



**TELECOM ITALIA S.P.A.**  
**SHAREHOLDERS' MEETING**  
**12-13 April 2006**

**AGENDA**

1. Financial statements for the year ended 31 December 2005 - related and consequent resolutions
2. Appointment of the Board of Auditors
  - ✓ determination of the number of members
  - ✓ appointment of members and alternates
  - ✓ appointment of the Chairman
  - ✓ determination of the members' compensation
3. Decisions consequent on the resignations of two directors
4. Authorization to purchase and dispose of treasury shares
5. Change to the audit engagement - for the last fiscal year of the period 2004-06

**This is a translation of Italian documents for foreign readers' convenience only.  
In case of contrast, the Italian text will prevail.**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005**

### **RELATED AND CONSEQUENT RESOLUTIONS**

Dear shareholders,

The draft financial statements submitted for approval by the shareholders' meeting show net income for the year of €3,884,820,803.95.

This result, which is cause for satisfaction as regards the effectiveness of the work performed and the initiatives undertaken in 2005, makes it possible to propose the payment of a dividend of €0.1400 for each ordinary share and of €0.1510 for each savings share, with a significant increase on the previous year.

The total dividend amount will depend on the number of shares with dividend entitlement outstanding on the dividend payment day, excluding treasury shares (1,272,014 ordinary shares) and taking into account shares that are subscribed for in connection with the capital increases provided for in Article 5 of the Company's bylaws and actually issued by that date.

Dividends will be paid as of 27 April 2006, while 24 April 2006 has been set as the ex dividend date.

In addition to allocations to the legal reserve and the reserve set up under point 8-*bis* of Article 2426 of the Italian Civil Code, the proposed allocation of the net income for the year includes the setting aside in a special reserve of €100,333,000.00 in connection with the investment plans presented by Tim S.p.A. (subsequently substituted by Tim Italia S.p.A., which was finally merged into Telecom Italia S.p.A. with effect from 1 March 2006) when applying for financial support under Law 488/1992. In this respect it should be noted that the contribution of equity serves to maintain the support provided by the Ministry for Productive Activities.

In light of the foregoing the Board of Directors invites you to approve the following

### **Resolution**

The shareholders' meeting of Telecom Italia S.p.A.,

- having examined the Company's financial statements for the year ended 31 December 2005;
- having examined the Report on Operations;
- having taken note of the reports of the Board of Auditors and the independent auditor, Reconta Ernst & Young S.p.A.;
- considering that the shares with dividend entitlement at the proposed ex dividend date will number not more than 13,909,731,865 ordinary shares and 6,026,120,661 savings shares;
- having taken note of the intervening merger into Telecom Italia S.p.A. of the wholly-owned subsidiary Tim Italia S.p.A. and taking into account the applications for financial support submitted by Tim S.p.A., to which Tim Italia S.p.A. afterwards succeeded, under Law 488/1992, which require the contribution of €100,333,000.00 of own funds in relation to investment projects totaling €125,300,000.00;

### **resolves**

1. to approve the Report on Operations prepared by the Board of Directors and the balance sheet, the statement of income and the notes to the financial statements of Telecom Italia S.p.A. for the year ended 31 December 2005, which show net income for the year of €3,884,820,803.95;
2. with regard to the net income for the year,
  - a. to allocate to the legal reserve a maximum of €194,241,040.20 and in any case not more than the amount necessary for such reserve to be equal to one fifth of the Company's share capital at the time this resolution is adopted;
  - b. to allocate €37,894,271.56 to the reserve set up under point 8-*bis* of Article 2426 of the Civil Code, corresponding to the net foreign exchange gain not realized during the year;
  - c. to allocate up to a maximum of €2,857,306,680.92 to the distribution of dividends to shareholders, calculated on the basis of the following amounts per

share, which will be applied to the ordinary and savings shares that they own (thus excluding treasury shares) on the ex dividend day:

✓ €0.1400 for each ordinary share,

✓ €0.1510 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;

d. to allocate €100,333,000.00 to the reserve under Law 488/1992 for the whole duration of the programmes receiving financial support, of which:

✓ €15,389,000.00 for project no. 81378-12 (Puglia region),

✓ €8,530,000.00 for project no. 81380-12 (Sardinia region),

✓ €39,372,000.00 for project no. 81379-12 (Sicily region),

✓ €37,042,000.00 for project no. 81377-12 (Campania region);

e. to carry forward the remaining amount (equal to €695,045,811.27);

3. to authorize the Board of Directors – and on its behalf its Chairman and each Managing Director – to determine in due course, on the basis of the actual number of shares for which dividends are paid, the amount of net income distributed to shareholders and the amount carried forward as retained earnings.

4. to pay the above dividends starting on 27 April 2006, ex dividend on 24 April 2006.

## **APPOINTMENT OF THE BOARD OF AUDITORS**

- ✓ **DETERMINATION OF THE NUMBER OF MEMBERS**
- ✓ **APPOINTMENT OF MEMBERS AND ALTERNATES**
- ✓ **APPOINTMENT OF THE CHAIRMAN**
- ✓ **DETERMINATION OF THE MEMBERS' COMPENSATION**

Dear shareholders,

You are called upon to appoint a new Board of Auditors in place of that appointed by the shareholders' meeting of the then Olivetti S.p.A. on 26 May 2003 for the three years 2003/2005, whose mandate expires with today's meeting.

Under applicable law and the Company's bylaws, the shareholders' meeting must therefore:

- determine the number of members of the Board of Auditors (five or seven);
- appoint the members and alternates;
- appoint the Chairman;
- determine the members' compensation.

The Board of Directors invites shareholders to follow the procedure laid down in Article 17 of the Company's bylaws in appointing the new Board of Auditors.

In this respect it should be noted that, as amended by Law 262/2005, Article 148 of Legislative Decree 58/1998 provides for the Chairman of the Board of Auditors to be appointed by the shareholders' meeting from among the members elected by the minority shareholders, i.e. from among those elected from the minority slates. Accordingly, the bylaw providing for the Chairman to be elected by the members of the Board of Auditors will be disapplied.

Lastly, it should be remembered that the last paragraph of Article 2400 of the Italian Civil Code requires the meeting to be informed, at the time the members of the Board of Auditors are elected and before they accept the appointment, of the executive and control positions they hold in other companies. Accordingly, candidates are requested to submit a declaration containing this information together with their CVs, which the

bylaws require them to send before the meeting, and to ensure it is updated to the date of the meeting.

In light of the foregoing the Board of Directors, taking into consideration the provisions of applicable law and the Company's bylaws concerning the composition and term of office of the Board of Auditors and the procedure for the election of the Board of Auditors and its Chairman,

**invites the shareholders' meeting**

- to determine the number of members of the Board of Auditors for the years 2006, 2007 and 2008;
- to vote for the slates of candidate members and alternates presented and made public in the manner and within the time limits laid down in Article 17 of the Company's bylaws;
- to appoint the Chairman of the Board of Auditors from among the members elected from the minority slates;
- to determine the compensation of the members of the Board of Auditors.

## **DECISIONS CONSEQUENT ON THE RESIGNATIONS OF TWO DIRECTORS**

Dear shareholders,

Marco De Benedetti gave up his operational responsibilities within the Group and resigned as a director of Telecom Italia with effect from 5 October 2005. Subsequently, in January 2006, Giovanni Consorte also resigned as a director of the Company.

The Board of Directors has not co-opted any directors to replace those who have resigned and left it to the meeting to take the necessary decisions. We therefore invite you to put forward suitable proposals.

It should be noted in this respect that the slate system is not applicable to decisions to restore the Board of Directors to its full complement since the bylaws provide for it to be used only when the entire Board of Directors has to be elected. According to applicable law (Article 147-*ter* of Legislative Decree 58/1998, recently added by Law 262/2005), directors must be elected by secret ballot.

In light of the foregoing the Board of Directors

**invites**

the meeting to take the decisions consequent on the resignations of two directors.

## **AUTHORIZATION TO PURCHASE AND DISPOSE OF TREASURY SHARES**

Dear shareholders

We invite you to approve the request for authorization to purchase and dispose of treasury shares after assessing the reasons, procedures and time limits set out below.

### **1. Reasons for the request for authorization**

The main objectives that the Board of Directors intends to pursue by means of the transactions whose authorization is proposed are as follows:

- to intervene, in compliance with the applicable rules and regulations, directly or via intermediaries, to curb anomalous price movements and restore orderly trading conditions in the event of distortions linked to excessive volatility or a lack of liquidity;
- to offer shareholders an additional means of turning their investments into cash;
- to use treasury shares for stock-based incentive plans reserved to directors and/or employees and/or collaborators of the Company or its subsidiaries;
- to use treasury shares as a form of investment allowing an efficient use of the liquidity generated by ordinary operations.

It should be noted that the request for authorization to buy back shares is not currently part of a plan to reduce the Company's share capital by canceling the shares purchased.

As regards the disposal of treasury shares, the Board considers this to be desirable not only in the context of the possible stock-based incentive plans referred to above but also to take advantage of opportunities to maximize value that market conditions may create - and thus also in a trading perspective - or in connection with transactions of strategic importance for the Company.

### **2. Maximum number, class and par value of the shares to which the authorization refers**

At the date of writing the share capital of Telecom Italia S.p.A. is represented by



19,406,691,185 shares, of which 13,380,570,524 are ordinary shares and 6,026,120,661 are savings shares; all the shares have a par value of €0.55.

We propose that you should authorize the purchase of ordinary and/or savings shares, in proportions to be established without restriction by the Board, up to the maximum permitted by law, that is up to 10% of the share capital, with account taken of the treasury shares held directly and of the Company's shares held by subsidiaries.

We also propose that an upper limit of €1,000,000,000 be set on the amount that can be spent on buy-backs and that it is also to be understood that buy-backs may not be made for amounts exceeding the available reserves as stated in the Company's latest approved financial statements.

### **3. Information serving to assess compliance with paragraph 3 of Article 2357 of the Italian Civil Code**

At the date of writing the Company holds 1,272,014 ordinary treasury shares, which represent approximately 0.007% of the share capital. In addition, subsidiaries hold approximately 124,544,373 ordinary shares, which represent approximately 0.642% of the share capital.

It follows that, at the date of writing, the maximum quantity of shares that can be purchased is equal to 1,814,852,731 ordinary and/or savings shares, without prejudice to the limits referred to in the last paragraph of Section 2.

It should also be noted that the draft annual financial statements for the year ended 31 December 2005, which are submitted for approval by the same shareholders' meeting as is invited to approve this proposal to authorize share buy-backs, show available reserves amounting to €4,631,129 thousand.

Whenever shares are purchased or sold, exchanged, contributed or written down, appropriate entries must be made in the accounting records in accordance with the applicable law and accounting standards. In the event of shares being sold, exchanged, contributed or written down, the corresponding amount may be reused for further purchases until the expiration of the authorization, without prejudice to the limits on the quantity of shares that can be purchased and the amount that can be spent and any other conditions laid down by the shareholders' meeting.

#### **4. Duration of the authorization**

The requested authorization will be effective for 18 months from the date the shareholders' meeting adopts the relevant resolution. The Board will be able to carry out the transactions authorized on one or more occasions and at any time.

#### **5. Minimum and maximum prices**

The Board proposes that the purchase price of treasury shares be established on each occasion, with account taken of the method chosen for carrying out the transaction and in compliance with any applicable rules and regulations or accepted market practices, with a minimum price and a maximum price fixed in accordance with the following criteria:

- the minimum purchase price may not be less than the weighted average of the official prices of shares of the same class recorded by Borsa Italiana S.p.A. on the ten trading days prior to the date of the purchase or of the determination of the purchase price, reduced by 20%;
- the maximum purchase price may not be more than the weighted average of the official prices of shares of the same class recorded by Borsa Italiana S.p.A. on the ten trading days prior to the date of the purchase or of the determination of the purchase price, augmented by 20%.

As regards the disposal of treasury shares, the Board will set the criteria for determining on each occasion the price taking into account the methods used for the disposal, the performance of the share price in the period preceding the transaction and the best interest of the Company.

#### **6. Ways of carrying out transactions**

In view of the different objectives that can be pursued by means of transactions involving treasury shares, the Board proposes that the authorization be granted for purchases made in any of the ways permitted by the applicable rules and regulations, to be chosen on each occasion at the Board's discretion and therefore at present by means of:

- cash and exchange tender offers;
- purchases on regulated markets, in the manner laid down by Borsa Italiana S.p.A.;
- purchases and sales of derivatives traded on regulated markets that provide for the delivery of the underlying shares, at the conditions laid down by Borsa Italiana S.p.A.;
- the allotment of put options to shareholders on a pro rata basis.

As regards disposals, the Board proposes that the authorization allow any method to be used that is suited to the objectives pursued.

## **7. Possible cancellation of treasury shares purchased**

As mentioned earlier, share buy-backs are not at present intended to serve the purpose of reducing the Company's share capital by canceling the shares purchased.

In light of the foregoing the Board of Directors invites you to approve the following

### **Resolution**

The ordinary shareholders' meeting of Telecom Italia S.p.A.,

- having examined the report on purchases and disposals of treasury shares prepared by the Board of Directors,
- having examined the financial statements for the year ended 31 December 2005,

### **resolves**

1. to authorize, for a period of 18 months from the date this resolution is adopted, the purchase, on one or more occasions and at any time, of Telecom Italia S.p.A. ordinary and/or savings shares up to the limits established by law and in any case with a limit of €1,000,000,000 on the amount that can be spent.

The purchase price must lie between a minimum and a maximum corresponding to the weighted average of the official prices of shares of the same class recorded by Borsa Italiana S.p.A. on the ten trading days prior to the date of the purchase or of the determination of the purchase price, respectively reduced and augmented by 20%.

Buy-backs must in any case be made within the limit of the available reserves as

stated in the Company's latest approved financial statements.

Purchases may be made in any of the ways permitted by the applicable rules and regulations, at the Board's discretion;

2. to authorize, for the same period of 18 months from the date this resolution is adopted, the disposal, on one or more occasions and at any time, of all or some of the Telecom Italia S.p.A. ordinary and/or savings shares held by the Company.

Disposals, including of treasury shares already held by Telecom Italia S.p.A. at the date this resolution is adopted, may be made at the price set according to the criteria established by the Board of Directors taking account of the methods used for the disposal, the performance of the share price in the period preceding the transaction and the best interest of the Company.

Disposals may be made in any of the ways permitted by the applicable rules and regulations, at the discretion of the Board of Directors;

3. to charge the Board of Directors with arranging for the appropriate accounting entries to be made whenever shares are purchased, sold, exchanged or contributed in accordance with the law and accounting standards applicable on each occasion, drawing on or replenishing (as the case may be) the reserves used for transactions involving treasury shares. In the event of shares being sold, exchanged, contributed or written down, the corresponding amount may be reused for further purchases until the expiration of the authorization, without prejudice to the limits on the quantity of shares that can be purchased and the amount that can be spent and any other conditions laid down in this resolution;
4. to charge the Chairman of the Board of Directors and each of the Managing Directors, jointly and severally and by means of agents, with undertaking the transactions that are the subject of this resolution.

**CHANGE TO THE AUDIT ENGAGEMENT  
FOR THE LAST FISCAL YEAR OF THE PERIOD 2004-06**

Dear shareholders,

The audit engagement awarded to Reconta Ernst & Young S.p.A. by the shareholders' meeting of 6 May 2004 will terminate with the issue of its report on Telecom Italia's financial statements and the Group's consolidated financial statements for the year ending 31 December 2006.

It has become necessary, however, to revise the conditions for the third and last fiscal year of the engagement, which were established on the basis of an offer made in February 2004. In particular, the auditing firm, considering the results for the first two years of the engagement (marked by the change in the legal framework following the introduction of IFRS, which the Company will also apply for the first time to its own financial statements for the year ending 31 December 2006) and the completion of the merger of Tim Italia S.p.A. (effective 1 March 2006), has submitted a request for a revision of the conditions, which the Board of Directors, after obtaining the favourable opinion of the Board of Auditors in accordance with the "Group Procedure for the Appointment of Auditors", deems to be fair.

<b>Document</b>	<b>Original conditions of the engagement</b>		<b>New conditions proposed</b>	
	<b>No. of hours per year</b>	<b>Fee in euros</b>	<b>No. of hours per year</b>	<b>Fee in euros</b>
<b>Company financial statements</b>	11,800	1,010,000	13,540	1,200,000
<b>Consolidated financial statements</b>	1,500	140,000	1,840	200,000
<b>Half-yearly reports</b>	1,900	160,000	2,980	280,000

The hours and the fee for the audit of the Company's financial statements include the amounts in connection with the activity referred to in Article 155.1a) of Legislative Decree 58/1998 concerning infrannual checks to ensure that companies' accounts are kept properly and their transactions reported correctly in the accounting records.

The amounts indicated do not include expenses (which will be charged at cost in the manner established in the original proposal) or VAT. No part of the supervision fee that the auditor is required to pay to Consob will be charged to the Company.

As specified in Consob Communication no. 96003556 of 18 April 2006, the fees may be adjusted ex post in accordance with the criteria specified in such communication if exceptional or unforeseeable circumstances occur during the engagement that increase or decrease the planned commitments in terms of resources and time.

In light of the foregoing the Board of Directors invites you to approve the following

### **Resolution**

The shareholders' meeting of Telecom Italia S.p.A.,

- having seen the resolution adopted by the shareholders' meeting of 6 May 2004;
- having examined the relevant report prepared by the Board of Directors;
- having taken note of the opinion of the Board of Auditors;

### **resolves**

1. to revise the conditions of the engagement awarded to Reconta Ernst & Young S.p.A. (entered in the special register of auditing firms) for the third and last fiscal year of the engagement by increasing the fees payable to Reconta Ernst & Young S.p.A. for the audit of the annual financial statements of Telecom Italia S.p.A. and the consolidated annual financial statements of the Telecom Italia Group, to €1,200,00 for the company financial statements and to €200,000 for the consolidated financial statements;
2. to revise the conditions of the engagement awarded to Reconta Ernst & Young S.p.A. for the audit of the Telecom Italia company and consolidated half-yearly reports for the period ending on 30 June 2006 by increasing the fee payable to the auditing firm to €280,000;
3. that the above-mentioned fees may be adjusted ex post if exceptional or unforeseeable circumstances occur during the engagement that increase or decrease the planned commitments in terms of resources and time.

