriving at this objective, however, passes through a transformation stage which requires Telecom Italia to become a leader in terms of efficacy and efficiency at international level. Over the next few years, the greatest competitive pressures will not come from operators who have the same characteristics as us and with whom we compete on equal terms, but from new players, who benefit from extremely light cost structures and who operate on a world scale with highly innovative business models. For this reason, over the course of 2009 we continued the ambitious programme of cost reduction which we started in 2008. The important results that we have achieved, which can be quantified as an overall reduction in costs of 1.6 billion Euros, are the result of operations to rationalize network technologies, of careful selection of suppliers and a shrewd investment policy. These cost reductions, however, have been achieved as a result of major operations to streamline the workforce, achieved – and I hasten to emphasize this – predominantly by following policies of early retirement and voluntary redundancy. These reductions in the workforce are a direct consequence of technological innovations and the continual improvement of production processes.

If we were to give up on resizing our cost structure and reshaping the workforce in a way consistent with today’s needs, it would mean giving up on the increases in productivity which we ourselves propose to our business customers. It would mean wanting to deprive ourselves of the advantages of those same ICT technologies which we have for a long time been committed to spreading and promoting in Italy and the other countries where we operate.

Anyone who has the future of Telecom Italia at heart cannot ask us to give up on these benefits, because that would mean asking us to give up on what we are and what we believe in.

The slimming-down operations which we are currently having to implement are indispensable and necessary to allow us to reach the optimal size and flexibility that will enable the company to withstand the competitive pressure to which it will be exposed in the next few years, especially in the light of the changed market scenarios to which I referred just now.

If we irresponsibly decided to desist from pursuing policies aimed at containing costs, we would be consigning our company to a destiny without any prospect of growth. We would be taking it down a road of slow and inexorable decline.
In this context, and as evidence of my commitment to our human resources, I have decided to give up part of my bonus in order to finance 30 study bursaries for employees’ children who wish to study abroad.

**Domestic fixed network services**

As regards commercial activity, the areas in which we obtained the best results in 2009 were the domestic market for fixed network services, and mobile phone services in Brazil. In Italy in 2009 we recorded a reduction of 19% in the total number of customers who moved to the competition. At the same time there was an even more marked reduction (-29%) in the proportion of these customers to whom the competition offered their services through unbundling, i.e. through the migration procedure which for Telecom Italia causes the greatest loss of revenue.

2009 also saw the occurrence of a phenomenon which is a great source of satisfaction to us, an 11% increase in the number of customers who, after moving to the competition (through unbundled access to the local loop) decided to go back to being our customers. In spite of the heavy pressure on prices which characterized the 2009 financial year, the average monthly income from broadband internet access slightly increased.

**Brazil**

Equally satisfying results were obtained from our subsidiary TIM Brazil, where against the background of a level of revenue which stayed more or less stable (around 13.9 billion Reals) we achieved an increase in terms of EBITDA of almost ten percentage points (about 3.5 billion Reals).

After the serious fall by about two percentage points which it underwent in 2008, TIM Brazil’s market share stabilized in 2009 at around 23.6% - 23.7%, and the number of lines grew by about 13% to over 41 million.

These results were achieved as a result of commercial policies which were new to the Brazilian market, such as the sale of “just” the SIM card separately from the purchase of the phone (at subsidized prices).

As well as these positive results in terms of stabilizing our market share and growing the number of customers, as a result of marketing unlimited-use offers and offers aimed at attracting traffic and customers away from fixed network operators, our average monthly income per user moved from 27.6 Reals in the first quarter to 28.8 Reals in the fourth, thus recording a cumulative increase of more than 4%.

**Mobile telephony in Italy**
One area, however, where we are not satisfied with the results, although we are convinced that we are on the right road, is the domestic mobile telephony market. The challenge which we are facing in mobile network services is even more complex and more complicated and for that reason even more stimulating. The contraction in spending power caused by the international economic crisis, and the resulting greater importance attached to the price factor, has not helped the sector’s overall growth prospects; still less has it helped operators such as TIM, characterized by an offer with a price premium justified by a high level of quality and a greater differentiation of service.

Telecom Italia responded to these difficulties, which were connected with TIM’s historical market positioning, with promptness, firmness and determination, setting in train a real Copernican revolution aimed at putting the customer at the centre of all our actions. This market repositioning, undertaken primarily to improve our performance in the residential sector (which represents three quarters of the overall market), was achieved principally through a radical rethinking of the sales channels, of our communications and of our commercial offers.

The reorganization of the sales channels which was launched in 2009 has the double objective of improving the productivity of each individual point of sale and of increasing our penetration especially in areas of high density of commercial activity. The communications strategy was revisited both in terms of format, where we tried to put more emphasis on the “popular” component of the message, and in terms of a greater presence on television. The rethinking of the sales channels and the revisiting of the communications strategy serve the purpose of the market repositioning which we are performing through a new range of commercial propositions to extend and improve our offer. The object is to give our customers more value, and offer them a better quality/price ratio. Our traditional offers were aimed at a higher-value type of customer, and typically featured the supply of phones at subsidized prices. We have added a series of new proposals, whose distinctive feature is the simplicity and low price of the offers themselves.

In 2009, as a result of strong technological leadership and highly effective sales policies, revenues from mobile broadband access services increased by about 20%, reaching the sum of 652 million Euros.

Changes as radical as those we have made take time to be assimilated, but we are convinced that the action we have taken will not be long in bearing fruit.

**Future prospects and strategic utilization of the network**
We move on now to strategies involving the development of the network. We want to start a relaunch operation on the network based on a strengthening that will allow us to respond to increases in traffic volumes with improved quality and greater customization of service.

Starting from the premise that copper and fibre will coexist for many years yet, our objective is to lay fibre optic where it is most useful, giving special priority to re-laying the cable in fibre optic to base radio stations and fixed network exchanges, extending broadband coverage to industrial districts not yet covered and, finally, extending the fibre optic network as far as the building (or individual dwelling) in the large metropolitan areas with high residential and professional densities.

As well as the extension of the fibre optic network in Milan and Rome specified by our industrial plan, we intend to launch a series of experiments, such as designating a geographical area (in conjunction with AGCOM) where copper is to be totally replaced by fibre. In order to further accelerate the development of the fibre optic network, we are also prepared to consider collaborations with other organizations, be they telecommunications operators, central government agencies - or local authorities.

This strengthening of the access network infrastructure will also mean that our services will evolve in a framework where both the people using the network and the uses to which it is put will be becoming more diverse. In future we must be able to project ourselves as the single platform across which our customers can satisfy all their “digital needs”: from music to books (e-books), from social networking to payment platforms.

Conclusions

In conclusion, I believe that over the course of 2009 Telecom Italia responded to difficulties with firmness and determination. The ways in which we responded allowed us not only to attenuate the negative effects caused by the prevailing international economic crisis, but actually to reach and exceed many of the objectives which we had set ourselves.

The positive effects of actions such as signing the pro-competition undertakings, the constant work of slimming down the organization and rethinking the processes for selling mobile network services, will only demonstrate their full potential for the Group’s financial results during the course of this year and next year. We have decided to concentrate our activities and our investment in just two areas, Italy and Brazil, which are moreover perfectly complementary in terms of economic development, and this decision, too, must be viewed from a long-term perspective.
We are fully convinced that the road we have chosen is the right one, and that we will shortly be achieving even better results than in 2009. Over the next three years the competition will become increasingly battle-hardened, and the challenges which await us are many and complex. But the spirit in which Telecom Italia is preparing to meet them is the right one.

Telecom Italia is today more solid and aware of its own strengths as a company, and at the same time more agile and reactive than it was only two years ago. We are thus in the starting-blocks for the 2010-2012 three-year period, readier than ever to take on the competition and step up the pace.

In the last two years, every decision has been taken and assessed solely on the basis of its economic and industrial soundness and what it would contribute to accelerating the process of relaunching Telecom Italia and protecting its human and economic assets. There has been a growing awareness that Telecom Italia is capable of facing and overcoming the difficulties that will confront it in its path.

Two years ago we started down a route which we have still not abandoned, a route which looks to the industry, to the market and to our values. This is the route on which we intend to continue without hesitation in the three-year period which has just begun.

Telecom Italia belongs to its shareholders, who have invested their savings and placed their trust in the Company. We have no intention of betraying this trust. We do not intend to default in any way on the commitment we have made to deliver you a stronger and more solid company, a company which continues to be a leader in electronic communication services.

Thank you for your attention, and I wish you a successful meeting.

As agreed with Consob, the Chairman then read out a summary, reproduced below, of the document prepared in compliance with the request made to the Company by Consob, in accordance with Article 114, subsection 5, of Legislative Decree no. 58/1998, and said that a copy of the request and of the document was contained in the special binder handed out to those present. The document is also appended to these minutes.

Telecom Italia’s annual Financial Report as at 31 December 2009 contains, in Note 3 to the Consolidated Financial Statements, a description of the restatement to correct errors, in accordance with IAS 8, of the revenue and costs recorded for 2005, 2006 and 2007, relating to certain transactions carried out by the subsidiary Telecom Italia Sparkle, for
which the latter company was notified on 23 February 2010 that judicial proceedings were being started in connection with a criminal action which is still in progress.

Following Consob’s request of 22 April 2010 under Article 114, subsection 5 of Legislative Decree no. 58/1998, dated 22 April 2010, the following statements are made:

1. The tax penalties for which provision has been made in relation to the aforementioned operations were calculated on the assumption that the company arrives at a pre-trial settlement of the VAT liability. Considering the various institutions specified in the legislation, it was considered appropriate to make provision by calculating the highest penalty that could be imposed in the event of an agreed settlement (about 93 million Euros) because this form of pre-trial settlement was considered the most probable. The total amount for the three years, between taxes and penalties, is estimated at 391 million Euros.

2. a) With reference to the risk relating to direct taxes (IRES [Corporate Income Tax] and IRAP [Regional Tax]), which is considered only possible, the Revenue Agency may refuse to allow as tax-deductible the costs paid to suppliers in the operations which are the subject of investigation by the Procura [Prosecutors]. Our estimation of the potential tax liabilities for direct taxes due in total over the three years is about 429 million Euros, excluding penalties.

2. b) Since the risk relating to direct taxes has not been judged probable, no provision has been made.

3. On 28 March 2010 the Guardia di Finanza [tax police] began a tax audit relating to Corporate Income Tax and VAT due from Telecom Italia Sparkle for the years 2005, 2006 and 2007. It is thought probable that, at the end of this audit, the Guardia di Finanza will serve the company with a Processo Verbale di Constatazione [statement of charges]; there is nothing new to report in this regard beyond what has already been stated in the Annual Financial Report for 2009.

4. In order to identify whether any events of the kind alleged by the Prosecutors actually occurred, Telecom Italia Sparkle has appointed outside advisers to carry out a documentary investigation relating to (i) contracts with parties other than the principal operators, and (ii) traffic data for the years 2005-2009.

4. a) With regard to the contracts which were examined, no features emerged from the investigation to suggest that the contracts were agreed for any other than the normal purposes.
As regards the traffic data, however, the advisers identified cases of the commercial handling of traffic for which it was not possible in retrospect to reconstruct reasonable technical or business explanations. In particular, a number of transactions were identified which occurred mainly in 2005, which had an overall effect on both the revenue and the costs of Telecom Italia Sparkle amounting to about 52 million Euros.

4. b) In the light of these irregularities, provision was made to the risk fund. The corrections are detailed in the tables appended to the note distributed at the entrance to the hall, which sets out a complete summary of the effects on the consolidated financial statements.

4. c) The advisers charged with carrying out the documentary investigation did not bring to light any further significant irregularities.

5. As regards the existence of any risks other than the fiscal risks, in the event of being held liable in the proceedings under Legislative Decree no. 231/2001, Telecom Italia Sparkle could suffer administrative sanctions consisting of a fine for a limited amount and possible disqualification. In this eventuality it is also expected that the profits from the offence would be confiscated. According to the claim now being made by the prosecutors these would amount to about 72 million Euros. To allow for this, as indicated in Note 29 to the Consolidated Financial Statements, a suitable guarantee has been issued in favour of the Court Authorities.

At the end the Chairman:
- recalled the items on the Agenda of the Ordinary Meeting, consisting of:
  - Financial statements as at 31 December 2009. Related and consequent resolutions;
  - Appointment of a Director;
  - Appointment of a firm of external auditors for the period 2010-2018. Related and consequent resolutions;
  - Employee shareholding plan. Related and consequent resolutions;
  - Long Term Incentive Plan for senior management. Related and consequent resolutions.
- he then moved on to the combined treatment of the items themselves;
- with reference to Item 1 on the Agenda (“Financial statements as at 31 December 2009. Related and consequent resolutions”) he announced that the final fee for the work of
auditing the 2009 financial statements performed by Reconta Ernst & Young S.p.A. was as follows:

- for auditing the annual financial statements of Telecom Italia S.p.A., a total of 14,560 hours, making a fee of 1,486,000 Euros;
- for the consolidated financial statements of the Telecom Italia Group, a total of 2,730 hours, making a fee of 394,000 Euros;

- he stated that the amounts took account of the supplement to the original proposal, drawn up by the external auditors as a result of additional investigations occasioned by the so-called Sparkle affair, which entailed an increase in the work from 13,600 to 14,560 hours (and therefore an increase from 1,260,000 to 1,486,000 Euros) for the separate financial statements and from 2,000 to 2,370 hours (and therefore an increase from 230,000 to 394,000 Euros) for the consolidated financial statements;

- he added that the amounts indicated did not include direct expenses and secretarial costs, which must be added to the cost, and VAT;

- with reference to Item 2 on the Agenda for the ordinary meeting (“Appointment of a Director”), he stated that, in view of his past relationship with the Company, described in the curriculum vitae attached to the proposal to appoint him to the office of Member of the Board of Directors, and as clarified by the candidate himself, Mauro Sentinelli did not qualify as an independent Director;

- with reference to Item 3 on the Agenda (“Appointment of a firm of external auditors for the period 2010-2018 - Related and consequent resolutions”), he indicated that a communication had been received from the auditing firm PricewaterhouseCoopers S.p.A. in which it stated that the office of external auditor (now designated “statutory auditor”) referred to in the proposal to this Meeting (dated 25 March 2010) by the Board of Auditors would be subject – obviously – to Legislative Decree no. 39/2010, which has governed the issue of statutory auditing with effect from 7 April 2010; without prejudice, therefore, to the contractual terms and conditions laid down in the proposal (which already took account of this new legislation that was in process of enactment), the various references to legislation must be understood as referring to the new decree and such corresponding regulations implementing it as may from time to time be issued by the competent authorities.

The Chairman then indicated for completeness that during the previous few days a request had been received from a shareholder (which the shareholder himself had
described as informal and late) to examine a “discussion proposal concerning the proposal of a liability action against the Board of Directors and the Board of Auditors in office for the financial years from the year ending 31 December 2003 to the year ending 31 December 2006”. The requesting shareholder stated that his request referred to the Sparkle affair and was derived from knowledge of the items of information on the subject contained in the financial report for the year 2009, information that was thus known to everyone attending. On this subject, the Chairman recalled that “the resolution concerning the liability of the directors can be taken at the time of the discussion of the financial statements, even if it is not indicated in the list of subjects to be dealt with, when it concerns matters pertaining to the financial period to which the accounts refer” (Article 2393, subsection 2 of the Italian Civil Code). He further recalled that a liability action can be initiated up to five years after the resignation of the Director or the Auditor from their post (Article 2393, subsection 4 of the Italian Civil Code). The shareholder obviously had the right to argue his proposal further, if he wished and intended to confirm it, when he addressed the meeting, while observing the time-limits specified for the combined discussion of the Agenda. The Chairman then declared the discussion open, reminding shareholders to confine themselves to the items on the agenda, and that the period of time available to each speaker would be fifteen minutes.

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Leonardi, after stating that the considerations formulated by Mr. Bernabè last year about the internal control officer should in reality have been taken as a humorous anecdote, said that, from a theoretical perspective, a small part of the remuneration of the Chief Executive himself actually belonged to him. He in fact recalled being an employee of Telecom Italia as an Enterprise salesman in La Spezia, and stressed how, to be able to use his company car, by virtue of a discrimination that he considered “shameful”, he had to advance his own petrol costs, then send the original receipt to his boss, based in Genoa, who then signed it and then sent it to Milan, where authorisation for payment was then issued by Accenture. As a result of this process, however, he was still 60 euros short. The shareholder stressed that the episode described was just one of many that were created to force him to leave the company, evidence of an atmosphere in the company that was very different from the one described. Even though, he went on, his own boss had admitted that he was one of the best salesman, committed to his job and inspired by a great sense of belonging to the company. We worked from 9 to 12 every day, including Saturday mornings. In exchange for all this, he stressed, all he asked was for himself and
his work to be respected. And every time when he had to choose between being fair to the company or to an individual boss, he had never hesitated.

However, the shareholder continued to recount his own personal history to the meeting, asking for dignity in a company in which submissiveness was in his view valued more highly than competence, meant that in a short time, thanks in part to one of the many reorganisations, he felt like a “foreign body to be expelled”. Recalling what he had been told when he was first employed, he contacted the Personnel Department, although he never received any answer to a whole series of issues that he has now assigned to his lawyer. He then spoke about a series of wholly inexplicable circumstances that he had encountered in his experience, such as the reason why a customer should complete five leasing agreements worth 40,000 euros each with Telecom Italia instead of a single leasing agreement for just under 200,000, the reason why a company that no-one had heard of was accredited a temporary supplier and paid, and that he had for some time worked for the customer without receiving any remuneration. And, again, he asked if there was any relationship between all this and the fact that the customer itself, after Telecom Italia had paid everything, went bankrupt before starting to honour its debt.

He then stated that it had been suggested to him that he not continue any initiatives against the Company, given the lawyers that it can use. He recalled in any event that he had written to Mr. Bernabè and his officer, indicating a series of situations in which the actual operations of the structures differed, in his view, from the procedures issued in official documents.

Left by himself, he went on, without any dialogue, and repeatedly pressured in this way, in the end he had resigned, and thus had nothing further to fear in terms of the reprisals that, he stated, the management and executives of Telecom Italia usually instigate against those who exercise their legitimate right to criticise the senior management of the company. Now he worked for himself, available to make his contribution available to those who requested it.

In the next two years, he again stressed, 7,000 employees will lose their jobs. Also quoting the content of the recently circulated letter from the Chief Executive, he stated that the lack of ideas and of an industrial policy worthy of the name, the reduction in the payroll is the easiest way to guarantee one’s own pay, even if the price, in his view, is the decline of an infrastructure that is strategic for Italy.

Addressing Mr. Bernabè, again, the shareholder stressed that the impression given is that he keeps the company “bogged down”, continuing to distribute dividends that should
instead be used in a plan to relaunch investments, and criticised the absence of a proposal to increase the capital, in particular. And in spite of the alleged overstaffing, the Company continues to provide a service that falls below what is reasonably expected in a competitive market. Financial resources are drained, he continued, and are in fact taken away from the thousands of small and medium entrepreneurs, in favour of a select few of the great and the good. The redundancy scheme financed by INPS (known as mobilità) is used massively, making people redundant while at the same time contributing to create the conditions that mean it will be hard to guarantee them a pension in the future. He asked by what criterion the Chief Executive should earn about 250 times as much as a temporary graduate employee, 130 times as much as a Telecom Italia technician, 115 times as much as a Sulcis miner: he ironically suggested that this might be due to achieving objectives such as increasing turnover, rising profits, developing the capacity to break into international markets and increasing share value. In reality, he stressed, if these really were the parameters for determining the remuneration of managers, then the Chief Executive would probably not even keep his job.

Again, the shareholder stated that, in business, actions should be measured against Weber’s “ethics of responsibility”, that is, on the effects they produce, not on the basis of the intentions that lie behind them. Recalling the presentation of the “cube” made by Mr. Bernabè, he asked how many had been sold, criticizing again on this point the work of the Chief Executive, who in his opinion would remain at the helm of the Company until it is sold to foreign partners.

He also believed that, for the same reasons that prevented the media from carrying out an in-depth investigation of the sale of company property, it is impossible to properly examine the statements by Cipriani and Tavaroli assigning precise responsibilities, or to shed light on the death of Adamo Bove, archived after just three days. More generally, he also complained that if someone is the subject of a criminal investigation they would never be engaged as an office boy in an insurance company, but might become its Chairman. In his view, a handful of financial entrepreneurs and managers eager to consider themselves the ruling class, irrespective of the fate of the Country, have spun a web that will suffocate it, with their voting trusts, block syndicates, cross-holdings and so on, stripping those who labour every day to produce wealth, whether employees or self-employed. He recalled how, from what we have learnt, at the time of the appointment of Mr. Bernabè, Mr. Rampel had abstained because he was not convinced about the ways in which the negotiations among the “heavyweight” shareholders, Mediobanca and Intesa Sanpaolo, had been conducted.
Drawing to a conclusion, the shareholder stated that there is risk that capitalism is stifled when there is an airless environment with no change, and where the hubs of credit and information are controlled to ensure that nothing changes while, he believed, their offspring and “specially co-opted beneficiaries” continue to enjoy rich pickings. In his opinion, the system has actually invented a “communism of the privileged”, assuring “to each according to his desires”, to paraphrase Marx.

He concluded by recalling that in the last shareholders’ meeting he had asked for the dividends to be reduced, that proceedings for liability be started, and that the parameters determining the remuneration of directors be reviewed: if this last point was considered, he stated, then his thought had not been properly understood.

Grillo recalled the employee’s demonstrating taking place outside the premises in which the shareholders’ meeting was being held, and stressed that, in the face of such hardship, that the organisation of last year’s shareholders’ meeting cost almost 1.5 million euros.

He went on to say that the considerations made by the Chairman, Mr. Galateri were the expression of a “weak thought”. He then reminded the meeting of a series of directorships that the Chairman holds in other listed companies, such as Assicurazioni Generali, Carige and Italmobiliare, and complained that this resulted in a situation of conflict of interests, typical of the vast majority of listed companies, considering, in fact, the presence of many directors who hold office in several companies.

He recalled that the first time he attended a meeting of the shareholders of the company was in fact a meeting of the shareholders of what was then called SIP: it was the time of the “State Boyars”, he declared, and they committed theft through various expedients such as charging for calls to “144” numbers and similar initiatives. But in those days it was a company with over 300 foreign holdings, a property portfolio worth over 40,000 billion Lira, with the largest fleet of vehicles in Europe, and 1 billion Lira in debt. The subsequent events that led to the current skewed situation occurred, in his view, by virtue of policy choices made by people like Draghi, Ciampi and, above all, D’Alema. In particular, the shareholder believed that D’Alema himself gave the company away to small capitalists like Colaninno and Gnutti, saddling it with debts of around 40 billion euros: once upon a time, he recalled, industrialists, like his own father, would have hastened to repay the debts they had incurred as soon as possible.

These days, he went on, he wore a black armband to mark the funeral of the Company, the funeral of an entity that once upon a time was the biggest technology company in the Country: today what is being stolen is everyone’s future.
Telecom Italia, he stressed, was becoming smaller and smaller and more and more marginal, internationally. In the period from 2008 to 2012, there have been or will be 13,000 jobs lost, and since 1999 the workforce (100,000 at that time) has been almost halved. He considered that when a company decides to “outsourcing” its best IT people and engineers, as efficiency savings, then there is no longer any hope for the future: so he blamed the operation with vehicle SSC, forecasting that after it has been “made more efficient” it will be sold, and he stressed that the training of specialist engineers is lengthy, and has to represent an investment for the company and its future.

In his opinion, taking all these circumstances into account, the only option available would be to sell the Company to Telefónica, since there is no room for anything else, and something must be done to save whatever is good of what remains. Otherwise, he believed, maintaining the current share ownership would cause further damage: and here he blamed the persistent distribution of dividends, even with such high levels of debt. In the last 10 years, be commented, the debt has in fact remained the same, while shareholders and managers have enriched themselves, with the result, he asserted, that, for small shareholders, a share that used to be worth 8 euros was now worth 1.

Continuing on the subject of the debt, the shareholder recalled that in 2009 revenues totalled 27.1 billion euros, against a debt of 34 billion: but he believed that the actual debt is higher (45-50 billion), while revenues are expected to fall still further in 2010. And, he observed, the selling of assets continues: after the real estate, after shareholdings such as Telespazio, Italtel and Sirti, now there is talk of selling the 50% holding in Telecom Argentina, as well. And the condition of the network has deteriorated significantly, as he well knows, since he manages one of the top ten blogs in the world.

He recalled that at the time he had placed his trust in the arrival of Mr. Bernabè: however, he stated, Bernabè was not able to take the initiatives needed to tackle those who, in his view, had “smashed” and “stripped” the Company. And, he stressed, if one considers all the sales, especially property sales, and the fact that the debt has remained constant, one has to ask where all the Company’s one-time wealth has gone: he himself believes that it had flowed into the many millionaire stock options and the dividends distributed to the Italian “old boys’ club”. We should check the position of the various managers that have followed one another over the years, and check if they got richer thanks to Telecom Italia, and by how much. We should also check all the sales transactions completed, and ascertain who were responsible for what he believed the most serious damage, which is the damage to Italian innovation. In his opinion, the current Chief Executive should have...
taken action against Colannino, Tronchetti Provera, Buora, Ruggero and so on: he recalled the scandal of the false invoices, the earnings which in his view were derived from using the Company for private purposes, the episodes of spying on thousands of people, reiterating how no-one will pay for the detriment this caused to the image of Telecom Italia, while Colaninno and Gnutti, for example, achieved capital gains of 1.5 billion euros. The shareholder also complained about the immorality of distributing large stock options while lots of people were losing their jobs. And he again denounced the dividend policy, and stated that the distribution of profits should be prohibited when indebtedness exceeded 50% of the profits.

In conclusion, the shareholder also complained about the delay in rolling out broadband, made worse by political choices which he believed would bring the Country, as it will Telecom Italia, to bankruptcy.

Lannutti, like the previous speaker, raised the issue of the current demonstrations by the workers, and stated that, in his view, company policies that exclude many employees from the production cycle are irresponsible. By 2012 the number of redundancies is expected to total 6,822, the responsibility for which was both present and past. He also agreed that an investigation of the last 10 years should be carried out, to check who was responsible: in 1999 there were 122,622 jobs, and by 30 June 2006 this number had already fallen to 84,695. On the other hand, he was pleased to observe that all the trade-unions were in agreement to limit the damage as far as possible.

On the question of previous management regimes, the shareholder recalled how Mr. Tronchetti Provera had left the Company in 2006, complaining about State interference in the restructuring plan: but he has continued to receive hefty contracts awarded to companies outsourced by Telecom Italia which are now linked to him through an articulated system of cross ownership.

And after the long tale of a “botched privatisation”, we then discovered that there had been what can only be described as a spying centre inside the Company, which commissioned and created dossiers on about 6,000 people – entrepreneurs, bankers, sporting and show business personalities, journalists and hundreds of employees. While reiterating his esteem for the Chief Executive, he regretted that the periods of prescription for any legal actions against those liable were now about to expire. He did not think it possible to simply state that the responsibilities were and will remain personal, and act only against Mr. Mazzitelli, who, in the speaker’s view, was merely a scapegoat, ignoring the fact that people like Ruggero, Buora and Tronchetti Provera must have known.
Furthermore, the previous management is accused of having “stripped” Telecom Italia, selling a significant portion of its prestigious property portfolio to Pirelli, a fire sale manoeuvre that in his view enriched Pirelli at the expense of the Company. He insisted, in this respect, that Telecom Italia was made great by its employees, and the people who always paid their bills, but that now resources indispensable for the development of telecommunication are drained to pay rent to Pirelli RE property management funds. He went on to recollect how Sergio Cusani had researched the financial statements of Telecom during the Tronchetti Provera management on behalf of the trade union CGIL (Confederazione Generale Italiana del Lavoro), and came back complaining that the property portfolio had been impoverished, sold off, he repeated, at non-market prices. So the “land and buildings” item went from 2.9 billion euros in 2001 to 789 million euros as at 31 June 2006, while the debt reached 42.2 billion. It really made one wonder, he observed, whether we should regret the passing of the “State Boyars” again.

He went on to remind the shareholders of the recent remand in custody order in the Sparkle affair, and wondered what the independent directors, board of auditors and Consob were doing at the time these events occurred: now the case obliges the Company to set aside a sum of over 507 billion. So he reiterated that it is not possible not to react by starting legal proceedings. The judge in the preliminary investigation, Mr. Morgigni, also formulated charges against Telecom Italia, pointing out that this was either a case of total failure inside the Group to control the gigantic fraudulent activity and money-laundering, or else the Group was fully aware of it all. He himself did not believe it possible for a director such as Mr. Ruggero to have not known anything about it.

The shareholder insisted on this point, emphasising how the directors should have and still should start a liability action, since it is impossible to maintain that “the head of the company didn’t know”. He stated that similar considerations should also apply to the dossier-creation business, in which, without wishing to be overly legalistic, we still do not know the reasons for the death of Bove, or the reasons why these activities were carried out. It cannot be sufficient to just decide to finance 30 scholarships for children of employees, worthy though this initiative is.

He also asked whether it was really necessary to distribute such a large sum in dividends, against net financial indebtedness of almost 34 billion euros. Finally, he raised the question of the advertisement published by 2,200 Telecom Italia IT specialists in the Corriere della Sera, a symptom of the serious situation these people find themselves in.
Modafferi, announced, first of all, that he was present in three guises: as a shareholder, as Chairman of a nascent organisation to prevent redundancies, and as an ex-employee. To give some idea of the atmosphere inside the company, he began by sharing his personal history, recalling how he was engaged in 1991, and had worked with Mr. Cagnoni, the person responsible for Mr. Ruggero’s advertising, from 2001 to 2003. So he had lived through a rather intense period, noting a series of anomalous operations, since it was his precise role to monitor activities. After 2003, given this series of anomalous operations, he made efforts to report them to various company departments. However, the only answer he received was a deafening silence, and he was bullied relentlessly, almost as if no-one wanted to know about his reports. In 2009, with evidence of a procedural anomaly, as a result of an invitation by Mr. Bernabè himself, he addressed the Officer in charge asking for a ruling to be issued in May on the objectives for the previous year. But he was called in to see the head of personnel, who very politely pointed out that this was an isolated case. But in reality, the shareholder insisted, it was standard practice. Some time later, on 14 July, his account was challenged, and on 29 July his employment was terminated: naturally, he resorted to the legal process and shortly afterwards received an offer that he could not refuse. He wondered then how it was possible to sack someone in July and then immediately award them a large sum of money: someone clearly made a mistake, and the whole business illustrates the almost inquisition-like atmosphere inside the company, which makes it very difficult for individual employees to decide to expose themselves.

He went on to state, in relation to the liability action, that management should above all be inspired by the classic standards of what in Italian is referred to as that of a “good parent”, the diligence of a reasonable and prudent man: the person responsible is not merely someone who collects a salary, he is also the person who must give answers. But instead, whenever a damaging event is recorded, no-one can ever work out who did it: although, with the internal control and audit systems, if we really wanted to go and catch those responsible, it would be easy to do.

He believed, in general, that it is strange that for many particularly serious events, from Sparkle to the bugging of the camorra to the counterfeit SIM cards, the Company always discovers them after the judicial authorities have, even though it possesses tools of prevention that are a lot more efficient than lengthy judicial proceedings. So we do not understand where the people responsible for all this are, although we should be able to apply the well-known principle of “who screws up pays”.
The shareholder went on to complain that between today and tomorrow as many as 2,200 people will receive an outsourcing letter, although this had been announced for 31 March. He suggested, on these issues, that we should not just look at the effects, but should instead try to understand how things came to this.

In any event, the buzz word in the company is “redundancy”, and in this respect, he believed, we should be asking ourselves what exactly is redundant. Generally, having too many employees in a production process may be due to the general economic situation or to the ineptness of management. On this point, the shareholder displayed a graph comparing the company with other European competitors: counting staff employed abroad, Telecom Italia’s workforce totals 71,000 people, compared to the 240,000 of Deutsche Telekom, the 210,000 of Telefonica and the 109,000 of British Telecom, all healthy companies able to engage in global competition. So, he stressed, the redundancy might not have been created by the crisis, but by inability to use human resources effectively, and this is the task of the managers. In relation to the sale of IT operations, he displayed the letter of the personnel manager inviting staff to make the workforce more efficient: the shareholder considered this expression to be dangerous, since it does not exclude redundancies or possible dismissals. And we have been through this kind of thing before. On the same point, the shareholder pointed out that SSC is a fairly small company with 3 million euros of losses.

And moving on, he reminded the meeting of how, according to a newspaper article, the sale of property to Pirelli generated 400 million in profits: as a result of these sales, Telecom Italia pays precisely 400 million per year in rent, a circumstance that inevitably raises some questions.

Finally, wishing to formulate some questions, the shareholder, returning to the outsourcing of IT Operations, observed that it might be good if this operation became a comprehensive plan for relaunch: he asked if it could be effectively guaranteed that all the company software will be concentrated in SSC, since this appears to be an anomalous sale. To avoid possible disputes, he also asked if, instead of outsourcing, it might not be opportune to drastically reduce the use of consultants for services that could also be provided internally (Value Partners, Value Team, Italtel, Accenture, etc.). Finally, he asked what returns are expected from the “cube”, which he understood to have cost 100 million euros, and if there had been at that time a positive technical appraisal for the sale of the properties from the party responsible at the time.

He formally submitted the attached document to the Chairman’s desk.
De Septis announced that he wanted to focus on facts and not on numbers, thanked Mr. Bernabè, first of all, for his handwritten response to his letter, a sign of class and style that he was no longer used to after the years in which some people simply abused terms such as ethics and morality. He commented that there are other signs of change, notable indeed, considering the ownership has remained substantially the same as during the previous management: which made him inclined to trust the Chief Executive.

Before continuing his speech, he recalled that he once “won” a trip to the new branch office in Rebibbia. The next day he was summoned by a kind of committee of enquiry. On this point, he would confine himself to recollecting that the officer in charge had been brought into the company by Guido Rossi, well known for his involvement in the football scandals.

Getting back to his speech, he apologised in advance for the fact that his first topic might appear to be anachronistic, but he wanted to return to Telecom Italia’s response to the questions raised in last year’s shareholder meeting about videophones. On the question of why Hi-tel had been chosen, a company which was now bankrupt, the Telecom Italia response was: “in the first phase the selected supplier was Hi-tel, which at the time was the only company that held a patent to provide the service on a PSTN network”.

Whoever drew up this answer, he commented, may well be a clever boy, but in his view he didn’t apply himself enough. It would have sufficed to consult the database of the Italian patent and trademarks office, or to call their call centre, to know what patents the company held. And specifically:

- patent number 12 66 299 – date filed, 20 April 1993 – entitled “Shutters with adjustable slats”;
- patent number B 65 D6/00, “sealed container with transparent cover” of the type used for storing potato crisps or peanuts;
- “Cordless phone”, and here we get close to the business in question.

In addition, he added, the company was found to hold two trademarks: Hi-med and Him.

Now, on this subject, he wondered how it was possible that in precisely those years in which Telecom Italia Security was very “careful” and monitoring employees, shareholders, journalists, footballers, companies, etc., that no-one carried out any checks of Hi-tel.

Returning to the product in question, the shareholder recalled a declaration made some time ago by Mr. Labriola, in the Domestic Market Operations convention held on 17 December 2009, after the usual slogans such as “we have quality that others do not have in our DNA, and others envy us… we’re a winning team, we play not to qualify but to win...
the Champions’ League – phrases that are now stale, he said: “yet we made a mistake about something and we have also…. And we also need to recognise our mistakes and learn from our mistakes. The videophone has not been a success story”.

So he congratulated Mr. Labriola for finally becoming aware of the circumstances. For his part, he had told him, although no-one had ever reported it to him.

He continued, stating that when Mr. Labriola says that the videophone was a simple mistake, we should ask ourselves if he really believes this. If he does, then his naivety is truly disarming, comparable to the naivety of the politicians in the Troisi sketch who said they didn’t know about the mafia, or that they wanted to solve the drugs problem by confiscating fishing poles (“joints”, in Italian). He considered it not right to leave this doubt, and wanted to do his part to shed some light. Having been lucky enough to work with the souvenir in question, he stated, he told Mr. Labriola’s faithful assistants that the device did not work, on several occasions. At first he was told that he was mistaken, then, when he submitted Agicom document PI48 02, dated 25 August 2005, which confirmed what he had asserted, since they saw that he was not willing to go support their advice directed at supporting the negative trend for the product, they decided to “wall it up” inside a room in Via Valcanuta 182, to avoid upsetting the psyche of the management of the day. Now, he went on, he wanted to address the owners directly asking that Mr. Labriola and his assistants be replaced and the variable part of their retribution linked to the attainment of videophone-related objectives be returned; but, he added, if this meant bringing into Telecom Italia another manager totally lacking knowledge in the field of TLC, or possibly an expert in slatted shutters, then it would be better for Mr. Labriola to remain, since he is now full of knowledge about TLC. In concluding these remarks, he asked who signed the contract between Telecom Italia and Hi-tel, and what was the date for early termination of the contract between the two companies.

Continuing with his own story, the shareholder recalled that, after a certain period of time, he was “exhumed” by a human resources manager who had the idea of moving him from marketing, where it was evident that by now he was not particularly welcome, to sales, in the division run by Mr. Golinelli. Once again, the right person in the wrong place, or vice versa.

Thanks to him, he clarified, he had the opportunity to experience at close quarters the business about the fake registrations of SIM cards that led to a series of judicial investigations in several Italian jurisdictions. As he had said the previous year, it would have sufficed to intervene internally on the company systems, so as to make it possible to
activate a mobile phone number only after the customer data had been acquired, to avoid the legal issues in which Telecom Italia and some of its managers had been involved. He asked how it could be that in this day and age, in the computer era, and in a company like Telecom Italia, the creation of an internal control system that allows the identity of a registered SIM holder to be checked could represent an insurmountable problem. The answer, he stated, was that a control system would have made it impossible to achieve the marvellous and miraculous objectives which the old management was used to: objectives that have unfortunately proved to be notably distorted, the shareholder stated.

In his opinion, the business of the false and counterfeit SIM cards was not over yet, and raised a number of questions. In particular, it seemed strange that it was the colleagues in the Ethnic channel, with a few thousand false SIMs, who suffered the most painful consequences, while nothing happened in the Retail channel, where the absence of documents involved over 4 million of the 8 million SIM cards sold. It was possible, he stated, that one of the 16 colleagues investigated took their eye off the ball, as it were, but he could not believe, given his personal knowledge of some of them, that all 16 were prepared to risk their jobs and even more so, their dignity, to add a few thousand euros to their bonuses. He went on to point out that it is strange that in Italy, when a fraud is discovered, it is always found to have been perpetrated by a handful of rogues labelled “disloyal employees” with absolutely no power of decision and no weight. And while these scoundrels got busy supplementing their generous salaries, Mr. Luca Luciani and his faithful acolytes, who benefited the most from this business, in terms of MBOs, were unable to see the glaringly obvious.

So, in relation to all this, the shareholder continued, the minutes of last year’s shareholders’ meeting declared that the damage to Telecom Italia in terms of money paid out in bonuses for merely apparent results would be quantified. He thus asked if this sum had in fact been quantified, and if so, how much the total was.

He formally submitted the attached document.

Rinaldi, consultant and member of Asati, began by expressing his appreciation for the sections on “Derivative Instruments” in the annual financial report, which was much more detailed than in last years’, as Asati had requested in the 2009 shareholders’ meeting. However, he went on, there were still two aspects on which it would seem that more information could have been provided.

Note 40 of the Telecom Italia SpA Financial Report states that, from May 2009, it had been decided that the Group parent company should be the only interlocutory with the
banking system for the Group’s transactions in derivatives. Among other things, this meant that Telecom Italia SpA had taken on the exposure to the banks for derivatives originally stipulated by TI Capital SA, TI Finance SA and Elettra TLC, for a notional total of some 11 billion euros. He asked what the reason was for this strategic choice that relieved these companies of the risk of non-compliance on these instruments and transferred it to the Group parent company.

He also noted how in the 2009 financial statements, as in those of the previous year, note 20 clearly states that there are derivatives that cannot be defined as “hedge instruments” according to IAS 39. So he asked what these instruments were for.

He formally submitted the attached document to the Chairman's desk.

Lombardi, began by announcing that his speech would go against the general trend, since he believed that Telecom Italia was still a strong company, with excellence in both technology and personnel expertise. He stated that the Company was not dead yet, and is present in many Countries: Brazil, Argentina, Cuba, Chile... in 100 cities and 5 continents with the Sparkle company.

In certain phases, he went on, the company has been under scrutiny by the financial and political centres of power merely for special economic interests, which are very different from those of the minority shareholders, employees and the Italian economy as a whole. In the past, other major enterprises (IRI, Finmeccanica, etc.) have been in similar situations, and seemed to have no future, during the 1990s. Today, he observed, Telecom Italia can count on managers such as Mr. Bernabè, someone who he respects, who at that time had the opportunity to manage those companies in a time of crisis, a situation that was not that different from the one in which the Company now finds itself.

So he did not want to confine himself to emphasising the negative aspects of the current management, but to also speak about the positive ones. In this context, he would mention the albeit overly diluted removal of some managers with little capacity or loyalty, including some front line staff such as Parazzini and Spreafico. Then there was the attempt to regain the trust and loyalty of its employees, particularly through the shareholding plan which focuses squarely on sharing company problems with the employees. And precisely in relation to this plan, he stressed that the sum of 30 million euros is actually small, corresponding to approximately 0.30% of the share capital: he reminded the meeting that the employees of France Telecom and Deutsche Telekom hold 3-4% of its shares. So he expressed the hope that the proposal is a plan (that now contemplates assigning roughly
500 shares to each employee) that will have a future, confirming everyone’s hope that it will be a success.

Again in relation to positive aspects, he mentioned the improved atmosphere of collaboration with the authorities (and in particular with AGCOM), and the creation of a transparent market model with the consolidation of Open Access. Again, the focus on costs was positive, since making the company safe was surely the main priority at the moment. On this point, he commented that while events such as the default of Greece teach precisely the lesson that paying attention to costs to strengthen the structure of the company is fundamental, naturally taking the balancing of the different needs of employees, finances, etc. into account.

Similarly, he applauded the correct and timely reaction to the Sparkle affair, since Telecom Italia’s intervention at the start of the process was particularly efficient. The same could not be said about the Security business – which no-one has done anything about yet. Finally, he expressed his appreciation of the way the company has maintained financial equilibrium even after the loss of the fiscal benefits of the Olivetti merger.

Having said this, the shareholder and Asati chairman moved on the examine some critical aspects, initially focussing on revenues. He noted that revenues appeared to be falling, and the mobile business in particular had registered a fall of 10%: on this point, he believed that the TIM brand should be relaunched. Another issue to which the company should pay greater attention is innovation: he believed that more resources should be invested, because even if it is true that NGN2 is not remunerative in terms of return on investment, at present, it is also true that the different local initiatives that are starting up, such as those in Trento and Lombardy, should be followed closely. To develop such initiatives it was vital to have a single designer: and the only subject able to fulfil this role was precisely Telecom Italia.

Internationally, he believed that the company should consider reabsorbing Sparkle into Telecom Italia, because quite apart from the current issue, it is a company with good prospects and cutting edge technology (he himself had tried it out) which could promote development in 100 cities on 5 continents. He also suggested that investments could be made in India and Africa, maybe starting with small scale projects.

On human resources, while he had to acknowledge the importance of the search for efficiency, it should be stressed that in the period 2001-2007 the senior management of the company decided to outsource much highly skilled work, “fattening up” consultancies, which invoiced 2,300 million euros. This inevitably damaged the skills of the company’s
human resources: the task of the Chief Executive, he stated, must be to rectify the effects of these actions.

And regarding advertising, the shareholder stated that in his view, the advertising of competitor Vodafone was more effective: in his opinion the Telecom Italia advertising lacked clarity about the type of offer, particularly in relation to the combination of types of services offered.

We went on to discuss the role of Telefónica, which should surely be considered a particularly useful presence, given that Latin America is the only area in which Telecom Italia continues to have a strong presence. He also pointed out that Telefónica is the main competitor of Telecom Italia in Brazil. If we want to understand why the Spanish company decided to pay a 2.85 euro entrance fee, we should, in his view, understand that on the one hand this was based on revenues that at the time were “puffed up”, in his opinion, and on the other, the plan was probably to promote mergers. On this point, he believed that the ideas about possible synergies between Telefónica and Telecom Italia were actually without foundation.

Moving on to his questions, the shareholder asked:

- if the lack of resources available both to Telecom Italia and nationally makes the development of an NGN optical network an aim that is postponed further and further into the future, what strategy does Telecom Italia have, are there ongoing discussions with the other operators and the Government, if any regional investment initiatives are allowed to proliferate?

- given that the presence of Telefónica in Telco has led to more conflicts of interest than industrial synergies, how does the senior management of Telecom Italia plan to solve the question of Argentina and Brazil, in terms of competition with Telefónica?

- bearing in mind, too, that the new industrial plan essentially presents the same levers as the previous one (maintaining EBITDA, reducing investment to increase the cash-flow to reward shareholders and reduce debt), what actual incisive actions on innovation and marketing are there in the 2010 budget?

Again, the shareholder stated that it has now emerged that two ex-senior managers of Telecom Italia (Vittorio Nola, ex-general secretary, and Piero Gallina, ex Security manager), were the victims of a fake crime in August 2001, and also the victims of continual spying with the “new entry” operation at the end of 2005, through what was described as “Operation Cardinal”. In particular, in 2001, the setting up of the fake finding of a bug in a rental car, several aspects of which were also confirmed by the ex-Chairman Tronchetti
Provera’s recent court testimony in Milan, led to the removal of the two managers. He emphatically stated that this episodes constitutes the tip of the iceberg of the whole illegal spying scandal, also to the detriment of Telecom Italia.

In conclusion, he asked if the management of Mr. Bernabè was determined to resolve, once and for all, this delicate issue which the previous management had not dealt with and which has economic repercussions and, above all, impugns the ethics and professionalism of the company.

Finally, he asked how many investigating judges had opened cases on other Telecom Italia issues, such as the counterfeit SIM cards, etc.

Lastly, he expressed his faith that the Chief Executive, with the Chairman, knew how to steer the company out of this turbulence, enabling the value of the Company and its human resources to re-emerge, together with the necessary recover of efficiency and ethical behaviour.

He formally submitted the attached document to the Chairman’s desk.

Cattaneo, started by declaring that he was just a small shareholder with no specific competencies, and recollected how, at the time, the incorporation of TIM was justified by the assertion that its cash would reduce the indebtedness of the company: but the debit has not changed. Nor did he understand why the telephone exchanges had been sold, since this is properly where the work of the Company is generated.

He asked, more precisely, the amount of rent and rates for the Milan offices, Piazza Affari, the Malpaga centre, the General Management building on Corso Italia in Rome and the centre in Corso Vittorio, also in Rome. He stated that the sales have not reduced the debt, which is still very high indeed: he wanted to know why.

He clarified that he did not accept a series of numbers offered by the Chairman, and observed that the share price is continually going down. He then expressed his concerns about several other disbursements in the financial accounts, such as the 20 million for Security, the 500 million provision for Sparkle, and the 2 million employee solidarity fund.

There was then the series of disputes that have not yet been settled, with Fastweb, Vodafone and Eutalia, for sums of up to 3 billion.

Given the above, the shareholder asked who he should “thank” for the state we found ourselves in, and reiterated that he could not be satisfied with the statements denying any responsibility formulated by the previous management; remembering, in all of this, the extremely high payoffs received by ex directors such as Buora and Ruggero.
Again with regard to the previous management, the shareholder stated that Olimpia did not in reality lose much of its investment in Telecom Italia, since in his view it transferred the debt to other companies such as Pirelli and Pirelli RE; these are companies that then diluted and spread the losses over the years, something which small shareholders penalised by the fall in the share price certainly could not do. So he believed it was vital to take some initiative to hold those people who left with significant Telecom Italia resources to account.

From a different perspective, he noted that it appears that the Lombardy Regional government, and a series of municipal authorities, are willing to make substantial investments in broadband.: but this seemed to leave Telecom Italia somewhat cold, because such an initiative would also necessarily benefit Fastweb and the other operators as well. And, moreover, the 800 million previously earmarked by the Government appeared to have disappeared.

In summing up, he recognised the major commitment of the Chairman to repairing the morale and ethics that the Group had lost, but also noted how the hypothetical synergies to be gained from the convergence with Telefónica had not materialised. And at this point, the shareholder concluded, the impression is that Telecom Italian is significantly more undervalued than other European companies.

Perinotti commented on how curious it is to find oneself talking yet again about the usual problems, one year on. In particular, he observed how, since 2007, the Telecom Italia share price has destroyed its shareholders’ capital, and now appears to be a stagnant share which has not benefited from the recently recorded improvements in the national and international indicators. He believed that this was due to a lack of clarity about the true situation of the Company, which acts as a disincentive to long term investments.

Referring to the initial comments of the Chief Executive, he stated that they were less than convincing, almost as if they expressed things he wanted to do but was unable to do so, constrained by the wishes of the “old boys’ club”. Looking at the financial statements, he went on, they seem to represent a tome on financial orthodoxy with no prospects for internal growth. He was disappointed about the plans for outsourcing, and about the “efficiency savings” and, bearing in mind the rumours about possible sales to Telefónica, complained about the general state of confusion within the Company. Nor was he satisfied with the industrial plan, which in his view gave no space to large investments and hence to possible increases in market share. Instead, he believed, it was a plan of essentially financial inspiration, possibly imposed by the major shareholders and the banks.
So he hoped that there might be something more next year, also considering that many people believe that the worst of the crisis is over, although he has doubts about this. He repeated how disappointed he was in the plan presented, with no growth prospects, and only positive in terms of “efficiency savings” in costs, excluding personnel. He recollected, on the other hand, how even last year a major shareholder had suggested entering into broader partnerships or collaborations: the Chief Executive had suggested that the decisions be taken gradually, but in the meantime hardly any have been taken, while the share price has continued to fall, workers to lose their jobs, customers do not seem satisfied and broadband continues to not be developed.

He again expressed his hope that the plan be reviewed and that next year there might be some major initiative to appreciate. He also hoped that we would no longer need to keep talking about things that happened in the past, and that the directors would take a more incisive approach, and stop plodding along to an uncertain future.

**Francolino**, after learning that the incentive plan only applies to serving members of staff, complained that no-one had thought about retired personnel, people who were therefore excluded from these forms of incentive, after a lifetime of work for the company.

On the other hand, he pointed out that in the light of this the management costs remained very high, and this needs to be remedied, given the risk that the company may not be able to remain on the market. He also expressed his concern about the high level of indebtedness of the Company, and recommended, more generally, that the company stimulate the production of services and emphasise the quality of its personnel.

He did not agree with the decision to dismiss a lot of people, and reiterated his view of the importance of the quality of the personnel, which made Telecom Italia a leading company. Finally, he referred to a broadband initiative in Vibo Valentia, and asked how Telecom Italia could support it, with a document on the subject for submission to the chairman.

He formally submitted the attached document to the Chairman’s desk.

**Rencurosi**, stated that he wanted to give a title to his speech: a dream. He reminisced that he had been attending the annual shareholders’ meeting for 4 years, and his dream was to attend a shareholders’ meeting in which, after presenting and discussing the financial statements, people talked about industrial plans, investments, productivity, human resources; in other words, all the things that normally happen in the shareholders’ meeting of a major listed company. So far, he said, the dream has remained a dream, since one year we discovered that someone had sold the company real estate at knock down, or, at best, that the property had been rented at “fire sale” prices, and another year we found
that a huge number of people had been spied on using Telecom Italia systems to acquire information and then exploit it in some sort of scam.

On this last point, the shareholder reminded the meeting that in December 2008 Telecom Italia had received a request for indictment for a regulatory offence in relation to the known business involving some ex-employees and ex-collaborators of the Company, for, among other things, offences of corruption of public officials, in the eventuality of charges relating to the acquisition of information from confidential archives. Settlement negotiations are underway, and if accepted by the judge, the shareholder stressed, that will be more money wasted, quite apart from the loss of credibility for the company.

Then this year, he went on, there was the Sparkle affair, 500 million euros in assets, which in his view had been substantially wasted. Mr. Bernabè, he observed, would certainly know that the directors of Telecom Italia S.p.A. are responsible for drawing up the financial statements, in implementation of article 9 of Legislative Decree no. 30/2005: he recollected that the Company had already acted, but he wanted all civil and criminal options to prosecute those who perpetrated the fraud to be pursued. He therefore invited the Chief Executive to check all roles with any responsibility, from the lowest to the highest manager in the years in question, even if they no longer work for the company.

It is unthinkable, he continued, that a similar fraud has passed over the Company like a cloud. He feared that the Company will be left with little after a legal verdict, certainly not the 500 million euros set aside.

He then recollected a series of disputes before the Milan Court of Appeal with Fastweb, for a sum of 1070 million euros, with Vodafone for 759, Eutelia for 730, Teleunit for 326, and BT Italia for 419, in disputes worth a total of 3 billion and 300 million euros. He had a dream in relation to this too, which was that next year in the shareholders’ meeting we do not discover that the company has lost one of these disputes.

He then summarised the share prices and dividend amounts from 2007 to date, emphasising how these values are actually going backwards, not forwards. So in relation to this, his dream is to see the price of Telecom Italia shares rising higher than its current modest levels: and when we see a daily rate of more than 1%, we should not be satisfied, but worried, because there is an impression that someone is taking something away.

On this point, he mentioned the rumours about Telefónica in recent months, and wanted to draw the attention of the Government, the Bank of Italy and Consob to these matters, since he was convinced that the Telco shareholders and banks would sooner or later see a return on their investment of over 2.2 euros per share: he feared that when that
happened, the people who were destined to be disappointed would be only the small shareholders, as had happened in the past. But this time they would no longer be able to tolerate such an outcome.

The shareholder then referred to the job losses, recalling the data on jobs shed that will bring the total number of redundancies from 2008 to 2012 to 10,522. He also recalled that Mr. Bernabè had stated that the aim was to save the jobs of as many people as possible, and invited the Chief Executive to reflect on this point, since one of the priorities of a business must also be the final satisfaction of the customer, particular in difficult times. Over and above the efficiency data periodically released, the shareholder referred that his personal experience of attempting to resolve a banal problem required 3 months and 6 phone calls to 187, the service support number. Perhaps, he observed, this would not happen if there were more employees and more professionalism.

He then expressed his approval for the employee shareholding plan, which would allow them to purchase Company shares at a 10% discount, in addition to bonus shares. But he did not approve of the incentives plan for 120 senior managers, because, as the Governor of the Bank of Italy, Draghi, had stated in one of his recent reports, for a safer and less speculative industry, the rules must change. On this point, he stated that once again in 2009, as in 2008, no Telecom Italia shares were purchased by members of the Board of Directors of Telecom Italia. In his opinion, in moments of crisis, like this one, everyone should make sacrifices. Telecom Italia employees had been making sacrifices for years, as had the shareholder: so he believed that the time had come for the senior management to play its part, too.

Finally, the shareholder stated that Mr. Bernabè occupies number nineteen in the list of the most highly paid Italian managers. However, what is amazing is the change in the remuneration compared to the previous year (an increase of 75%), which he did not consider justifiable, considering the difficulties of 2009.

As his last dream, the shareholder, finally, hoped that next year Telecom Italia shares might also grow by 76%, although this is a circumstance that he feared would not come about, also considering the recently declared wish of the Chief Executive to continue to “adequately” remunerate the Telecom Italia shareholders.

Torcellan recalled that in the “completion of the answers provided during the proceedings of the shareholders’ meeting” of last year, one could focus on the entity of the legal disputes involved in the sales of branches of the business initiated by Telecom Italia or the Group. However, he stated, the data it contains are unconvincing, or, rather, are
expressed in such a way as to highlight the number of workers involved in disputes as a whole, rather than the number of disputes broken down by the transfer of workers to the respective outsourcers. Essentially, the figures highlight the quantity rather than the merit. Because if, for example, 50 workers employed by a particular outsourcer lose a claim against Telecom Italia for the sale of that branch of the business, they cannot be correlated with the 10 workers who win against Telecom Italia and find themselves working in 10 different outsourcers.

In this latter case the evidence is that those 10 transfers of a branch of the business are improper, irrespective of the number of workers involved.

This example, in the shareholder’s opinion, is not far off the real situation in which, in the current disputes, it seems that it is Telecom Italia that loses more of the time.

To illustrate what he meant, the shareholder made available, and displayed in the room, an analysis of cases won against Telecom Italia on the issue of outsourcing carried out by the Association Nazionale Lavoratori Esternalizzati (the national association of outsourced workers) over a five year period.

He stated that this data is constantly updated by the judgments as they are issued all over Italy and that the outsourced workers themselves provide to the association’s database, when the association itself has not already asked the workers for this information. It is then the responsibility of the association to forward the information and documentation collected, free of charge, to the law firms that defend the workers, without distinction. On this point he also highlighted a more complete list of judgments showing that workers win 69.09% of these cases in the court of first instance, and 79.17% on appeal. The proposed legal conclusion was rejected by the Court of Cassation in just one case.

Continuing his speech by stating that in his opinion the presumed dominance of Telecom Italia successes in disputes with workers does not exist, because it does not examine the number of judgments, but the number of workers.

In other words, if it is possible to show that Telecom Italia employs huge financial resources in disputes over sales of branches of the business, with few positive results compared to the victories achieved by their counterparts, then, in the shareholder’s opinion, before further increasing what appears to be a stream of costs, then some reflection is required, not only on this presumed waste, the economic cost of which could be diverted to investments that would be more profitable for the Company, but also on the ethical issue, considering that all the sales made by Telecom Italia since 2000, apart from that of Tess, which subsequently became Accenture HRS, have been improper, according
to the enforceable judgments issued by the judges of the courts of first and second instance. On this point, the shareholder mentioned a parliamentary question by De Magistris, submitted a few days ago to the European Commission (which the shareholder also produced). In this questioning it is alleged that, in manifest violation of the provisions of European Directive 23/2001, article 2112 of the Italian Civil Code, as amended by Legislative Decree 276/03, there is no obligation of pre-existence in the sale of a functionally independent branch of an economically organised activity.

Although holding the same opinions, the Italian judges, again in relation to the outsourcing by Telecom Italia, also demonstrate the nullity, illegitimacy and lack of efficacy of the transfer of the employment contract to the outsourcer by Telecom Italia, since it occurs, the shareholder stated, without the consent of the worker, in violation of article 1406 of the Italian Civil Code.

So, the shareholder asserted again, De Magistris has brought a series of phenomena into the European spotlight, referring to an infraction procedure that certainly does not contribute to creating a positive image of Telecom Italia, which has already been in the spotlight for years because of the known scandals. In the last seven years – the ex-judge wrote – “a number of Italian companies, including Telecom Italia, have used the aforementioned article of the Italian Civil Code to “legally” dispose of whole support sectors of services and their personnel, presenting them as sales of businesses”.

To pose some questions, the shareholder asked if, in the light of the data cited and the situation that has been created, Mr. Bernabè does not believe that, in both economic and ethical terms, a situation that is “embarrassing” for Telecom Italia needs to be remedied, first of all by honouring the enforceable judgements in the courts of first and second instance in favour of the workers without waiting for the risky judgment of the Court of Cassation.

He went on to refer to another passage in the “completion of the answers provided during the proceedings of the shareholders’ meeting” of last year, according to which “at the meetings with trade unions to illustrate the 2000-2011 industrial plan, answering specific questions on the subject, both the likelihood of further outsourcing and the intention to reabsorb businesses already outsourced were excluded”.

Given the esteem in which the shareholder has always held Mr. Bernabè, he hypothesised that under his guidance the resorting to outsourcing that had characterised the previously challenged management had been superseded, favouring adequate investment as an alternative. He recalled that Mr Bernabè had sent a welcome letter to Telecom Italia
employees on 3 March 2010, in which he stated, among other things: “Telecom Italia is a patrimony that belongs to all of us, and we must do everything within our power to continue to safeguard skills and to guarantee a prosperous future”. But the next day, that is, on 4 March, Telecom Italia announced its decision to transfer approximately 2,150 people from IT Operation to SSC Srl, a decision that contradicted the affirmations made about 7 months ago, on 17 September 2009, when Telecom Italia announced to trade unions that is was negotiating the sale of SSC.

So he asked why Telecom Italia had outsourced 2,150 workers from IT Operation to SSC and then planned an initiative to make the workforce more efficient, when it would perhaps have been more “reasonable” to do the opposite, and what this seesawing strategy had produced.

Again, he asked if the decision to keep SSC inside the Group, after having increased its workforce by the 2,150 workers from IT Operation, is a lasting one, or, more precisely, if Telecom Italia still intends to proceed with the sale of SSC after the sale scheduled for the day after tomorrow.

Finally, insofar as the clause providing preventive acceptance of transfer of the employment contract, declared to be a “standard clause” in letters of engagement, is concerned, he asked if, in the transfer of these 2,150 workers from IT Operation to SSC, a similar preventive acceptance of the transfer of the individual contract will be requested.

He formally submitted the attached document to the Chairman’s desk.

Mancuso first of all commented that during the proceedings of the shareholders’ meeting very few of the directors remained in the room, and he had to ask if they did the same thing during board meetings.

He acknowledged that, unlike the usual proceedings, Consob had attended this shareholders’ meeting, and formulated a series of comments. However, one could state that these interventions only emerge when the judicial authorities have already got involved. And the same thing happens for internal controls, which only generally intervene after the judges have.

He went on to ask what the total expenditure was for all the normal and extraordinary consultancies, such as advertising, emphasising how the 187 advertising does not appear to be appropriate.

He asked if there have been complaints under article 2408 of the Italian Civil Code, and observed that in any event the auditors appear to hold a particularly large number of appointments.
He referred to rumours about the possible sale of Telecom Italia Media, and the rumours about further interventions by Telefónica.

He referred to the thickness of the financial report document, and stated that a little space should be devoted to the history of the Company, and sought particularly to understand the date it was founded.

He asked for further information on the extraordinary operation of Telecom Italia Media, and in particular, information on the increase in share capital, expressing the hope that the conditions for this were favourable for small shareholders.

Further, he asked what disposals Mr. Bernabè had planned up to 2012, what was the valuation of Telecom Argentina, detailed information on property valuation, particularly the true market value of the Piazza Affari headquarters. Finally, he stated that the liability action could be put to the vote at the shareholders’ meeting even before the vote on the financial reports, in his opinion.

Parisciani stated that he had been a shareholder of the Company for over 30 years, and was greatly appreciated for his “Il Ponte” cooperative, which provided support for handicapped people. So he thanked the Company for the collaboration it had always offered. He stated that the cooperative had achieved significant results, thanks in part to this support, such as creating the conditions to enable people classified as 100% disabled to work.

For his part, he would naturally continue to promote Telecom Italia, and was still confident of its support, which simply consisted of the odd contract for work. Moreover, the work done by the cooperative was increasingly successful, and had featured in many articles in the press and on television, in which Telecom Italia had always been thanked.

Finally, he expressed the hope that it might be possible to meet the Chairman to progress these initiatives that support job creation.

Ferrari, speaking as an employee shareholder and as an SLC/CGIL trade union delegate, wanted to grasp the opportunity of bringing the voice of the principal resource that any company has, its human resources, to the shareholders’ meeting. The objective, he clarified, was for the senior management of the company, and its owners, to be fully aware of the situation that Telecom Italia employees are living through, their state of mind: for several years working conditions inside Telecom Italia have, unfortunately, been modernised, but this does not mean improved, it has instead lead, in his view, to issues that used not to occur in the company and that are now becoming widespread.
He stated, with anger and bitterness, that everyone has lived through the progressive decline of the company, caused by the fact that for too long the senior management had, he stated, put its own interests ahead of those of the Company, leading to serious damage, with behaviour that was also highly unethical, in an increasingly complex market, with a scenario in which technological change is fast and continuous; all in a national context in which it no longer had a monopoly, but must face national, and, increasingly, international, competition.

While some of these experiences that the company suffered - or occasionally chose to suffer, given that, as in the case of the property portfolio, they were devised to the clear detriment of Telecom Italia by those who managed the Company at the time, and then benefited from them through another legal entity - were inevitable, others were generated and wholly experienced inside Telecom Italia: the shareholder was referring to the poor outcome of commercial ventures such as the offering and launching of new services, and the support offered to its customers.

So far as these recent events are concerned, it has to be said that, in his view, no in-depth analysis to ascertain the cause of the failures have been made, and nor have any serious and concrete action been taken against the originators of these “own goals”. In some cases there were even promotions, almost in homage to the famous and sadly known “Dilbert Principle” – that people are promoted to limit the damage they can do, but the promotions were always within the Telecom Italia Group.

The recent legal problems, most notably the TI Sparkle affair, have, he pointed out, further discredited the company, spoiling the image of the Group, and of Telecom Italia in particular, as well as creating heavy economic penalties. He did not believe that the picture painted by all this helps to strengthen the image and create the notion of a company with clear ideas, or, even more so, one that is guided by a senior management team that has strong credibility, and in some case, not even the notion of a management team with respectability. The company and its future, he stated, still constitute an asset to safeguard for its shareholders and employees, and for Italy as a country, since a telecommunications network and services constitute basic infrastructure that is vital for any nation.

Today, he went on, the scenario we are witnessing is not one of a significant relaunching of investment, as required by a telecommunications universe which makes new services the key to success, exploiting the excellence in research and know-how that the Group possesses, such as the Turin group (Telecom Italia Lab) or what still remains in the
Company even after years of company policy that has not exactly been oriented towards valuing research. In reality, we have before us a Company with falling revenues, no network modernisation plan, and no clear strategic vision, a Company which is increasingly abandoning any aims beyond the European sphere, apart from Tim Brazil – an initiative that he hoped would last.

The only clear and strategic objective which the company seems to have at the moment, he complained, is to reduce the debt, debt which was caused and increased by poor management in the past. This aim, in his view, was becoming the excuse, the alibi, that justifies the Company’s “driving with the handbrake on”, losing market competitiveness, image and, above all, revenues.

In the shareholder’s opinion, this is the scenario that faces the workers, as well, and we should ask ourselves what responsibility the workers have in all this. Should the workers be considered the authors of the wrong strategies, or was it perhaps those highly paid, and in some cases richly rewarded, managers.

He also asked what prospects there were in a situation in which we witness increasingly marked phenomena of delocalisation of entire services, and spin-off operations that have happened or are about to happen. He asked how it was possible that instead of all fighting together, workers and management, there should be “sight navigation” through the fog, with no sonar, and a single certainty for the workers: that they are a cost to be reduced constantly. He asked how many more workers needed to leave the company, since in 16 years, from 1994 to the present, the entire Telecom Group had more than halved its workforce, decreasing from approximately 120,000 employees to around 55,000, and considering that, notwithstanding these figures, further redundancies were pre-announced at the presentation of the last industrial plan.

He asked if it could be considered morally acceptable to reward invested capital by the payment of a dividend, albeit small, in an economic situation that was anything but rosy, and if it is equally acceptable that in such a context there should still be a policy of remunerating the company management through the distribution of bonuses, some of which scandalous in his view, and with pay and benefits that continue to rise exponentially.

Again in relation to these features, he stressed how a policy focussed on privatising profits and socialising losses cannot be approved of, since, above all, there appears to be no future prospects. Shareholders who invest their capital in Telecom Italia, he stated, invest on the basis of both the future plans put forward by the company, and the professionalism
and commitment of its workers, which constitute the guarantee for the success of these plans. He stated that these elements have never let the company down, over the years, and in this sense he would want to incentivise shareholders to invest again in Telecom Italia, and with renewed enthusiasm. However, he stated that it was equally important to make known the difficulties the workers are experiencing.

On this point, he reiterated that in these years of work, this professionalism had often been weakened by systems, procedures and timescales that often did not allow workers to achieve full customer satisfaction. For this reason, he believed that a careful review of these systems and procedures was needed, to ensure that they become useful tools for performing work, rather than hindrances.

He added that it could even be affirmed that the company seems to have decided to pursue policies that reduce the professional skills of its employees, damaging them still further, rendering them fragile and vulnerable in an employment market that is continually changing. At the same time, the atmosphere in the company is often tested with questionnaires, which the shareholder believed were of little utility: he had read, he said, that Telecom Italia had won an award as one of the top 25 Italian companies, and this, in his view, does not correspond to the daily experience of its workers. He asked what effect the constant threats of continual reorganisation, sale of branches of the companies, shifts from one sector to another, without any clear company strategy that is discernable by the workers, can actually have, in reality.

Last but by no means least, the shareholder stated, was the method used to appraise the personnel, which does not involve them in its aims, and which is often not the fruit of discussion, but merely a report and a final opinion in which the percentages in which the workers must be classified has been established in advance, in an office. It was inevitable, he stated, that in a scenario like the current one, the workers have lost their faith in the managers, and the senior management so far.

So the shareholder requested a senior management that was prepared and interested in motivating its workers, who work alongside them, that uses constant communication with the workers, to share the pursuit of their common objectives; he wanted a senior management that respected the professionalism, commitment and dedication of the personnel, a senior management that was properly valued, also in terms of the results achieved, and then properly rewarded when it deserves it, but which took real responsibility when the results were negative.
A few weeks ago, the shareholder continued, after the Sparkle affair, Mr. Bernabè had sent the employees a letter full of wonderful words, calling on their sense of belonging, emphasising the ethical values which have always inspired the company, and inviting them to continue to work hard to make it to grow. Truly the letter of a good parent addressing the members of the family: but one had to ask oneself if these family members believed it or not.

Telecom Italia, he stated, was a healthy company, and the current one is not even a distant relative. And the only thing that still represents that epoch are its human resources. The employee shareholders, and all the workers, believe that it is possible to start again, also in the interests of the Country, in the economy of which the company has always played a prominent role, and must continue to do so. Acting only against the workers, he concluded, not only leads to iniquitous and unjust operations, but does not even ensure the financial return that those who have invested capital in the company expect.

**Ferrante.** after having recommended that the data should be reported with comparisons with the data at the start of the mandate, so as to have an idea of the work actually done, asked if the directors had an idea of the future that wanted to assure for the Company. In fact, accurate numbers and data (including the slight increase in net financial indebtedness) emerge from analysis of the documentation, but there is no information on what fundamental choices have been made about the focus of the company’s activities.

He continued, stating that great emphasis is given to the switch to IPTV, although the shareholder himself was not clear what this meant: in his experience as a customer, he did not feel any need to use optic fibre, unless significant further advantages of the new technology should emerge.

Finally, he recalled that he had asked for information on the new services that the Board had said it wanted to focus on at the last shareholders’ meeting. He repeated this request, commenting that a year later no specific service appeared to have been activated.

**Romano.** commented that, so far as he was concerned, the data in the financial statements appeared in reality to be improving, and we should give credit to the new management for this. While it is undoubtedly true that there was much more to be done, particularly in advanced technology sectors, improvements were emerging in all areas of activity, and this in his view should renew our faith in the current senior management.

Also in relation to pay policies, he observed that there had undoubtedly been some resizing, which also emerges when the pay policies of Telecom Italia are compared with
those of many other companies. He also expressed his approval of the focus on core regional business, and believed that Italy, Brazil and the Sparkle business were the sectors on which the company should focus.

Again in relation to the dividend policy, he stated that it had been reduced by about 2/3rds, while, on the other hand, small shareholders were still entitled to some remuneration, albeit modest. So he did not believe that the fact that a company that produces profits remunerates its shareholders can in any way be considered a “scandal”.

Then, referring to recent news about meetings with representatives of Fastweb and local public bodies, he suggested the company should ensure that care is taken to avoid episodes of anomalous competition that could damage the creation of value in Telecom Italia’s business. He also invited the meeting to acknowledge the value of subsidiary Telecom Italia Media, which in his view could focus on information, becoming a kind of Italian CNN.

Fogliati, chairman of ADAS, the association of Telecom Italia employee shareholders, recollected how the previous year he had voted in favour of the resolution to approve the financial statements, emphasising the pitfalls that might still emerge from the previous situation. The Sparkle “bomb” has now exploded, and the directors are trying to defuse it.

The financial statements, he observed, summarise the life of a company, and it is important to have the courage to reconstruct the story and the responsibilities or merits of others, trying to be as impartial as possible. The two notes to the financial statements regarding “potential liabilities”, he observed, are worrying, since other surprises cannot be excluded. The estimate of the value of the “intangible” assets raises similar concerns. But in any event he warmly welcomed Mr. Mangoni, who had “attested” these financial statements.

He believed that Telecom Italia had now touched the bottom, and was laboriously climbing back up, and the road back is made even more difficult by the many obstacles deliberately placed in the way. Some burdens, however, are real., he stated: the world crisis, which is lasting too long, the fall in GDP and consumer spending, the loss of jobs, the enormity of past debt, an asymmetrical regulation that seems to favour the well-being of the consumer and lose sight of more generalised interested. Regulatory symmetry would be achieved by working in Italy and through the European Community and the OECD: he wondered what was being done to achieve joint results.

As for competition in Italy and Brazil, the shareholder strongly supported the company presence in Argentina, notwithstanding a situation that he considers absurd and
improbable, created to wear down the Company and force it to leave; if the company really wants to leave that country (where it has had a presence for over 20 years) then the shareholders’ meeting must be convinced, since this is a decision that must be considered and taken together (the European Union, and possible the OECD are on the side of Telecom Italia). He reminded the meeting of the strengths of Telecom Italia (its human resources, its network, its customers and its shareholders) and the weaknesses (the macroeconomic scenario, the debt, the atmosphere within the company, the regulatory regime, the competition overly based on advertisements): he asked if full adhesion to the principles and values of the company ethics, morality and individual fairness was really experienced. He then said he was convinced that the management and all the employers were ready to face great challenges: not only the challenge based on income and financial parameters. It had allowed itself to make a lot of mistakes in the past, and could not afford any more. It should, he exclaimed, be again one of the “champions”, like Eni, Enel, Finmeccanica and Fiat.

He went on to observe that the company was slimmer, more flexible, more reactive and more solid than two years earlier. He believed that restructuring is inevitable, although without the need for “dismissals”.

He pointed out that, in two years, the company had lost 5.5 million mobile phone customers, 3.5 million fixed lines, and 22 billion minutes of traffic on the fixed line network (a 14% fall). At the same time, there were more broadband connections (from 7.6 to 8.7 million), and 10 million extra mobile phone customers in Brazil. And in Argentina: 4.3 million fixed lines, 1.2 million broadband connections, and 16.3 million mobile phone customers. As for employees, he stated that the breakdown is 18% university graduates, 70% high school graduates, 1.7% senior managers and 7.7% junior executives: there were only a few young people, with just 9.5% less than 32 years of age.

He went on to observe that the network is an important asset, and careful investments strengthen its vitality. But the company cannot take on the task of fully bridging the digital divide as a universal service.

In the arguments in the press about the post-1999 Opa Olivetti management, he had read that as much as 21 billion had been distributed in dividends between 1998 and 2008. In the same period, taxes of 20 billion and financial charges of a further 40 billion had been paid, with 79 billion in investment: including the 2009 investments and those planned for the next three years, the network infrastructure would be “worth” 70 billion euros. In reality, it is posted in the financial statements at 13.6 million after depreciation.
He stated that he had experienced these issues directly, with many discussions, including heated arguments, with Colaninno and with Tronchetti Provera. It is wholly evident that the burden that the debt represents could reduce further if a different dividend policy were considered. Dividends could be paid in the form of shares, and the debt could also be reduced by conversion of savings shares.

As to the second item on the agenda, he appreciated the appointment of Sentinelli as director. The company needed to find vigour, also among people who have left the company because of their age or other reasons.

As to the choice of external auditing firm for the period 2010-2018, the shareholder can only concur with the Board of Auditors’ proposal. He added that the proposal specifies arrangements that are certainly correct, but appears “alienating”, in that it is tedious and repetitive. To summarise, it approved a cost which totals 20 million over 8 years: it is hard to imagine what the consequences would be without the efficacious work of the auditor. On this point, he observed that recently the meeting has never been called on to approve “expenses” that were certainly far higher, unless it was to approve things that had already been decided.

As for the other four items on the agenda, he stressed that, while the workers were protesting outside the shareholders’ meeting, the shareholders were approving a plan they had been requesting for some time, which tends to a gathering of the employees and also assigns them an active and aware role as shareholders: the coincidence is not a happy one. Moreover, many employees are already shareholders, having had a “historic” occasion when they received 3.3% of the capital, with the possibility of playing a vital role. In a message from himself to the employees, he told them to accept the offer of shares with confidence. And as for the mechanism, he observed that the Company had certainly changed in response to other experiences, and, for the business, the response is a sign of renewed support for the mission and values of the company: he hoped that the management would be able to respond fully to this signal.

He added that the company should also take account of the fact that a response is required in “cultural” terms as well, for example, by making it easier to decode financial documents and the role they play. There is already an effective tool, the Shareholders’ Club: we could imagine that adhering to the share offer would make people automatic members of this Club. It is also an opportunity for the various shareholders’ association, some trade union inspired, to resume their activity. Finally, he declared himself confident that the Company would fully implement the European directive on shareholders’ rights,
recalling how the first indications were also supported by Adas. He asked if a new shareholders’ meeting would be called for this.

He ended by re-interacting his confidence in the management and announcing that he would vote in favour of approval.

He formally submitted the attached document to the Chairman’s desk.

Maresca, emphasised the presence of a tax assessment for 391 million, and an ongoing agreement for 91 million: also bearing in mind the verbal verification processes of the Guardia di Finanza (Finance Police) for direct taxes, it seems that there are some tax difficulties. So he hoped that the personnel working in these sectors were up to the job, and did not receive bonuses where forms of avoidance of the current regulations were identified. A company like Telecom Italia should, in fact, maintain a “crystal clear” conduct in its application of the tax regime.

He went on to state that the amount of the stock options was particularly significant for the years 2005, 2006 and 2007, and recalled how these mechanisms had been criticised, including in the United States. In this respect, he expressed his perplexity about the proposed incentive plan for senior management, pointing out how there were risks that tensions would be created when the senior managers to benefit from the options were being identified. And, he observed, it does not seem to be the case that a plan of this nature could align the interests of shareholders and senior managers, as stated in the report. For his part, he stressed that in any case he was primarily interested in improving the stock market value of the share, and does not share the typical perspective of the “cautious saver”.

And in relation to the distribution of dividends, he pointed out that the distributed profits constituted 5% of the share price, with a payout of approximately 74%, a particularly high ratio that is not in line with the indications of the Bank of Italy, which suggest that wealth produced should be retained for the future.

So he invited the directors to pay particular attention to the actual share price, and also hoped that the shareholders meeting does not result in moans about the “funeral” of the company, but, instead, encouragements to improve: if people only wish to indulge in destructive criticism, then it would be more logical for them to sell their shares.

Silla, stated that he had learned of the imminent activation of a single number for Emergency services, which would be 112. He asked what impact this decision would have on Telecom Italia.
He also asked what the intentions of the Board were in relation to starting a liability action against the preceding management.

Finally, he recommended that, for the future, all Directors should be present at the chairman’s table so people could recognise them.

D’Atri firstly acknowledged, with satisfaction, the fact that all the stakeholders were participating actively in the shareholders’ meeting, expressing views that seemed to converge. The main issue that was emerging from the discussion was, in his opinion, an issue of governance, which he did not believe capable of satisfying the various interests gravitating around the Telecom Italia system. The directors should take action, to this end, to suggest some changes: in his view, the Board of Directors maintains a bureaucratic vision of the management of the business, and does not know how to handle the real problems that continue to emerge, from the employee issues to the SIMs business.

Generally speaking, he believed that reducing the workforce represented a serious signal of crisis, as, in his opinion, does the fact that none of the directors, including Professor Zingales, considered resigning after the well known recent events.

He focussed in particular on the Sparkle affair, and stressed how this was to all intents and purposes a fraud against the State: in the shareholder/s view, it was not necessary to have acted with criminal intent, to feel guilty, it is enough not to have intervened promptly to avoid the damage: for this reason he felt that resignations should have followed.

On this point he also referred to the Bank of Italy, a shareholder that he believed maintained an unjustifiably passive attitude, and it would be particularly interesting to see what the Bank of Italy itself would do if the liability action were put to the vote. He repeated that he considered it particular serious for this institutional shareholder to have taken no action to clarify blame in a fraud of such dimensions.

After having asked who formulated the response given to Consob, considering that the document was not signed, he asked if, in the light of the clarifications it contained, the financial statements from 2005 to 2007 should be considered fallacious, and the announcements to the public made at the time in relation to business volumes should also be considered to be fallacious. He also asked how financial income, interest payable on the debt, and the position of bond holders would be changed: regarding the last item, he also invited the common representative to take prompt action.

Going on, and again in relation to the situation discussed earlier, he asked what were the times and hardware and software systems that measure traffic and supervise invoicing, particular to foreign countries. He stressed that these are necessary questions to enable
the public prosecutors to check that everything was managed in the most correct way also in terms of technical issues.

Moving on to the Security affair, he asked, firstly, if there were any connections between this and the Sparkle business, given that Tavaroli’s division was also involved with the IT system. He believed that, with reference to the Security affair, continuing to sustain, as the Board of Auditors does, that internal control was adequate is in any event impossible, and he asked if the opinion of Professor Ferro-Luzzi be sought on this matter. He recalled that it emerged from the investigations that neither Mr. Tronchetti Provera nor any other director or auditor had ever raised any concerns, and believed that this, too, demonstrates the inadequacy of the 231 system.

The shareholder further reminded the meeting that he himself had been followed and been subject to the “attentions” of people linked to Telecom Italia: on this matter, he wanted an apology from the Company, through its Chairman. In any event he would be forced to start civil proceedings, although he would prefer to reach an amicable agreement to award compensation for the damage suffered, compensation which, he pointed out, he would happily make available for the same scholarships financed by the Chief Executive. **Mafezzi** referred to the profit and loss statement of Telecom Italia, and in particular to the item reporting purchases of raw materials and services for a total of 7,746 million, and wanted to know which of these purchases had been made by the Purchasing division, and which by other divisions, with the corresponding sums and types of purchases made. He asked for the same information on the purchases reported in the profit and loss account of the consolidated financial statements, which totalled 11,480 million euros.

He explained that the purpose of this request was to assess the actual involvement of the purchasing divisions in company strategies. He personally was convinced that purchases should normally be made by the corresponding business division, and any exceptions should be made explicit and explained.

In the annual financial report there are laudable but generic statements in the suppliers section. He would like to know:

- the ratio of number of purchases to number of operators;
- the ratio of value purchased to number of operators;
- the number of new suppliers contacted;
- the number inserted in the supplier list after the qualification process;
- the number of visits to suppliers made, and their outcome;
- the number of suppliers in “free pass”;
- the number of controls made on supplies, and their outcome;
- the number of suppliers removed from the supplier list.

He also pointed out that in “principle involvement initiatives”, the main suppliers of the group were involved in the Purchasing division’s satisfaction survey with a satisfactory outcome (72 on 100) for the third year running; however, he noted that the percentage involved was steadily falling, and believed that if 68% of the 1,022 suppliers did not wish to answer the 32-question questionnaire, then this is worrying.

Finally, he asked if he could have this data, possibly directly after the meeting.

He formally submitted the attached document to the Chairman’s desk.

Capanera wanted to direct the attention of the meeting on the hardships of the workers who were demonstrating outside the room. He stated that such an ambitious objective, the reduction of the labour force, with the maintenance of a dividend for shareholders, once again would result in a scenario in which it would be the employees who paid for the wrong industrial choices. So he expressed a strongly negative opinion of an industrial plan that envisages a further 6,822 redundancies, not counting those already implemented in previous years or those already announced for the IT business.

The plan, he stated, also envisaged a great reduction in investments, and further outsourcing, heralding a role for Telecom Italia that was increasingly distant from the role of an international operator, a role which would, rather, be increasingly necessary to compete with the other operators on the market. The strategy of Telecom Italia, by means of sales and permanent restructuring, was only to pursue a policy of job cutting, without dealing with the true issues, which were investment and an industrial relaunch. The measures adopted by the management, he pointed out, were in line with those undertaken by the previous management regimes, which he considered to have been failures, and will once again prove to be ineffective, because they are wrong. In fact, he believed that outsourcing and dismissals do not cure a sick business, but make it poorer and poorer. Whereas investment in human resources and in the development of new technologies, starting with the new generation network, would lead to the relaunch of Telecom Italia and would act as a stimulus for the whole country.

Instead of outsourcing, delocalising call centres and dismissing staff, the shareholder proposed that shareholder dividends should be suspended, since he considered it immoral and damaging for a company in crisis to continue to distribute dividends. He also proposed suspending MBOs for senior managers and senior executives, and the interruption of what he considered to be a fake meritocratic policy: if the business is in
crisis, he stated, then the crisis applies to everyone, and if it must be made more efficient, then this should start at the top. Telecom Italia, he concluded, is, in any event, the company with the highest percentage of senior managers and, moreover, managers who are among the most highly paid.

Barzaghi stated that he was an ex-employee shareholder of Telecom Italia, and was a proud member of that category of initial shareholders who, despite the poor results achieved over the years, were still not tired of attending the shareholders meeting which year after year has increasingly appeared to be an empty celebration, more a quesiton of legal obligations than a moment of true participation, debate or proposals; and this is even more true, he believed, at a time like now in which we are called on to take important decisions about the future of Telecom Italia, which has for some years been relegated to a secondary role on the Italian and European financial stage.

Expressing his own personal impressions, he firstly stated that approaching the location of the meeting he had the impression of being back in the past, with the police protection outside: in his opinion this was not a positive thing, because all the shareholders should be able to engage in the logic of healthy education, and certainly should not be stopped in front of a “human shield”.

He wondered where the public and private television cameras that up until a few years ago accompanied the shareholders’ meetings had gone to. He asked how many newspapers these days still gave space to the company to announce the few positive items of news that all the ex-employees, serving employees and shareholders would want to hear again, without always having to hear about scandals, eavesdropping, theft.

He referred to the contents of the letter sent by Mr. Bernabè, in which he hoped that an ethically sustainable atmosphere of collaboration would return inside the company, based on the respect for the moral and ethical principles of a true economic democracy based on the new proposal of widespread shareholder participation among the employees, to lay the foundations for a new innovative process that makes the company again one of the top 20 leading companies in the world, as it was in the past. In the shareholders’ view, this was a plan that was undoubtedly ambitious, but difficult, given the historic moment the company is experienced, involved on a daily basis in a mediation process, in a moral quagmire that is unprecedented in its history. It made him wonder where all the Chairman, Chief Executives and managers were when actions were being taken inside the company whose only purpose was to fill someone’s pockets, or possibly also the pockets of some politician.
As a convinced supporter of the principle of participation and economic democracy, was nostalgic for those years in which the so-called “State Boyars” were installed in a company that gave a job to over 200,000 people, created added value for the shareholders, and had become one of the top companies in the world of mobile telephony and new innovations, developing new technologies and managerial and entrepreneurial skills. But, he commented, for years everyone continued to say that the company was healthy, solid, well-sustained in terms of capital investment, aware of the new telecommunications markets, able to compete against all the ambushes of the competition in a professional way. However, he stated, the shares now are priced at 1 euro, a price that he does not think right in relation to the history of Telecom Italia.

He also reminded the meeting that every year there are reports of continual redundancies and the sale of company premises, sales of branches of the business, outsourcing of personnel, recruitment freezes and a continuous fall in the added value of the shares. He asked for how much longer we would have to witness this situation. He believed that it would be right, today more than ever, when faced with an unprecedented economic crisis, to give the families of the small shareholders at least the hope of an improvement.

However, as a small shareholder, he had to recognise that this current Management had taken some positive action, such as starting to restore the image of the Company, compared to previous management regimes, with an operation to renew and replace the senior management of the company, frequently compromised by transactions of dubious utility. He also appreciated the attempt to resume serious and constructive debate with the institutions, and agreed with those shareholders who asked that a meeting be called as soon as possible to take some action against those who are responsible or presumed to be responsible for the “collapse” of the company.

He wanted to know the status of the so-called Magnum plan for the divestment of properties considered to be non-core, and considered the support for the management and employee loyalty plan offering shares with advances from the severance fund and the award of bonus shares to be positive.

And on this last point, he asked why the ex-employees of Telecom Italia or the Group had not been involved in this operation, and why the faithful ex-employee shareholders could not be involved, since they already hold shares purchased in previous allocations inside the company. In reality, they have never benefited from any quota of bonus shares and have seen their value fall over the years. So he asked the Board of Directors to extend the category of beneficiaries of the plan. He reminded the meeting that he was an ex-
employee who was a pioneer participant in economic democracy, and had always sought to support the need to acknowledge the role and dignity of the small shareholder as part of the company, not just a participant in the business risk, without claiming any kind of office.

Finally, he appreciated that the European Parliament has finally imposed the de facto recognition of the role of the small shareholder. He stressed the need to formulate new winning media messages a little different from the current ones: the Telecom Italia messages aimed at young people, in his view, were not very effective.

In the field of future strategies, he said that the creation of a new company was needed for the management of the network, in which Telecom Italia must in any case be the majority shareholder, and in which public and private institutions should also participate: in this regard, greater weight could be assigned to individual Regions at public level.

Different considerations should apply to the quality and innovation of services, without always cutting jobs and reducing investments. In this regard, he wanted to know about the future of the many TIM Alice Points throughout the country, subject over the years to continual plans to change market strategies, as well as changes in the assistance and sales networks. He asked whether in the future these centres would remain, be downgraded, or given the role of private operators. He also asked about the Board’s present and future strategies for the project of the separation of the network.

There were, he recalled, other important topics, for example the dismemberment of the fixed network, the continuous pressure from many sides for the strategic merger with Telefónica, and much more. He also believed that insisting on the “Italia-ness” of Telecom Italia was a little anachronistic in the context of what was happening.

Concluding, he stressed the need to make courageous choices, sometime sacrificing old market concepts: he announced his vote in favour, but suggested more reflections with regard to the dividend. Also by educating the shareholders to make some sacrifices.

Tronconi, with regard to the Long Term Incentive Plan, suggested some reflection, since he was against having yet another mechanism for incentives to senior management. In any case, these mechanisms are widely used all over the world, with the results that all can see.

He then stressed that the documentation on this point presented to the shareholders’ meeting was not, in his view, sufficiently transparent, something which should also be reported to the Remuneration Committee. In particular, it was not clear how many managers would participate in the plan, and it was not even clear at what price the shares
offered could be subscribed. On the other hand, he said that in general the Telecom Italia Remuneration Committee had over time gained some modest degree of credibility. Going on the plan for employees, he stressed that this was a positive benefit. However, he hoped that it was a tool that the employees would really appreciate, and hence that the desired incentive effect would really develop, since it was an operation which from the shareholders’ viewpoint would in any case cause a dilution.

He also hoped that the managers who already had individual incentive plans would not also benefit from the new tool. He asked for better work in the future by the Remuneration Committee, and asked why the remuneration for Mr. Bernabè was higher than last year.

Giulianelli recalled how from 2003 to 2007 there had been the Security affair, the investigations of Buora and Mauro, the videotelephone affair, the counterfeit SIM cards, and finally the Sparkle affair, and asked how the internal controls worked, especially for Sparkle, and if it was true that the audit report had stated that the bills for foreign traffic showed aspects (such as consecutive telephone numbers) that raised questions. He also asked why no measures had been taken before the intervention of the judiciary, and why the person responsible for the situation had only been dismissed in February.

With regard employee assessment sheets, he confirmed that up to today the objectives for 2010 were not known, a factor he believed to be indicative of the poor functioning of the assessment mechanism. He also said that the criteria used, based on predetermined percentage distributions of the opinions on employees, could make sense on a large scale, but not for a small sample of persons.

The shareholder, insisting on the point, said that in this way employees could not really feel that they were receiving incentives. He also criticised the new share incentives mechanism, highlighting in particular that the assignment free of charge of one share out of three was subordinated to staying with the company; so those who had had to face the difficulties of outsourcing could not benefit. Moreover, the plan for managers involves an assignment free of charge for each share underwritten, thus creating unjustified inequality with the employees in general. Finally, he observed that it was not clear which companies, in the context of the plan for the employees, would be considered equivalent to Telecom Italia.

No-one else having asked to speak, the Chairman gave the following replies.

First of all he stressed that while respecting everyone’s opinions and points of view, Telecom Italia could not be described as a company in crisis for which a funeral could be held. Undoubtedly, the company needed restructuring to remain competitive, to hold its
market position and to support its growth; but this did not mean being in crisis, it meant being a living company that reacts to the market and works to be increasingly efficient. And if the media focus is less insistent than in the past, this only means that it is becoming a normal company, where discussions are between shareholders and not on the stage.

The Remuneration Committee, contrary to what some people believe, had performed top quality work, formulating proposals that were especially innovative: the documents made available could perhaps have been more clearly detailed, but the substance of the proposal formulated was to grant to all employees the possibility of subscribing to shares equivalent to about 3,000 euro with a 10% discount. This threshold was also justified in the light of the tax benefit from which this subscription may benefit; and if employees want to keep the shares for over a year they would be entitled to another share, free of charge, for every three held.

He stressed that the plan for employees was quite different from the one for management, there being no particular conditions for exercising the option and with a very short “vesting” period.

The plan for managers, continued Mr. Galateri, involves a vesting period of three years, at the end of which specific profitability parameters must be fulfilled: if the targets have been reached the manager may participate in the plan, investing half of his bonus in shares, and accruing entitlement to one share free of charge for each share subscribed after a further two years. This was a mechanism that overcame the defects of traditional stock options because the manager is asked to make an investment, he reiterated. And if in the three years of the incentive period the results on which the plan is based are actually achieved, the Company will be very happy to be able to reward the management.

Going on to other aspects of the debate, he then said that the relationship with Telefónica was a relationship with which everyone was happy. There were various types of synergy already providing benefits, and several others would occur in the future. The contribution inside the Board of Directors is direct and transparent, paying particular attention to conflicts of interest, since when matters regarding Brazil or Argentina are discussed, the Directors representing the Spanish partner physically leave the room and the meeting.

He said that relations with the European Community were also positive, and much now depended on Europe in terms of the regulation of telecommunications.

The Chairman then discussed internal controls, stressing the full reliability and transparency of the system. The department, coordinated by Mr. D’Andrea, ensured fully efficient control systems, with precise, objective and reliable procedures. However, internal control may not have the means and tools that the police do: as for the Sparkle
case, we must remember that the facts that emerged were the result of investigations conducted for 3 years by the Public Prosecutor with tools, such as bugging and reading of e-mails, which company departments obviously cannot utilise. For its part, in 2007 the Company, in any case, managed to identify a series of management irregularities, immediately terminating the contracts regarding those operations: it neither knew nor could know about the facts that later emerged in judiciary investigations.

Of course this did not mean that no system could be improved: since those events to date, in fact, the internal control system has been improved and is constantly improved. But the analysis also conducted by external professionals regarding the Sparkle case have confirmed that the system is solid.

In this context, disseminating strong messages about company ethics and culture had always been a priority: however, with 60,000 employees, we cannot eliminate the risk of people who do not measure up to the standards.

As for the dividends policy, Mr. Galateri agreed that the needs of the human resources require special attention; in any case it must also be acknowledged that capital requires proper balanced remuneration, as the company tries to do by maintaining a stable dividend after the reduction of over 2/3rds carried out in the recent past.

On the property sold to the Pirelli Group, the Chairman recalled the considerations and data already provided in previous years, naturally assuring the meeting that any new element that might emerge would be taken into due consideration. As for the remuneration of the Chief Executive he pointed out that, apart from the excellent choice of scholarships, these amounts were perfectly in line with those in comparable companies.

He assured the meeting that the request regarding the initiative for Vibo Valentia would be taken into consideration, and stressed that with regard to the outsourcing projects, the initiative that provoked protests involved the transfer of personnel to a company still owned by Telecom Italia, and thus was something quite different than an outright sale.

Finally, with regard to the liability actions, he referred to the statements already made about the initiatives taken in TI Sparkle, confirming that the checks were continuing, as were the reviews of any further areas in which other liabilities could be identified.

The **Chief Executive Mr. Bernabè** continued the replies, and referring to the intervention by Grillo at the start of the meeting, acknowledged that the basic spirit was that of a person concerned with the growth of the network and the development of the telecommunications system. However, there would be no funeral, since Telecom Italia is a healthy, living and lively business, which has all the potential to again be a leading company. The current
phase was one of necessary restructuring in which there would be a profound rethinking of the company’s basic strategies; but the willingness, ambition and possibility of being a leader again remain intact.

This process would require patience, and the caution that is typical of the country as a whole: it is precisely because of the prudent and conservative management of its financial structure that Italy finds itself, at the end of the financial crisis, one of the virtuous countries, with a much smaller increase in its deficit than elsewhere.

So the problems of Telecom Italia were problems that will be solved in the medium and long term, by relying on the skills, structures and strength that the Company has within it. He certainly understood that the personnel changes could be seen as a sign of a presumed crisis: this was not the case, we need only consider the overall growth of the telecommunications sector as a whole has experienced in Italy, with significant benefits for everyone. This means that overall employment in the sector has also grown, and the employment of Telecom Italia’s competitors grew particularly, due to the express policy of the various governments over the years. But the political will to reduce the market share of the company inevitably led to a contraction in employment in Telecom Italia itself.

This dynamic, the Chief Executive stressed, brought undoubted benefits to consumers: over the last 10 years the prices of telecommunications have fallen by 15-20%, all to the advantage of the final customer: so there certainly is not a crisis, but there is a need for a resizing, for becoming lighter and more aggressive, to be able to resume the role that is Telecom Italia’s by right.

As to comments about the size of dividends, he reminded the meeting that the level of shareholder remuneration is approximately 1/3 of what it was 3 or 4 years ago; the resources saved have been allocated to the reduction of debt and to investments, which have remained among the highest of all the telecommunications companies. Different choices would undoubtedly have jeopardised the financial solidity of the Company.

With regard to the level of indebtedness, essentially unchanged since last year, the Chief Executive recalled that in 2009 very high outgoing cash flow was recorded for the payment of taxes, since the tax benefits accumulated over the years had finally ended. In the future, however, Telecom Italia will generate enough cash to continue to reduce the debt, and at the same time to continue to remunerate its shareholders, thus signalling its enduring capacity to meet all its commitments, including those to its shareholders.

Telecom Italia, he continued, like all telecommunications companies, is experiencing an intense process of transformation that is the result of a profound transformation of its
reference market. The market requires solid network coverage – and we have achieved this, thanks to the Group's dynamism in innovation, and it is working on this – and above all to its high degree of efficiency. We need only think about the competition from the Internet, a world in which voice traffic is transmitted, or would like to be transmitted, free of charge. And so seeking to remain more and more competitive in terms of price, and therefore more and more efficient in terms of costs, is inevitable. The reduction in costs, stressed Mr. Bernabè, is directed towards the recovery of productivity, to the benefit of its customers, employees and everyone who cares about the destiny of Telecom Italia.

Moving on to a series of detailed replies, the Chief Executive explained that the total costs of the shareholders meetings for 2010 totalled 740,000 euros, less than in the previous year. The SSC operation cannot be considered as outsourcing: it was decided not to continue with the sale, but to concentrate the IT factory in a company vehicle wholly owned by Telecom Italia, a vehicle which must acquire efficiency in order to compete on the market. Concluding the first series of replies, he stated that the objective of debt reduction, was a reduction to 28 billion euro by 2012.

He then pointed out that the communication of the 2010 objectives actually occurred late, due to postponements, for the known reasons, of approval of the financial statements. In the past two years, the system has in any case changed radically, and the objectives assigned are coherent with those budgeted. For the “vision cube” initiative there is a detailed business plan. Up to now only a few hundred have been marketed as “test” items. By summer a new version of the product will have been developed, but this is a project that will develop and improve over a longer period of time. He then recalled the criticisms of property disposals made in previous shareholders' meetings, recalling that the sales took place with the support of independent experts from the sector, after being examined by the committee for internal control, and were approved by the Board of Directors, and finally checked by the Board of Auditors. With regard to the consultancies, he recalled that the levels of expenditure for all the professional consultancies, including IT consultancy, had been radically reduced. Naturally, it is not possible to do without all external consultancies, since it would be inefficient for various types of activities to permanently acquire certain skills.

The Hi-Tel contract was signed on 24 February 2004 by a manager from the Wireline Business Unit with the necessary powers, while the proposal to regulate the termination of the supply relationship was made on 11 April 2005. He then recalled that the disciplinary action taken against the employees in the Ethnic channel depended on the investigations.
of them carried out by the Milan Public Prosecutor’s office, and similar firmness was adopted where there was evidence of similar infractions in the Retail channel.

The Chief Executive moved on to another series of issues, and with regard to the matter of Nola and Gallina, pointed out that judiciary investigations were still under way into the fake bugging device found in the car of a former Chief Executive of Telecom Italia, and results are awaited. Given the evidence available so far, the Company has expressed its profound solidarity with the two former managers. With regard to the situation in Brazil, the local authorities have indicated, also with a decision made yesterday, that Telefónica and Telecom Italia may compete in an effective manner without interference on the reference markets. With regard to Argentina, however, the company is continuing to sustain in all the relevant quarters that there are no restrictions on competition as an effect of the indirect and minority holding of Telefónica in the Telecom Italia share capital. As to possible strategies in Africa and Asia, he recalled that the 2010-2012 plan focused Telecom Italia activities in Italy and Brazil: the former is a market requiring considerable rationalisation and efficiency-saving, since it can in any case generate significant cash flow, while the latter is a market that still offers great growth potentials.

NGN2 is a project, he continued, linked to many factors, such as the effective presence of demand for services, regulatory conditions, the competitive context: while today the massive deployment of fibre is not economically feasible, there is a plan to supply this technology to those who need it, to business customers, industrial districts, the sites of the mobile network, the sites of the major cities. In this respect the company is working closely with central and local authorities both for the elimination of the digital divide and for the development of new networks. The plan is to have 1,300,000 premises connected by fibre in the next 3 years.

There are 28 Public Prosecutor’s offices that have opened proceedings on various matters concerning Telecom Italia. Up to now, only one has completed the preliminary investigations, with two people being remanded for trial, and with the consideration of Telecom Italia as the injured party.

Telecom Italia, Mr. Bernabè stressed, can certainly not be considered a company that pays little attention to innovation, and today it is better positioned to face the competition than it was two years ago. The focus in the coming years will be increasingly on the sectors that constitute the driving element of innovation: mobile broadband, broadband applications, e-readers and e-government. In this latter regard, he stated that the project for certified e-mail with Poste Italiane had been speeded up, and this had inevitably caused some
problems that were now being solved. The aims include allowing smaller companies to increase the efficiency of IT management.

With regard to revenues, as already announced, a reversal of revenue trends in the “mobile consumer” sector is expected, due to the recovery of the inactive customers and the dynamism of mobile broadband. In the fixed sector, there has been a reduction of active lines. The recovery must occur using the lever of fixed-mobile convergence, and through the development of adjacent segments. With reference to the TIM brand, there had been a significant increase in advertising investment, and this is a brand that was recently among the 100 most valuable brands in the world. Moreover, he recalled that external consultancies had been reduced, while investment in personnel training had been increased (1.8 million hours in 2009).

Regarding advertising, he recalled that the Group’s current advertising appeared to be especially appreciated, after a period of decline starting in 2006 and continuing up to 2008. This encourages the company to continue its strategy.

The Chief Executive, continuing on the various detailed issues, recalled that the incorporation of TIM involved an increase of approximately 14 billion euro in net indebtedness, although it brought advantages to the Group on the industrial level. The number of properties sold to Pirelli-owned or part-owned investment funds totalled approximately 1,600, mostly for industrial use. Properties rented by Telecom Italia total approximately 680, with a total annual rent of 91 million euros. Total transactions completed in the years 2000-2003 had resulted in a current net value of over one billion euro, which takes account of the effect of the cash produced by the initial sales, its financial effects, and the rents payable. Property sales in 2005-2006 regarding network property allowed the net financial debt to be reduced by approximately 850 million euro. These were block sales, a choice that was in line with the requirements for operational flexibility and risk optimisation.

Telecom Italia, he observed, does not have a cool attitude to the broadband initiative in Lombardy, or towards any other initiatives on the local level. In some cases there has already been significant collaboration. In any case, without the participation and indeed the active planning of Telecom Italia any broadband project would proceed slowly: the Company is convinced that these are projects to be fostered, but over the right time span, for the right market and with a proper return for the shareholders.

Again with regard to consultancies, he pointed out that they amounted to 15 million euro (46 million euro in 2008), while advertising and promotion expenses totalled 431 million
euro, an amount including the purchase of spaces, expenses for production and sponsorship and commercial communication. The current Telecom Italia, he continued, was founded in 2003, the date of completion of the incorporation in Olivetti. The original date of foundation of the Company was 1908. From this point of view, he said, it can be stressed that Telecom Italia, considering all the recent merger operations, is still a young company, a company that has now reached its definitive consolidation, and is ready to start up again with a long history of success.

He then thanked those present for the comments on television, observing that competences in this sector are considered to be important, since broadband also conveys television content. The company is very cautious in broadcasting activity, considering the commitment required in terms of investments.

Mr. Bernabè then discussed the situation of Telecom Argentina, recalling the recent measures preventing the exercise of purchase options on the rest of the capital of holding company Sofora, and the exercise of governance prerogatives assigned to the Group. A series of possible options, already announced to the market, was being examined, and in particular the possibility of selling the investment (which regards a holding company that is in turn a subsidiary of a further holding company). This disposal would of course depend on the type of offer received and the conditions of payment.

More generally, disposals totalling 2-3 billion euro previously announced had already been partly realised, above all with the sale of Hansenet; apart from Telecom Argentina there is not much else to be sold, and in any case the target of over 2 billion euro is a reasonable objective.

The buildings in Corso Italia a Roma and in Piazza Affari a Milano were sold in 2002 as part of a broader sale of a branch of the company including 168 properties; the total value of these assets was 122 million euros.

The Chairman Mr. Galateri then resumed speaking, recalling that the financial report contained all the data necessary to assess the overall results achieved by the directors since the beginning of their mandate. The company, he continued, would act against those responsible for any damages due to premiums deriving from results that were only apparent. The concentration of positions in derivatives on Telecom Italia, he observed, is due to the strategic need to reduce the credit risk of the Group to the banking system, and has allowed exposure to the risk of bank collapses to be reduced by 57%, without any additional risk for the Parent Company; the operation, he pointed out, also generated financial income of 3 million euros. He stressed that, in any case, operations with
derivative instruments within the Group had never been for speculative purposes, but are limited to the control and management of the financial variables to which the Group is exposed, as a consequence of its typical operations and related financial activities. On this point, he added that the classification in the financial statements of some derivatives as non hedging instrument is purely for accounting purposes, since some operations did not possess the characteristics and requisites that would allow them to be classified in hedge accounting for IAS purposes. He stressed, however, that the scope of these operations was purely to hedge financial risks from operations linked to Group activities.

The competent Ministry is still defining the procedures for the implementation of the single number 112, and currently no accurate forecasts can be given. The rating agencies, he then observed, have confirmed that the Sparkle affair is not significant from their point of view; and there is no particular link, as far as we know, between this matter and the Security affair.

The failure of directors to resign after the Sparkle affair is justified because this matter did not involve them. The reply to Consob requests, he added, did not have any signature because it would form an integral part of the minutes.

Finally, he recalled that the exchanges used in 2005 had Italtel 1240 technology, this later evolved into Italtel soft-switch technology; the traffic data was managed by the MSM system, with Italtel technology. The traffic analysis was and still is organised on platforms created in-house and developed with several top external suppliers, collecting the traffic data files generated by the exchanges, and processing them to produce traffic statistics.

The Chairman of the Board of Auditors recalled that the Board of Auditors had received two complaints pursuant to Art. 2408 of the Civil Code, as shown in detail in the report. The Board of Auditors, he added, met 28 times in 2009, in some cases jointly with the Committee for internal control and corporate governance. It also attended all the meetings of the Board of Directors and of the Executive Committee. This shows that, despite the other commitments of its individual members, the activity was carried out with scrupulous care.

With regard to the Board of Auditors’ assessments of the adequacy of organisational model 231, he recalled the comments made in the report. He stressed that in any case the Board could not agree with the assumption that the commission of an illegal act constitutes, in itself, proof of the inefficacy or lack of suitability of the internal control system. Professor Ferro-Luzzi’s opinion regards Telecom Italia Sparkle and has nothing to do with the Security affair.
The Chairman of the Board of Auditors stressed that the Board would carefully follow developments in the Security and Sparkle court cases, and in general any new aspect that might emerge, so as to be able to promptly review or update, if necessary, their evaluation of the responsibilities of previous directors or other parties, and would evaluate any other matters to verify the continuing adequacy of the internal control system.

Professor Luigi Zingales, director, then took the floor, and first of all stressed that the financial statements for 2009 show the bonus accrued by Mr. Bernabè for 2008. The bonus for the year 2009, which would appear in the next financial statements, would be 30% lower than the amount in the 2008 financial statements.

With regard to the incentive plans, he stressed that for management plans the beneficiaries did not include either Mr. Bernabè or Mr. Galateri, beneficiaries of a plan approved in 2008 with the option price of 1.65 euros. The plan proposed today for approval is based on the achieving of shareholder profitability targets spread over three years and especially challenging. Finally, the plan for employees is aimed at ensuring a motivating effect necessary to make the Company grow. Its characteristics are detailed in the documentation, and he was sorry if they were not sufficiently clear. With specific reference to the price of the management plans for management, he pointed out that in any case this would be determined on the basis of the value of the shares at the time of the offer.

As to the appropriateness of resigning on the emergence of the well know recent issues, he stressed that the sole fact that these matters took place does not constitute a failure of the Board. In any case, the events emerging refer to the years between 2005 and 2007, before most of the current directors were on the Board. However, the fact of not intervening early enough with respect to the judiciary is potentially attributable to the current directors. The judiciary actually have all the investigating tools that the Board lacks; he expressed his personal commitment to investigating the events, not just to seek any faults, but also to ensure that events of this type no longer happen. He would speak about this in the next shareholders’ meeting, and would be ready to offer his resignation if faults on his part should emerge.

The Chairman recalled that the strike price of the options from which senior management benefits is 1.95 euros.

Lombardi replied by recalling first of all that he and his family were shareholders, with 600,000 shares, but that he was also and above all Chairman of the Asati Association, representing 37 million shares by proxy.
He then noted the absence of Findim, which had deposited 5% of the capital; he considered this to be very negative, a sign of lack of confidence. Today, he observed, only 34% of the share capital was present, compared to 40% in previous years.

By way of introduction, he recalled that the proposal for the distribution of shares to employees had been proposed by Asati since 2008. He thanked Mr. Bernabè for having accepted his suggestion regarding the donation of part of his bonus to operations in favour of the personnel, observing that in any case the total remuneration appeared to be excessive, in this period, notwithstanding the comments of Luigi Zingales. He then thanked the Consob for the intervention requested, highlighting that the authority always intervened promptly in relation to the reports forwarded by Asati, recalling, in the specific case, that the issues raised later by the Consob had been contained in an Asati report dated 15 April 2010.

Addressing the Board of Auditors, he said that he saw continuity with the previous Board chaired by Professor Golia. He thought there was a lack of initiatives, with the Company merely following the judiciary, while possessing information and documents to start a liability action.

His role as Chairman of the Asati Association, he continued, required him to act with every means and effort to protect the interests of the other members, and therefore he had to make some complaints on matters that left him very perplexed about the future and very doubtful about the vote to approve the financial statements. On the one hand, he stressed that the financial statements as submitted for approval did not seem convincing, since they lacked the legal requisites (they must be clear, truthful and correct according to the provisions of Art. 2423 of the Civil Code and all three requisites must be present at the same time). He recalled, by way of example, the liabilities items which in his view are not sufficiently justified in the notes to the financial statements, in against the requirements of the law. On the other hand, the work of the Board of Directors and the Board of Auditors did not seem convincing, since:

- despite the results of judiciary investigations (in the criminal proceedings against Tavaroli and others) the liability of the previous management had not been clarified;
- despite the admissions of the Pirelli attorneys regarding the actual existence of illegal activities;
- despite the unanimous request by the persons present as well as those absent, regarding the need to make the persons responsible “pay the bill”;
despite all this, he stated, they continue to prefer to ignore the problem, sustaining that despite all of the above, there are not, in their view, sufficient elements for a liability action, thus postponing the issue from year to year, clearly showing their intention to not “disturb” certain persons, relying on the expiry of the 5-year term, and then perhaps to express regret and confirm that they had worked rapidly. And so, in the light of the above, he invited all those present to express a formal vote against the financial statements, in the hope that this could be the turning point so often sought but never achieved, and also in the hope of a better future and the certainty that one or other of the previous management regimes would “pay the bill”, something so often called for but never achieved. Finally, he stressed that the useful instigation of judiciary proceedings may lead to the recovery of enormous sums of money, estimated at over 1 billion, which could above all allow the re-engagement of all the personnel who are now protesting against imminent or future dismissal, who only find themselves protesting now against their imminent or future dismissal due to the imprudent, incorrect and illegal operational choices made by disloyal managers. He formally submitted the attached document to the Chairman’s desk.

**Fogliati** complained that he had never received replies to the inquiries made, for example with regard to the investments made in the network, which he estimated at 70 billion euro. He again asked to know where the money had gone, stating that the network should not be touched by anyone.

He then recalled that if it is true that consumer benefits have been ensured, it is also true that the consumer is both a shareholder and a citizen. He hoped for the development of an improved climate for identifying any liabilities, but said he did not intend to vote against the financial statements. He believed that the employee shareholders should play an increasingly active role, and that therefore Asati was entitled to receive full recognition. He also regretted that he never heard any the representatives of major shareholders, such as Findim, Banca d’Italia [Bank of Italy] or Telco speaking at shareholders’ meetings. Finally, he invited Mr. Bernabè to genuinely consider the proposals he had formulated.

**Cattaneo** said he was not satisfied with the replies received, stating that when property is purchased one does not negotiate a “block” price, since the price of every single property must be detailed. He repeated his request to know the rent for Piazza Affari, the Malpaga exchange, the main headquarters building in Rome, Corso Italia, and the Rome offices in Corso Vittoria.
He said he did not understand why the acquisition of TIM is said to have involved an enormous cash expenditure, considering that it already belonged to Telecom Italia. Nor did he understand what concrete synergies could be established with Telefónica. Finally, he hoped that at some point a decision would be made on the liability action.

D’Atri, after receiving the apologies of the Company from the Chairman for the matter of electronic bugging that also involved him personally, thanked Professor Zingales for his remarks, stressing that he had adopted an approach very different to that of the Chairman of the Board of Auditors.

The impression, he continued, was that the directors and auditors could not, from the inside, adequately perceive the seriousness of what had happened. Considerations regarding resignation, he said, cannot be avoided, and a more serious and objective analysis is needed on the efficiency of model 231. Events had occurred in the company, he said, that he considered to be especially serious, and they therefore required an especially in-depth analysis. Finally, he asked Banca d’Italia, in the person of its Governor, Mr. Draghi, to take an official stance on the Sparkle affair in their capacity as shareholder with over 1% of the capital.

Silla asked whether or not the company intended to call a shareholders’ meeting to approve any liability actions against the previous management.

De Septis, referring to the issue discussed in his speech, pointed out that he had information on a purchase order dated 24 February 2006 for 6,092 pieces for a total of 761,000 euros: so twelve months after the contract had been terminated, purchases had continued.

He asked for more specific information to clarify whether the contract was signed by the technical manager or the sales manager, and handed over further documentation on the HI-Tel patents.

Modafferi displayed the letter delivered that day to TI Operation employees transferred to SSC, stating that this was a transfer to a very small limited company. Referring to the assignment of targets, he clarified that he had referred to the 2008 targets, requested in May 2009, and the shareholder pointed out that this circumstance constituted a flaw in the procedure.
As for the “cube”, he stressed that - from the impression given in December’s presentation - it did not appear to be a simple trial. He said that in any case there was a dispute under way with the old supplier.

And as for the questions about the property, he clarified that this was property used for telephone exchanges, including the Malpaga exchange. He asked whether the person in charge of the network had approved the proposal, at the time, and what the Company intended to do if Pirelli in turn sold this property, and the new owner decided to terminate the Telecom Italia lease.

He concluded by calling on the company to continue the policy of clarity and transparency. **Mancuso** repeated his questions about Telecom Italia Media, and asked for information on the issue of bonds for small savers, which had been announced and then withdrawn. He too called attention to the valuations of the properties and the possibility of starting a liability action.

Further, he expressed his appreciation of the remarks made by Professor Zingales, recalling that there is obligation to exercise vigilance in the criminal code, and this circumstance made the issue of prescription less pressing.

Finally, he insisted that more directors should be present.

**Mr. Bernabè** stated that the rent paid for Piazza Affari was 3.1 million euro, for Rome Corso Italia 5 million euro, for the Malpaga Centre 0.7 million euro, and for Rome Corso Vittorio 1.2 million euro.

As for some of the remarks made in the shareholders’ speeches, asking whether the previous financial statements should be considered technically false, he pointed out that, in the light of the information acquired after the order of the Rome investigating judge and the internal analyses carried out with the support of external consultants, the “errors”, as defined in IAS 8, illustrated in note 3 to the consolidated financial statements, had only been identified in this phase.

Finally, he stated that the telephone exchanges had been sold with the favourable technical opinion of the technical manager at that time.

The Chairman of the Board of Auditors stressed that the Board was working with the greatest care. All the required investigations and in-depth information gathering had been done and would be done. At the current stage, from a legal perspective, no element that would support a liability action had yet emerged. This did not mean that anyone wanted to “close their eyes”, and in any case there would be no reason to do so. If the Board should maintain its current approach, this would only be because it believes that there is no
reason to act different. He reiterated that the Board was working constantly and in a wholly scrupulous way.

After the discussion of the financial statements, Lombardi asked if the meeting could discuss the topic of the eventual liability action before voting on the financial statements, holding that to do so afterwards, perhaps due to fear that the discussion might shift votes on the financial statements, would not be legal, and could thus invalidate the shareholders’ meeting.

The Chairman invited the meeting to consider the shareholder’s remarks.

Lombardi addressed the shareholders present, asking them to reflect on some aspects which, on the one hand, affect the contents of the financial statements submitted for approval, and on the other hand should induce them to formally request a liability action against the Board of Directors and the Board of Auditors (or certain members of these bodies), or other actions for damages against other control bodies which, over the past few years, instead of working for the good of the company, had only looked after their own interests and/or acted in ways that had negative repercussions on the assets of Telecom Italia, and many others were certainly still to emerge.

In this regard he called the attention of the meeting to some aspects.

Firstly, the “Top” and “Security” affairs: page 230 of the report on operations accompanying the financial statements at 31 December 2009 stated that “provision for taxation and fiscal risks” is 2 million euros higher than at 31 December 2008; in particular, the utilisation by parent company Telecom Italia… connected primarily with the settlement with the Revenues Agency by assessment of the disputes for tax period 2004 relating to the deductibility for direct tax purposes and the offsetting of VAT on some “Top” and “Security” costs… should be noted”.

Secondly, the “Sparkle” affair: page 231 of the report on operations accompanying the financial statements at 31 December 2009 stated that “other provisions for risks and charges have increased. This item includes the allocations made in relation to the Telecom Italia Sparkle affair… and is earmarked to cover the risks and charges of a fiscal and legal nature”.

Thirdly, the espionage business involving employees and ex-employees: page 5 of the report of the Board of Auditors states: “the Company has undertaken an initiative to support its employees and ex-employees who, in the context of the criminal proceedings currently before the Milan Court….. were the object of the illegal collection of personal information…. and has offered a financial contribution as a tangible gesture of solidarity”.

75
Fourthly, he stated that, to limit the economic damage now emerging from the enquiries being pursued by the Milan Court, while at the same time obtaining a reduction in the administrative fines for the alleged violations of Legislative Decree 231/01, Telecom Italia has petitioned the Milan public prosecutor for adhesion to a settlement involving advance compensation for damages of 2 million euros payable to the civil parties who brought the proceedings.

Moving from words to figures, he stated that the day’s meeting was called on to approve financial statements that, based on the issues raised above, are burdened by:

1) charges of 20 million euros related to the Top & Security cost centres, due to the tax assessment of the 2004 accounts (the 2008 financial statements report charges of 18 million euro for 2003) and other charges will follow for 2005 and subsequent years;

2) provision of 507 million euros for the Telecom Italia Sparkle affair;

3) a solidarity fund for the spied-on employees and ex-employees totalling 1.85 million euros;

4) a potential administrative fine connected to the settlement procedure, in addition to the sums already offered to compensate the public bodies, for a total of over 5 million euros.

So in this respect, he stated, we should ask ourselves how come Telecom Italia found itself in such a dispute with the Revenue Agency, and having to pay all these charges, and asked Mr. Bignami if we need to wait for the judiciary to clarify these matters. He said that we should ask ourselves what facts had generated all this expenditure, who the persons involved were, why and by whom they had been induced over recent years to approve financial statements full of irregularities, whether the supervisory body had received reports of irregularities in the period 2003-2006, and what role the internal control committee, the Board of Auditors and the senior management played in all of this.

He went on to state that there is only one answer to all these questions: that the illegal actions could have been identified and stopped, from 2003 onwards, at least.

On closer consideration, he went on, the miscellaneous legal costs that Telecom Italia is forced to incur because of the conduct of people (directors, senior management, members of the Board of Auditors, supervisory bodies) who did not direct well, and/or did not exercise the necessary control, also permitting the commission of criminally relevant acts now being investigated by the judicial authorities under the new criminal proceedings underway, must be added to these costs.
He also recalled the observations contained in the statement he had submitted to the chairman’s table on Latam, pointing out that the investigating judge, Dr. Gennari, in his order of 18 January 2007, had found that “behind the implementation of many initiatives commissioned by Tavaroli and Cipriani, one can apparently glimpse rationales that tend to benefit not the company as such, but the person who owned it at a particular moment in time”. On this point, he asked if the Chairman of the Board of Auditors had read this document and if he had anything to say about it. Continuing, he reminded the meeting that the same investigating judge had commented that “there are many operations documented that were paid with the sums indicated in accusation 9, the content of which was shown to the investigators (and in part to myself during these preliminary hearings) by the accused Cipriani himself, and which so far have not been shown to be false in these proceedings. Just to quote some significant examples there are, among other things, operations which, if not shown to be false, appear to have involved investigations into people close to the then Chairman of Telecom and his family, as well as subjects (real and legal persons) apparently connected to the personal and financial interests of said former Chairman, but in any case objectively unrelated to the interests of Telecom ..., the operations grouped under the name “Executive” that Cipriani himself classified as having purposes very far from the possible interests of Telecom. In the same way, he was obliged to point out that the documents indicate that there were many other professional services, always authorised by Security, that appeared to have little or nothing to do with the business of a telecommunications company.

In this clear context, he stressed, it was quite extraordinary that, in its report on the financial statements for 2009, the Board of Auditors assumed that, so far as the Security affair was concerned “there are currently none of the necessary elements on which a liability action against previous directors could be based” (page 24 of the report). This is because “the state of the legal proceedings, the documentation examined, the complexity of the analysis of any violations of directors’ duties” allegedly did not permit the identification of concrete elements relevant in this sense.

In the same report, he then recalled, page 18 states that “the Board of Auditors had also asked the management to appoint the external auditing firm to carry out an agreed audit to determine, for the time period 2002-2007, the correct and accurate application of the procedures for posting the invoices for purchases made by the Security Department”.

So, with specific reference to this matter, considering how it emerged from the ongoing criminal proceedings, the results of this audit would have been very different if the Board
of Auditors had specified the time period 2001-2007 rather than the period 2002-2007, since, as alleged by Asati in 2008, 2001 was the year in which the facts occurred that were most relevant in terms of the organisation and operation of the company, facts that also triggered the still ongoing criminal investigations by the Milan Court. As reported in the press, the legal representative of civil party Pirelli actually confirmed, in the preliminary hearing on 19 April, that in August 2001 the staged discovery of a fake bugging device led to a forced change in the organisation of the Company, by the expulsion of two important Telecom Italia managers. The fake “sweep” was carried out in coordination with Pirelli, which had not yet received the go-ahead of the EU Competition Authority for the acquisition of Telecom Italia. This, he stressed, was just one example, although in his view it is a good explanation of how the company stood by and watched these situations develop.

So premising that the case of Nola and Gallina, the two managers unjustly accused in 2001 and now acquitted, is a case that in his view is a sufficient element for a liability action, he contested the statements of Mr. Bernabè about the Nola proceedings, because these proceedings ended with the acquittal of Mr. Nola, although the persons responsible were not identified. So the “accessory” proceedings are the only ones pending, and the only purpose of these is to identify these previously unknown subjects.

In the light of all this, he believed that there were sufficient elements for an in-depth investigation.

At the request of the Chairman, Lombardi finally stated that he did not intend to propose a liability action in this meeting, but wanted to invite the Board of Directors to make a decision on this matter.

He formally submitted the attached document to the Chairman’s desk.

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As no-one else asked to speak, the Chairman:
- declared the discussion closed;
- restated that voting would take place separately on the various matters already discussed;
- opened the postal voting slips and delivered them to the staff who had the task of counting the votes which had been cast in this way;
- moved on to the vote on the proposal to approve the financial statements for the 2009 financial year and to allocate the 2009 profit by distributing a dividend in the amount of
0.05 Euro per ordinary share and 0.061 per savings share, gross of the withholdings required by law;
- asked shareholders who did not intend to take part in this vote to notify the auxiliary staff in the hall of the fact, so that the corresponding shares would not be taken into account in the voting process for the purposes of calculating the quorum;
- reminded participants of the procedure for casting their vote;
- announced that, at 5:18 pm, the number of shares represented for the purposes of the resolution was 4,667,921,082, entitling the holders to a similar number of votes, equivalent to 34.88% of the total number of ordinary shares;
- he then put to the vote by the use of the televoter (at 5:18 pm), the resolution proposed by the Board of Directors, which is transcribed below:

The Shareholders’ Meeting of Telecom Italia S.p.A.,

- having examined the annual financial report for 2009;
- having taken note of the reports of the Board of Auditors and of the external auditing firm Reconta Ernst & Young S.p.A.;
- considering that the total number of shares with dividend entitlement at the proposed ex dividend date will be not more than 13,382,119,496 ordinary shares and 6,026,120,661 savings shares;

resolves

1. to approve the financial statements of Telecom Italia S.p.A. for the year ended 31 December 2009, which show a net profit of 1,398,580,254.64 Euros for the year;
2. as regards the net profit for the year,
   a. to allocate to the legal reserve a maximum of 145,642.53 Euros and in any case not more than the amount necessary for the legal reserve to reach the amount of one fifth of the Company’s certified and actual share capital at the time this resolution is adopted;
   b. to pay the Shareholders a total dividend calculated on the basis of the following amounts per share, which will be applied to the number of ordinary and savings shares that they own (thus excluding treasury shares held in the Company’s portfolio) on the ex dividend day:
      - 0.050 Euro for each ordinary share,
      - 0.061 Euro for each savings share,
gross of the withholdings required by law. It is to be understood that net income not
distributed as dividends will be allocated to retained earnings;
c. to carry forward the remaining net income;

3. to authorize the Board of Directors - and on its behalf its Chairman - to determine in
due course, on the basis of the exact final number of shares for which dividends are paid, the
amount of net income distributed to shareholders and the amount carried forward;

4. to pay the dividend starting from 27 May 2010, with an ex dividend date of 24 May
2010.

The Meeting approved the motion by a majority:
- In favour: 4,560,058,683 shares.
- Abstaining/Not Voting: 15,712,081 shares.
- Against: 92,150,318 shares.

Full details are given in the Appendices.
The Chairman gave notice that, with the passing of the resolution proposed by the Board
of Directors, the following had been approved by a majority:
- the financial statements of Telecom Italia S.p.A. for the year ended 31 December
2009;
- the allocation of the net profit for the year by distribution of a dividend in the amount
of 0.05 Euro for each ordinary share and 0.061 Euro for each savings share, gross of
the withholdings required by law.

The Chairman then:
- moved on to the vote on the proposal to appoint Mauro Sentinelli a Director of the
Company, with a term of office expiring at the same time as the Directors in office and
therefore upon the approval of the financial statements for the year ending 31 December
2010;
- asked shareholders who did not intend to take part in this vote to notify the auxiliary staff
in the hall of the fact, so that the corresponding shares would not be taken into account in
the voting process for the purposes of calculating the quorum;
- reminded participants of the procedure for casting their vote;
- announced that, at 5:22 pm, the number of shares represented for the purposes of the resolution was 4,667,874,481, entitling the holders to a similar number of votes, equivalent to 34.88% of the total number of ordinary shares;
- he then put to the vote by the use of the televoter (at 5:22 pm), the resolution proposed by the Board of Directors, which is transcribed below:

The Shareholders’ Meeting of Telecom Italia S.p.A.,

- in view of the resignation of Stefano Cao from the office of Member of the Board of Directors;
- taking into account that the mandate of the existing Board of Directors will expire upon the approval of the financial statements for the year ending 31 December 2010 (in accordance with the resolution of the Shareholders’ Meeting of 14 April 2008),

resolves

to appoint Mauro Sentinelli a Director of the Company, with a term of office expiring at the same time as the Directors in office and therefore upon the approval of the financial statements for the year ending 31 December 2010.

The Meeting approved the motion by a majority:
- In favour: 3,747,067,019 shares.
- Abstaining/Not Voting: 20,145,205 shares.
- Against: 900,662,257 shares.

Full details are given in the Appendices.

The Chairman gave notice that the proposal to appoint Mauro Sentinelli a Director of the Company, with a mandate expiring upon the approval of the financial statements for the year ending 31 December 2010, had been approved by a majority.

The Chairman then:
- moved on to the vote on the proposal drawn up by the Board of Auditors with regard to the appointment as external auditors, for each of the nine years 2010-2018, of the auditing firm PricewaterhouseCoopers S.p.A.. As indicated at the beginning of the section dealing with the matters for discussion in the ordinary meeting, it must be understood that the rules resulting from Legislative Decree no. 39/2010 and the corresponding regulations enacted to implement it will apply to the office of Auditor;
- asked shareholders who did not intend to take part in this vote to notify the auxiliary staff in the hall of the fact, so that the corresponding shares would not be taken into account in the voting process for the purposes of calculating the quorum.

At this point, at the Chairman’s invitation, the Chairman of the Board of Auditors explained the essential elements of the proposal, which had been distributed to everyone present.

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At the end of the explanation, shareholder D’Atri asked to be able to take the floor to discuss the proposal by the Board of Auditors. After the Chairman had reminded him that a combined discussion had taken place on all the items on the Agenda, the shareholder made a complaint under Article 2408 of the Italian Civil Code, on the grounds that he had not been able to comment on the explanation given by the Chairman of the Board of Auditors.

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Next, the Chairman:
- reminded participants of the procedure for casting their vote;
- announced that, at 5:31 pm, the number of shares represented for the purposes of the resolution was 4,667,302,881, entitling the holders to a similar number of votes, equivalent to 34.88% of the total number of ordinary shares;
- then put to the vote by means of the televoter (at 5:31 pm) the proposal drawn up by the Board of Auditors with regard to the appointment as external auditors, for each of the nine years 2010-2018, of the auditing firm PricewaterhouseCoopers S.p.A.. As indicated at the beginning of the section dealing with the matters for discussion in the ordinary meeting, it must be understood that the rules resulting from Legislative Decree no. 39/2010 and the corresponding regulations enacted to implement it will apply to the office of Statutory Auditor.

The Meeting approved the motion by a majority:
- In favour: 4,606,678,474 shares.
- Abstaining/Not Voting: 11,056,239 shares.
- Against: 49,568,168 shares.

Full details are given in the Appendices.

The Chairman gave notice that the proposal drawn up by the Board of Auditors to appoint, for each of the nine years 2010-2018, to the post of accounting auditor
- for the individual financial statements for the year;
- for the consolidated financial statements;
- for the Annual Report prepared in accordance with United States regulations, and
- for the six-monthly financial report
the auditing firm PricewaterhouseCoopers, on the terms stated in the proposal by the Board of Auditors, had been approved by a majority.

It must be understood that the office of Statutory Auditor thus conferred will be subject to the rules resulting from Legislative Decree no. 39/2010 and the corresponding regulations enacted to implement it.

The Chairman then:
- moved on to the vote on the proposal by the Board of Directors to approve the “2010-2014 Shareholding Plan for Employees”;
- asked shareholders who did not intend to take part in this vote to notify the auxiliary staff in the hall of the fact, so that the corresponding shares would not be taken into account in the voting process for the purposes of calculating the quorum;
- reminded participants of the procedure for casting their vote;
- announced that, at 5:34 pm, the number of shares represented for the purposes of the resolution was 4,667,298,551, entitling the holders to a similar number of votes, equivalent to 34.88% of the total number of ordinary shares;
- he then put to the vote by the use of the televoter (at 5:34 pm), the resolution proposed by the Board of Directors, which is transcribed below:

The Shareholders’ Meeting of Telecom Italia S.p.A.,

- having examined the explanatory report by the Board of Directors (the “Report”);
- taking note of the information document published in accordance with the applicable rules,

resolves

1. to approve the “2010-2014 Shareholding Plan for Employees” on the broad terms set out in the report, as well as the information document published in accordance with the applicable rules (the “2010-2014 Plan”);

2. to confer on the Board of Directors all powers necessary or opportune for implementing the 2010-2014 Plan, applying to it any amendment or addition which may
prove necessary for achieving the purposes of the resolution and for the purpose of complying with all applicable legislative provisions; in particular, and purely by way of example, the Board of Directors shall have the power, using the most opportune means:

(i) to identify the beneficiaries and define limits and modalities for the subscription offer;
(ii) to specify conditions of access to the gratuitous assignment of shares; (iii) to establish any other terms and conditions for the execution of the 2010-2014 Plan; (iv) to prepare and approve the regulations of the initiative, and also to amend it and/or add to it; (v) to make any amendment to the terms and conditions of the 2010-2014 Plan in the case of alterations to the applicable law or of extraordinary events likely to affect the said Plan.

The Meeting approved the motion by a majority:
- In favour: 3,748,699,716 shares.
- Abstaining/Not Voting: 20,992,545 shares.
- Against: 897,606,290 shares.

Full details are given in the Appendices.

The Chairman gave notice that the proposal was approved by a majority.

The Chairman then:
- moved on to the vote on the proposal by the Board of Directors to approve the “2010-2015 Long Term Incentive Plan”, reserved for a selected group of executives;
- asked shareholders who did not intend to take part in this vote to notify the auxiliary staff in the hall of the fact, so that the corresponding shares would not be taken into account in the voting process for the purposes of calculating the quorum;
- reminded participants of the procedure for casting their vote;
- announced that, at 5:38 pm, the number of shares represented for the purposes of the resolution was 4,667,298,551, entitling the holders to a similar number of votes, equivalent to 34.88% of the total number of ordinary shares;
- he then put to the vote by the use of the televoter (at 5:38 pm), the resolution proposed by the Board of Directors, which is transcribed below:

The Shareholders’ Meeting of Telecom Italia S.p.A.,

• having examined the explanatory report by the Board of Directors (the “Report”);
• taking note of the information document published in accordance with the applicable rules,
resolves

1. to approve the "2010-2015 Long Term Incentive Plan" on the broad terms set out in the report, as well as the information document published in accordance with the applicable rules (the "2010-2015 LTI Plan");

2. to confer on the Board of Directors all powers necessary or opportune for implementing the 2010-2015 LTI Plan, applying to it any amendment or addition which may prove necessary for achieving the purposes of the resolution and for the purpose of complying with all applicable legislative provisions; in particular, and purely by way of example, the Board of Directors shall have the power, using the most opportune means: (i) to identify the beneficiaries and define limits and modalities for the long-term incentive initiative; (ii) to specify conditions of access to the gratuitous assignment of shares; (iii) to establish any other terms and conditions for the execution of the 2010-2015 LTI Plan; (iv) to prepare and approve the regulations of the initiative, and also to amend it and/or add to it; (v) to make any amendment to the terms and conditions of the 2010-2015 LTI Plan in the case of alterations to the applicable law or of extraordinary events likely to affect the said Plan.

The Meeting approved the motion by a majority:
- In favour: 3,250,301,483 shares.
- Against: 1,217,732,823 shares.
Full details are given in the Appendices.

The Chairman gave notice that the proposal was approved by a majority, and since all the items on the ordinary part of the Agenda had been dealt with, he moved on to dealing with the extraordinary part of the Agenda, which is the subject of separate minutes, at 5:42 pm.