

**TELECOM ITALIA S.p.A.**  
**Minutes of the Shareholders' Ordinary General Meeting**  
**8 April 2009**

The **TELECOM ITALIA S.p.A** Shareholders' Ordinary General Meeting was held on 8 April 2009, at 11 am, in Via Toscana n. 3, Rozzano

Mr Gabriele Galateri di Genola, President of the Board of Directors, officially opened the meeting and, nemine contradicente, was elected Chairman of the meeting. Before starting the general meeting, the Chairman expressed his mourning, as well as the Company's mourning, for the deadly earthquake that hit Italy, reading the message which is attached to this very same report.

At the end of the message, after having observed a minute of silence in remembrance of the victims, the shareholder **Mr D'Atri** asked leave to speak in the meeting, in order to suggest, in addition to the praiseworthy initiatives undertaken by the Company and described by the Chairman, to give a concrete sign of support. **Mr D'Atri** suggested that every member of the Board of Directors and of the Statutory Board of Auditors should devote 1000 Euros, deducted from the monthly emoluments, to the rescue workers, the rescue operations and the populations hit by the earthquake.

The Chairman expressed his confidence that the suggestion had fallen on a fertile ground.

The Chairman then, went on with the procedures to be followed in the meeting and recalled the **Agenda** that included the following:

**Ordinary part**

- Annual balance sheet at 31 December 2008 - related and consequent resolutions;
- Appointment of one Member of the Board
- Appointment of the Board of Auditors – related and consequent resolutions;

**Extraordinary part**

*(Omission)*

The Chairman, nemine contradicente, asked the notary, Professor Piergaetano Marchetti to be the Secretary of the meeting.

The Chairman then notified that:

- the notice regarding the shareholders' meeting had been published in the Official Gazette of the Italian Republic, Second Part, number 26, on 5 March 2009, as well as in the following newspapers: La Repubblica, Il Corriere della Sera, Il sole 24 Ore, MF, Finanza & Mercati and the Financial Times;
- the Company had not received any request for additions to the Agenda, within the terms established by law;

- on 6 and 7 April 2009, the shareholders' meeting (which had been called on first call - extraordinary part, and on first call - ordinary part and second call - extraordinary part) went deserted, as reported by the notary in the official board minutes;
- as stated in the declaration filed on 10 February 2009, the share capital was 10 673 803 873.70 euros, divided into 19 406 916 134 shares having a par value of 0.55 euro each, of which 13 380 795 473 are ordinary shares and 6 026 120 661 are savings shares;
- as of that day's date, the Company held 37 672 014 of its own ordinary shares. In addition, 124 544 373 Telecom Italia ordinary shares were held by its subsidiary Telecom Italia Finance S.A.

The Corporate By-laws establish that the right to vote may be exercised by mail, thus the Chairman of the Statutory Board of Auditors delivered the voting slips that had arrived within the established deadline to the Chairman.

In total the number of valid slips for the purposes of the proper constitution of the shareholders' meeting was 2, representing 15 250 ordinary shares.

Therefore the Chairman declared that, at 11:09 the ordinary shares participating to the constitutive decisions of the Shareholders' General Meeting were in total 4 526 915 695, including the votes received by mail. The capital represented in the Meeting was thus 33.83% of the total amount of ordinary shares.

That being stated, the Chairman acknowledged that the meeting met the legal requirements in order to discuss and approve of what was listed on the Agenda.

Moreover, the Chairman informed that:

-the name list of the participants joining the meeting would be available as soon as it was printed;

- the documents related to the various matters on the Agenda had been published in accordance with the applicable regulations and had also been made available on the Company's website;

- at the entrance, among other things, the following had been distributed:

- the printed dossier of the 2008 annual balance (including the several solution proposals and the related explanatory reports);
- the annual report regarding the Company's Administration;
- a file containing the lists and the CVs of the candidates aspiring to become Auditors.

- according to the figures in the possession of the Company, the entities holding shares with voting rights exceeding 2% of the ordinary capital were the following:

- Telco S.p.A., with a direct holding, by title-deed that amounted to 24.503% of the capital with voting rights;
- Findim Group S.A., with a direct holding, by title-deed that amounted to 5.007% of the capital with voting rights;

- Brandes Investment Partners LP, with a holding in fund management of savings corresponding to 4.024% of the capital with voting rights;
- Alliance Bernstein LP, with a holding in fund management of savings corresponding to 2.069% of the capital with voting rights;
- Barclays Global Investors UK Holdings Ltd, with a holding in fund management of savings corresponding to 2.033% of the capital with voting rights;

-as far as significant agreements for Telecom Italia, as established by Article 122 of Legislative Decree 58/1998, several notices had been published in the national press, in which the agreement signed on 28 April 2007 was summarised. The agreement was established among the stock-holding majority related to Telco S.p.A.: Intesa San Paolo S.p.A., Mediobanca S.p.A., Sintonia S.A., companies belonging to the Generali Group and Telefonica S.A., as well as the subsequent modifications; the summarized description of the above mentioned agreements is included in the annual report regarding the Company's administration;

- the participants to the meeting were:

- the following Members of the Board: Franco Bernabé (CEO), Elio Catania, Jean Paul Fitoussi, Julio Linares, Aldo Minucci, Luigi Zingales;

- all the Auditors;

- Francesco Pensato, lawyer, common representative of the holders of bonds relating to the following loans:

- "Telecom Italia 1.5% 2001-2010 convertible with premium upon redemption"; "Telecom Italia 2002-2022 Floating Rate bonds, Open Special series, reserved for subscription by employees of the Telecom Italia Group, in service or retired"; "Telecom Italia S.p.A. Euro 750,000,000 4.50 per cent. Notes due 2011";
- "Telecom Italia S.p.A. 1,250,000,000 euros 5.375 per cent; Notes due 2019";

- external auditors representatives were also attending, as well as financial experts. analysts and staff engaged in the proceedings of the meeting.

Furthermore, the Chairman:

- underlined that, as per the Regulations for the Shareholders' Meeting, the maximum length of speeches during the course of the discussion had been set to 15 minutes; the discussion would include all the matters included in the ordinary part; the Chairman also underlined that this rule would be implemented again because it had shown its effectiveness in ensuring a coordinated development of the meeting;

- pointed out that the voting procedures would take place later and that each matter would be voted separately;

- underlined that both operations to record attendances and counting votes were being performed with the aid of a remote unit known as a "televoter" and using suitable computer software.

At the Chairman's request, I, the Secretary, with the aid of some slides, explained the use of the televoter, underlining that:

- each participant had received a televoter, the identifying data of the participant were registered in the televoter itself; the televoter's computer software associated the participant automatically to the votes held by the same participant at the Shareholders' Meeting. The televoter was a device strictly meant for personal use, which shareholders were asked to carry with them throughout the duration of the meeting, since it also functioned as an identifying pass to access the premises where the meeting was being held.

- there are five keys on the televoter, the specific vote associated with each key is indicated on the side of the key itself. In order, from top to bottom, the keys are used to abstain, to cast a vote against and to cast a vote in favour. The three keys indicated as *In favour 1*, *In favour 2* and *In favour 3* are equivalent, except for the voting regarding the lists to choose the members of the Statutory Board of Auditors, for which each key would identify one of the three lists proposed by the shareholders;

- the instructions to use the televoter were printed in the leaflet handed to shareholders on entry, and that the auxiliary staff of the Company were available for clarification. They were identified by a specific badge;

- during the course of the meeting, the opening of voting would be announced, and the matter that was to be voted on would be specified each time. While voting was open, the televoters would be enabled and each person would have the opportunity to cast their vote. They would have the possibility to change the choice made, up to the moment when voting was closed, which would be announced as well: the system records the last vote cast; in order for the televoters to work correctly it would be necessary to use them inside the room where the meeting was held;

- to acknowledge that the vote was recorded a small green lamp would light up in the upper left corner of the device. If the small lamp turned red, it would mean that the vote had not been recorded by the computer software. Participants were therefore recommended to always check the colour of the light after each time that a key was pressed;

- in any case, as mentioned above, the auxiliary staff were available, as well as an "ASSISTED VOTING" booth, if any help was needed. This booth was particularly meant for delegates who intended to cast a variety of votes on behalf of the various shares that they represented;

- in all cases, as is normal practice, the details of the voting would be written in the minutes.

The Chairman resumed his speech:

- before going through the matters on the Agenda, he recalled that the participants who wanted to speak were invited to file for a request at the booth facing the stage. When they were called upon to speak, they would be invited to go to the microphone on the specific platform, to the right of the Chair; he reminded the participants that they should refrain from speaking from the audience;

- he informed the audience that a recording system had been implemented in order to facilitate minute-taking, and that a simultaneous translation service was available, from

Italian to English and vice versa, (the headphones were available at the entrance to the hall). Personal data recorded through the recording system and registered during the accreditation for participation in the meeting would be used to ensure a standard development of the meeting and to facilitate minute-taking. All data would be treated in accordance with the privacy regulations. Shareholders were not allowed to record the meeting using audio or video devices;

- since all the matters on the Agenda had been published both in newspapers and on the Internet and a printed version had been handed out at the entrance to the meeting, the reading of the Agenda would be omitted.

Invited by the Chairman, the President of the Board of Statutory Auditors, Professor Golia, read a document that also included the rider of the report of the Board of Statutory Auditors, for which a request from Consob had been received on April 3, as indicated by article 114, paragraph 5 of Legislative Decree number 58/1998. The above mentioned document is attached to these minutes.

In the end, the Chairman:

-recalled the matters on the Agenda of the Shareholder's General Meeting:

- Annual balance sheet at 31 December 2008 - related and consequent resolutions; Appointment of one Member of the Board Appointment of the Board of Statutory Auditors - related and consequent resolutions;

-he underlined that, as it had been stated at the beginning of the meeting, the discussion would include all the matters on the Agenda at the same time. Voting would follow separately for each matter on the Agenda;

-as far as the first point on the Agenda was concerned, it was important to underline that the auditing company Reconta Ernst & Young S.p.A. had, in the last few days, informed us about the following actual fees charged for the auditing of the annual balance sheet of 2008, which, moreover, the Board of Directors had not approved of yet: for Telecom Italia S.p.A's annual balance, a total of 15 434 hours, corresponding to a fee amounting to 1 430 000 euros; for the consolidated financial statement of the Telecom Italia Group, a total of 2 662 hours, corresponding to a fee amounting to 292 000 euros; the amounts indicated did not include direct costs nor secretarial costs, which would be charged as operating costs;

- as far as the resolutions that needed to be implemented after Mr Gianni Mion's role as a Board Director terminated, the Chairman underlined that the Board of Directors proposed Mr Stefano Cao as the Company Director, his office ending when the current directors' office ended, which is to say at the approval of the annual balance sheet on 31 December 2010; he underlined that, as established by the corporate By-laws, for the approval of this appointment the list voting system would not be applicable, and that the *curriculum vitae*

of the candidate was attached to the explanatory report, which was included in the documents that were distributed at the entrance to the hall;

-as far as the appointment of the Board of Statutory Auditors, he recalled that three lists had been presented within the deadlines and terms established by rules and regulations; the shareholder Telco had also suggested assigning 80 000 euros for the gross compensation of each Auditor, 120 000 euros for the gross compensation of the President of the Board of Statutory Auditors and 15 000 euros for the annual additional bonus for the Auditor who would be part of the superintending committee, as per Legislative Decree number 231/2001;

-he then read the three lists, which can be found below:

#### **TELCO's List**

(Presenting shareholder: Telco S.p.A.)

##### **Statutory Auditors Section**

1. Mr Salvatore Spiniello
2. Mr Ferdinando Superti Furga
3. Mr Gianluca Ponzellini
4. Mr Lelio Fornabaio
5. Mr Mario Ragusa

##### **Alternate Auditors Section**

1. Mr Ugo Rock
2. Mr Vittorio Mariani
3. Mr Luigi Merola
4. Mr Luca Novarese

#### **Findim Group's List**

(Presenting shareholder: Findim Group S.A.)

##### **Statutory Auditors Section**

1. Mr Lorenzo Pozza
2. Mr Massimiliano Carlo Nova

##### **Alternate Auditors Section**

1. Mr Silvano Corbella

#### **Saving Management Company's List**

(Presenting shareholders: Aletti Gestielle S.G.R. S.p.A., Arca S.G.R. S.p.A., Bipiemme Gestioni S.G.R. S.p.A., BNP Paribas Asset Management S.G.R. S.p.A., Fideuram Gestioni S.A., Fideuram Investimenti S.G.R. S.p.A., Interfund Sicav, Monte Paschi Asset Management S.G.R. S.p.A., Pioneer Asset Management S.A., Pioneer Investment Management S.G.R.p.A., Stichting Pensioenfonds ABP, UBI Pramerica S.G.R. S.p.A.)

##### **Statutory Auditors Section**

1. Mr Enrico Maria Bignami
2. Mr Stefano Sarubbi

##### **Alternate Auditors Section**

1. Mr Maurizio Lauri
2. Mr Massimo Gatto

-pointed out that, together with the lists, the information, statements and documents provided for, by specific rules and regulations, had been filed following the terms of law at the Company's main office, (and then published by the Company as established by law); a specific file including the lists and the CVs of the candidates (including the current and past candidate's position in Administration and Auditing), had been distributed when the participants had entered the hall;

All this said, the Chairman introduced the meeting. This text is written in the Chairman's report which is attached to this very same document.

Being invited by the Chairman, the CEO, Mr Bernabè, spoke. He, in turn, explained the matters included in the CEO's Report, also attached to this very same document.

The Chairman then invited the shareholders who wished to take the stage in order to talk about the matters on the Agenda in the ordinary part to register at the booth, he recommended keeping the contributions related to what was on the Agenda and, again, recalling that the time limit for each speaker was fifteen minutes.

**Mr Lombardi**, who presented himself as the President of the ASATI Association, read and commented on the text which was delivered at the President's desk and that is attached to these minutes.

**Mr Salvati**, after expressing some thoughts about L'Aquila and the symbolisms that it arose, underlined that as far as the past corporate management of Telecom Italia was concerned, if the ones who had done wrong had done it in good faith, they needed to acknowledge their mistakes, and if they had done it in bad faith, then they needed to take responsibility.

Underlining that he also talked representing ASATI, he spoke about project NGN2, to ask if it could be seen as a means to let go of real estate owned by third parties such as Pirelli RE, starting in 2011, and if there was evidence that the project had started with an architectural structure that required the fibres to reach the street cabinets, and he also asked why this had been modified for fibres reaching the building. He asked how many cabinets have been installed in Milan, and how much the related whole invested amount was. At this point he stated that from a document that he had read, it would be evident that this amount was 300 million euros, equally divided among all the telephone companies: he asked if this was true and what was the estimated investment quota for Telecom Italia.

Furthermore, he recalled that, on 12 February 2009, a meeting about new generation telecom networks had been held at the Chamber of Deputies. The meeting had been promoted by the national coordinator of Forza Italia. Mr Bernabè had joined the meeting. On that occasion it was stated that Telecom Italia's network was adequate, and it was only used for 50% of its capacity, while the available bandwidth exceeded the necessities of the services at that moment. At the moment, it was said, there was no request to guide the planning of further operations on the network. In the end, it was pointed out that telephone companies, which are competitors of Telecom Italia, did not find any

convenience in building their own network and that building networks without demand was a Keynesian operation that could only be paid for by the State.

In the light of what was stated above, the shareholder asked: "What is, in case it exists, the strategy of the group on project HGH2, how the FTB installations and the announced commitment to the city of Rome blend with Mr Bernabè's declarations during the above mentioned meeting; who will be held responsible for the failure of the project and in which ways the responsible person will be charged of the liabilities, in case the FTB network in Milan were to be dismantled".

He then asked if it was true that Telecom Italia had undertaken rental contracts in which the extraordinary maintenance of the real estate property was to be paid by the tenant, and, in case the answer was yes, why this type of contract had been accepted.

He then underlined the problem of redundancies, claiming that there were rumours that the staff involved might be of 9 000 employees, in order to save up to 500 million euros. He also pointed out, in this regard, that over time politics supporting territorial centralisation had been implemented, in his mind the main offices had been "blown up", with a loss of focus on the local presence: he asked how many employees worked in the main offices in Rome and Milan. Moreover, he asked if it was true that the main offices were supposed to be in both above mentioned cities. He wanted to know what consequences such duplication, started in 2004, entailed, in terms of profit and loss, time and costs.

The shareholder mentioned a piece of information stating that Citec S.p.A. seemed to be about to receive very convenient benefits in the form of orders for supplies for Citec itself at very high prices; it seemed, he stated, that all this was due to the involvement of important political figures, with the cooperation of high level managers in Telecom Italia. He asked if the problem had been solved and which actions had been undertaken to avoid Citec from being involved in similar situations in the future.

As far as the Telecom Italia Foundation was concerned, he asked why it did not also work in favour of employees, to prevent, for example, job ousting.

In the end, he recalled the disputes with the Revenue Agency, regarding the merging of BLU with TIM, the devaluation of the Telecom Italia stocks carried out by Olivetti, the fiscal regime chosen in 2003 for the Telecom Italia Media split and the IVA fraud on traffic.

**Mr Mazzei** read and commented on the text of his contribution which was delivered to the Chair's desk and which is attached to these minutes.

**Mr Meineri** read and commented on the text of his contribution which was delivered to the Chair's desk and which is attached to these minutes.

**Mr Modafferi** read and commented on the text of his contribution which was delivered to the Chair's desk and which is attached to these minutes.

**Mr Strambelli** read and commented on the text of his contribution which was delivered to the Chair's desk and which is attached to these minutes.

**Mr De Septis Gaeta** read and commented on the text of his contribution which was delivered to the Chair's desk and which is attached to these minutes.



**Mr Sorrentino** summed up and commented on the text of his contribution, which was delivered to the Chair's desk and which is attached to these minutes.

**Mr Undiemi** read and commented on the text of his contribution which was delivered to the Chair's desk and which is attached to these minutes.

**Mr Leonardi** expressed his thankfulness towards Mr Bernabè, in his opinion, he was bringing back to normality annual balance sheets that, in the past, he stated, had been the target of heavy duty window-dressing.

This stated, he thought that, after some conditions had been met, the Company, in the field in which it operates, had huge development possibilities. He invited to imagine, in a world heavily anthropised as this one, the multiplication of the cars circulating in the streets, of the refrigerators, of the second and third homes, and then to imagine a similar associated multiplication in the number of bits sent through the networks, in form of images, information, games and others. Due to the environmental impact entailed, the first picture was not a viable option, while the second might even be underestimating the real growth possibilities of the phenomenon.

In his opinion, these situations were a necessary condition for the development of the Company, but they were not a warranty of a future that would achieve such promising results. In order to achieve this, it was necessary that objective and favourable conditions find an enlightened managing class who could use them, reaching the opportunities that would be created when, at the end of the crisis, many of the actual corporate hierarchies were upset and new ones were designed.

Unfortunately, the title “belonging to the managing class”—to which a not enough brave press contributed—in a provincial vision of the corporate environment is often given to those who had fathers or grand fathers who fit in the profile, as if it were to be a hereditary title. On the contrary, in dynamic and evolved markets, this title needs to be conquered on the ground, showing a strategic approach, which, leaving the blinded "shopkeeper" approach, and keeping the social issues in mind, ensures the development of the country in the midterm. Obviously, everybody will have to commit in their own field and position.

Similarly, the shareholder added, to politics, a public network needs to be put in place and made work. This network should be capable of offering excellent services without charging unreasonable amounts, similarly to how intellectuals and people belonging to the media are asked to somehow gain the bravery to be hated at times, telling uncomfortable truths: well, in the same way those working in the corporate environment need to know how to go beyond a speculative and egomaniacal vision, completely flat in the immediate future and to have a strategic vision, made out of challenges and not of cosy "protected nests".

When looking at the current situation in Telecom Italia, all this entailed, the shareholder underlined, learning how to make specific choices. First of all, it was necessary to tame the human appetite for a copious immediate share, to look within the company, for possibilities to invest in research, infrastructural "revamping" and product innovation: In this way, the TILab laboratories would start being productive again, giving the company the strength to claim, in the ways and forms allowed by current contingency, a public support for a technological innovative plan. Secondly, it was necessary to abandon the logic of the "pharaonic" remuneration of managers, which arose—in his mind—from an ideological

distortion which praised people who in the end brought the companies they were directing to annihilation, as it had happened to Alitalia and other corporations. It was understandable how important it was, while giving the right appreciation to professionals, to find a limit, which, giving an indication of the pays from highest to lowest, would enhance the sense of belonging to the corporate environment and reward cooperation.

Furthermore, the shareholder urged to carefully explain what had happened during the previous administration, asking for a liquidation of the damage for all the situations in which one or more people had agreed and supported tricks aimed at taking wide resources from the corporate funds. To this regard he mentioned the liquidations that the managers mentioned above had given to one another reciprocally, the Pirelli Real Estate operations, and in general the control structures which, as Mr Guido Rossi had also mentioned, created many abnormalities and conflicts of interests. In his mind, when similar situations occurred, there must be a "deus ex machina" and much tolerance and tacit agreements within the company.

He also mentioned the "tapping" activities, which in his mind should have had been covered more widely by the press. The shareholder at this point deepened his thoughts about the attitude of the press, in order to underline how the health of free information was worrying him, being freedom of expression the necessary foundation for the evolution of any regulated market.

He ended his contribution saying that his thoughts and suggestions should be taken into consideration and saying that, in order to contribute to the cause, he would be happy to renounce to his dividends and to renounce to his liquidation, which was the result of 35 years of employment in Telecom Italia.

**Mr Perinotto**, who belongs to the ASATI association, firstly underlined that for the current situation of the company, which in his mind was "disastrous", the actual management could not be blamed, but the ones to blame were the managers of the former administration.

Regarding the stock trend, in his mind, it seemed to be a very negative one, both in the short- and in the long-term. When the current administration took the managing responsibility of the Company, there were high expectations, but up until that day, only the 2009/2011 business plan had been issued, which should bring an improvement in results, but which in the stock market had caused a mere "pull back", which is to say a minimal rebound. This was a confirmation that the market did not trust the Company's prospects. This issue, he claimed, should worry, because usually, when an aggressive business plan is introduced, the related stock reverses its trend. This had not been the case for Telecom Italia, he underlined that the reasons behind this lack of results could not be due merely to the general difficulty in which the financial market happened to be at the moment.

Based on the concern expressed above, the shareholder asked the Company to send a strong message: notwithstanding the numbers in the balance report, when looking at the future, the impression that arose was that the business plan was not sufficient and that it only represented a "flotation buoy". Therefore the shareholder asked if there was any intention of revising the industrial planning.

Furthermore, he asked how new financial resources would be found. He mentioned some information regarding dome libic funds, and he asked if the negotiations were still going on or if some obstacles, maybe institutional ones, had stopped them.

He also asked if there was a good empathy between the Board of Directors and the Italian Government and what was the state of the relations with Telefonica at that moment. As far as this last matter was concerned, he had the opinion that the relation with the Spanish company was not as productive as it had been expected at first; furthermore, it seemed to be a source of issues, especially as far as Argentina was concerned. Thus, he asked to clarify the internal relations with the majority holding companies, in order to understand if there was cohesion and if the same goals were shared.

The shareholder, ending his contribution, underlined again the need for a strong message, in the light of the necessity to look at the future: for sure the need to pursue possible actions aimed at obtaining indemnifications for what had happened in the previous administrations was needed but the key point was to build the future. On the contrary, in his mind, the Company was stuck in a transitional phase.

After having stated that—in his mind—the re-evaluation of the title should aim at a higher target price than two euros, he asked what the intentions of the Company were regarding the investments in old technology, particularly those concerning ADSL.

**Mr. Chiappetta** asked if there was any plan to launch a capital increase , underlining how small investors were expecting a clear sign from the Company, being worried about how the stock was doing and expecting that in the future the amount of the dividends distributed would decrease.

**Mr Gola**, after suggesting to shorten the time of each speech to 10 minutes—a suggestion which the assembly approved in response to the Chairman's petition—,underlined that the annual balance of the year 2008 showed a profit for the Group of 2 214 million euros, while the profit of the parent company was only 1.5 billion euros. Furthermore, it was fundamental to realise that these values were supported by a high fiscal saving, equal to 1 030 million euros and 970 million euros respectively: without these elements the profit would have been 1 184 million euros for the Group and 530 million euros for the parent company.

The shareowner pointed out how these thoughts were not meant to be a critical statement against the new directors, whom, on the contrary, he thanked for the effort made to try to heal a severely compromised situation, which had come into being during the last two transfers of property of the group, caused, among other things, by the capital increase aimed at gaining full control over TIM.

In order to limit debt, the shareholder said, the previous administration had been forced to almost give up completely very profitable foreign participations, such as those in Austria, Greece, France, in several countries of Latin America, in Serbia (this last one had first been bought legally, then it had become the object of a political “scandal” that in the end turned out to be insubstantial).

In the meetings of the past, he had tried to suggest a solution for the debt issue to the then President. This solution laid in his mind in the discorporation from the network, keeping the control of the company that would be created at the same time, though. At that moment, it seemed advisable to follow Mr Bernabè's guidelines.

Going back to the analysis of the data in the annual balance, the shareholder underlined that the gross debt of the Group was 42 794 million euros, while the parent company's gross debt was estimated around 44 360 million euros. The impact on the profit and loss account was 2 173 million euros for the Group and 2 254 million euros for the parent company: It was a very heavy burden to bear, a burden that Telecom Italia would have to keep on dragging for several financial years. In this regard, he asked if the CEO thought that, in order to free the company from such a burden, the expected cash flows would be enough, or if, on the contrary, it would be necessary to launch a capital increase. Moreover he asked if, as an alternative, the transfer of more assets, such as the participations in Brazil and Argentina, was an option. After all, even if the relation between EBITDA and debt was estimated to be decreasing up to 2,9 within the current financial year, he felt that this was an excessive debt anyway, as also underlined by the negative estimates provided by rating agencies.

The amount invoiced, just like EBIT and EBITDA, was also slightly decreasing, even if the real sickness of the profit and loss account lay in the financial debt.

He ended his contribution acknowledging the efforts of the current management, acknowledging the first positive results which started arising and the fact that, despite all, the effort to distribute dividends had been made; all these circumstances led him to feel positive about the future.-

**Mr Borlenghi** recalled how the general economic context resulted from a long turbulence within the financial markets, from a generalised recession, from a fall in consumption and from redundancies: worldwide growth would slow down overall also in the current year. Despite such context, the annual balance showed profits for 2 214 billion, which allowed to distribute a dividend warrant of 0.05 euros; also debt had decreased, up until that day to an amount slightly above 34 billion. In the fourth quarter, he pointed out, a significant recovery had occurred, with both profits and surplus registering an evident increase in value.

Finally, he asked what interest lay in the participation in Telecom Italia Media, an over indebted company, and, in his mind, a company not implementing any development plans. He also asked if there was any interest in Mediaset.

**Mr Antolini** showed appreciation for the briskness of the shareholders representing the Asati Association, which, in his mind, was the proof of a new liveliness among the minor shareholders, usually very silent. After all, the current period was a time in which the world of finance was involved in scandals and difficulties never met before, damaging both savers and workers.

He then talked about the subsidiary Telecom Italia Media, to underline how this company did not seem to be managed under corporate business principles, because the costs incurred always exceeded the profits. All this had made the stock lose over two thirds of its value, a loss which—in the shareholder's perspective—entailed a loss of some of the savings accumulated through the shareholder's own work. In detail, he stigmatised the payment made by the above mentioned subsidiary of around 2.5 million euros to Mr Campo dall'Orto, a payment due, as stated in a Telecom Italia Media meeting, to an old contract.

Then the shareholder pointed out, less specifically, that directors' and auditors' compensations seemed to be excessive, underlining that, for example, an emolument of 100 thousand euros for Telecom Italia auditors seemed to be exorbitant, when those auditors had met around 25 times within a year.

As far as the procedures related to dividends were concerned, he recalled that in the past management he has underlined an excessive distribution: had he been heard, today's situation would have been better.

Finally the shareholder commented again on the compensations, to invite management to give up on part of their income and on the current stock option plans.

**Mr Turatti** recalled that already in the past meeting, he, as a Telecom Italia employee, had asked to consider the meeting as a day of paid leave and not as a holiday: at the time, the Chairman had expressed his interest in dealing with the problem after having sought the competent office's advice, but, in the end, his interest had shown no results. Therefore he asked again to deal with this issue, complaining about the lack of attention that he had noticed up until that day.

Summing up the Company's history, the shareholder recalled that, during Mr Colaninno's management, debts started accumulating, following a trend which got worse during Mr Tronchetti Provera's management: considering the current value of the stock in the exchange market, shareholders could not but "cry". Those who were not crying, he stated, were the management and the members of the former administration, who still saw their pays rising, even if the working performances had been poor, as witnessed by the opinion of a good number of financial agents.

In a critical moment, as the current one, he said, one should give a good example; one should spontaneously decrease one's own salary, starting with the CEO's. This attitude could set a positive message also for employees and shareholders, who continuously see the stock losing value, and who also notice a company downsizing as well as the existence of contracted jobs.

Furthermore, the shareholder asked what professional standards some corporate associates had, as, for example, Mr Luca Luciani, who recently had been nominated President of TIM Brazil, and who had recently affirmed that all employees should behave similarly to Napoleon when in Waterloo, probably forgetting that in that context the French had been defeated by the English, Austrian and Russian military.

He then said he had read that the former president, Mr Tronchetti Provera, had sold himself the Telecom Italia real estate properties, in a situation, he thought, in which conflict of interest rules: he asked what the price paid for the purchase and the profit for the Company had been.

The shareholder pointed out his personal situation, recalling that he had been transferred to a remote working location even though he was handicapped. For eight years he had been commuting 140 km per day, having had 3 accidents in the meantime, which had worsened his health, and which had caused the destruction of two cars: at the same time several colleagues at his same level had been kept in the Rovigo offices. He asked the reason why such decisions had been made, considering that, in his mind, such behaviour could be qualified as workplace harassment: he hoped that that behaviour would end soon. He was offered to telework, but this was not an option in his situation, because he did not live in a house with the necessary equipment.

He hoped to get a written answer from the Chairman, leaving a written request at the Chair's desk.

**Mr Torcellan**, taking the floor, read the written document which is attached to these minutes.

**Mr Fornasari** underlined how his investment in Telecom Italia had steadily lost value: a fundamental company in Italy's economy had been the victim of speculations which in the end had depreciated its solidity and caused the accumulation of a heavy debt. Politics also had primarily contributed to such degeneration. From another point of view, he stated, it had been systematically underlined how "softening" the subscription fees might have helped clients and might have kept competitors at a fair distance.

In the light of the above mentioned thoughts, the shareholder wanted to praise the current administration, which seemed to have made an effort to improve a situation which seemed to be irrecoverable. Thus, he invited the current administration to keep on the new path.

**Mr Ferrante** asked if the innovative services, on which the company claimed the focus would be in the future, had been identified, and if they would need further plans than the ones already implemented.

**Mr Silla** complained about the poor communicative capabilities of the Company. In detail, he referred to an interview with Mr Marco Tronchetti Provera in the TV Show "Che tempo fa", in which—the shareholder affirmed—the former President of the Company had stated he would not buy Telecom Italia shares at the current price—0.90 euros at the time: the following day the stock had dropped to 0,715 euros. In his mind when similar situations arose, the Company should focus on communication. Keeping silent was not an acceptable attitude.

Going on, he pointed out how Mr Parazzini, the former Finance Director, had received 7 173 million euros for a job that had lasted 7 months, an amount which was five times higher than the amount earned by the President of the Republic. What was even more surprising, in his mind, were the benefits that the Company had gained from his cooperation, which were not clear at all. In his mind there had been no benefits, on the contrary, damage had been done: therefore legal offices should evaluate the possibility to confront former management and inspectors with their responsibilities, focusing on who managed the working relations with Mr Parazzini.

**Mr Mancuso** joined in the invitation to carefully evaluate the possibility to start lawsuits against the former administration. He then underlined how one could affirm that Telecom Italia shareholders actually pay three times for their commitment: first they pay the State who gives the Company the contract authorisations through fiscal withdrawals; then they pay the Company twice giving it the savings as shareholders and paying the fee for being clients as well.

The shareholder then focused on the quality of the services offered, stating that there were frequent failures, also affecting his family members' subscriptions. He enquired about the costs met to repair the subscribers' lines failures in 2008 and asked for a

comparison with the ones incurred in 2007, as well as information about the current dispute and the related costs.

Furthermore, the shareholder recalled a recent press article in which the Company stated the willingness to refund the damages caused by employees and third parties who had been the victims of "tapping" activities performed by corporate entities, and he asked for clarifications.

Finally he stated that he had recently received a notice in which an increase of the telephone fee subscription had been announced, a notice that he considered out of place, especially considering the times of crisis during which it was sent: he wished that, at least, the profit deriving from such increase, would be used to pay off the debts that are still burdening the Company.

**Mr Cattaneo** complained about the former proprietors who had sold their shares at almost three euros, still leaving the Company in debt: this further loss, in the end, was still borne by the small shareholders left.

As far as the recent increase in value of the stock was concerned, in his mind, even though it seemed to indicate a modest growth, it could not be seen as a result of the Company's improvement, but as a result of the general upward trend of the market which was being influenced by an upward trend of bank stocks.

At this point, while the shareholder was about to comment on an alleged future capital increase, the **Chairman** intervened, to clarify that no capital increase had been planned.

**Cattaneo** started talking again, complaining about the lack of benefits arising from the participation of Telefonica in the Telco capital and he also commented on the quality, or lack thereof, of the services offered by the Company. He thought, in this regard, that the Alice service was poor and that it worked poorly as well. It had been a mistake, in his mind, to let Mr Valentino Rossi start advertising for a competitor.

Finally, he acknowledged the wide participation of the ASATI association, thinking that it would be fair, in the future, to give the association a representative in the Company's Board of Directors.

**Mr Giulianelli** expressed his appreciation for some thoughts mentioned by the CEO in his introductory note and, specifically, for the call for transparency. Nevertheless, he expressed his concern about one of Mr Bernabè's statements, in which he affirmed that the changing of management had been completed. Regarding this matter, he underlined that, in his mind, some managers had been involved in delicate situations: Mr Luciani, for example, (who, in his mind, was involved in some fraud regarding SIM cards), Mr Labriola, (who, in his mind, was involved in the videophone initiative, which caused huge losses), Mr Tommasini, (who was involved in a workplace harassment incident of a female employee). All situations, in his mind, that show the necessity for a further change in management. Furthermore, he wished that new checks aimed at telling the vicinity of some managers to companies providing services or supplies would be implemented and that new efforts would be made to ensure the services' quality. He pointed out that the corporate goals set for 2009 seemed to be quite far from the quality standards which could be found in 1996, when the clients' waiting time for repairs was practically none.

He also thought that the Directors' report regarding the Tavaroli issue lacked critical parts, especially considering the expectations that Mr Bernabè's arrival had entailed.

As far as some corporate organisational plans were concerned, he underlined that the choice to implement a reorganisation based on clients' segmentation had been made: he recalled that, having to perform a wide reorganization, the current FIAT CEO had decided to implement a "one-model company" standard, an achievement that for Telecom Italia seemed to be still far away. Therefore, he thought that the organisational structure was still far from the best industrial practices.

As far as divestments were concerned, he asked what the technological reasons were behind the decision to abandon the commitment to Sparkle, an enterprise that might be strategical, in light of an expansion to Asia, which had much better perspectives if compared to the US and European markets. Similarly he thought that a more careful attitude should characterise the decision to sell ETECSA, considering the recent American open mindedness towards the possible revocation of Cuba's embargo. In his mind, the same caution should characterise the choice to sell Hansenet.

Finally he asked if the Company had implemented a statistics study regarding the merit system for employees who are over 50 years old.

**Mr Fragapane** asked if the Company had any intention to convert saving shares into ordinary shares. He hoped that this conversion would not be implemented. He also suggested opening booths for clients, at least in the bigger cities, because often phone communications were very complicated.

Moreover, he hoped that the rumours of possible shareholders rejoining the Company would be true. Recalling the total debt of the Group, he asked what might happen if the cost of money were to be the same it had been a few years ago. Finally he hoped that dividends would also be distributed in future years and that the stock option plans currently implemented would cease to be.

**Mr Fogliati**, President of the ADAS association, on behalf of 36 shareholders who gave him the right to act on their behalf, announced his intention to vote for the approval of the annual balance sheet, which he declared to have read carefully. Furthermore, he went on, those who had drafted the annual balance of 2008, had implicitly accepted the one from 2007, because the CEO would have never undersigned the 2008 balance if he had thought that the 2007 balance had been in the wrong. In any case he expressed his satisfaction for the gap recorded between the two financial years.

As far as development plans were concerned, he thought it was going to be difficult to assume a growth rate exceeding 2%, considering that some risk profiles did exist. Among those he specifically recalled the existence of potential liabilities, that could not be ignored, and which, at the same time, could not entail the creation of specific provisions. Until the possibility to weigh the entity and the probability that specific negative events would occur, it would not be possible to create a specific fund.

In the light of such risk outlines, the shareholder thought that it might have been better not to distribute dividends, but to choose to find other ways to remunerate shareholders, distributing a new share every 20 owned, for example.

Talking about the second and third matters on the Agenda, he announced his abstention, not because of a negative opinion on the single candidates, but because of the method



used. He thought that the current system, that required a possessory title of 0.5% of the capital to present a list, (condition which did not ensure a presence in the Board of Directors in case that limit were to be met), should be revised. In this system not even the Asati group could present their own representatives.

Finally, commenting on the proposal to give proxies in order to increase capital, the shareholder suggested that in the future, capital increases should entail an offer to all employees, similarly to what happened in 1995. In the managements following 1995, in reality, the participation of employees in shareholding had never been eased, while this attitude would create cohesion. He wished that plans to offer shares to employees would be implemented in the future, trying to avoid the immediate sale of the undersigned shares.

Finally, he delivered a written document regarding his contribution at the Chair's desk.

**Mr Pecchi**, an ASATI's partner, thought that the industrial planning potential that the Company had, had never been fully expressed in reality: no value had been created for the Company or for its shareholders. In his mind, the several people who, one after the other, had managed Telecom Italia had not developed real industrial strategies, but had only implemented financial initiatives. What had been lacking, he affirmed, was the figure of an entrepreneur capable of investing "true" financial resources and making those available for business opportunities.

The characteristics of Telecom Italia, being a utility company which offers several services and which can count on a fixed cash flow, should have made the investments of the Company the ideal ones for a "long-term individual saver". Instead, the trend of the stock in the Stock Exchange had been, in his mind, ruinous, with losses up to 80%. Over time, he recalled, some had tried to find excuses for a similar phenomenon, either blaming the end of the growth of the mobile phone industry or the incidents occurred on 9/11 or the constant pressure on rates introduced by competitors: nevertheless, all these issues did not explain the awkward trend of the shares, rather odd if we compare the Company's shares to those of other former European monopolists.

In reality, the reason for such a negative trend, must be found in the enormous debt that the Company has had since the times in which Mr Colaninno was in charge, a debt that later has always limited the manoeuvring space of the various administrators. The existence of such an enormous debt entailed the allocation of cash flows to pay interests instead of investing on growth. In the 2002 – 2006 period, for example, Telecom Italia spent 16 billion euros in financial burdens; in the same period, the resources used for financial investments and dividends were a total amount of 32 billion euros, while the industrial investments were only 12.5 billion euros. It is evident how the choices made focused on finances, while the Company invested on the domestic market, which was more and more saturated: all this contributed to depriving the Company of its potential. In this light, he concluded, the dividends distributed had been a soft cure for the losses in the capital account, which make shareholders poorer and poorer.

**Mr Francolino**, first of all, thought that the current organisational structures should be reorganised, because they seemed very expensive and they did not properly cover functions and tasks. In detail, he thought that thanks to current technologies, there were

tasks, such as the writing of the balance sheet, which today could be performed in ways that entailed very low costs.

He generally complained about the excessive expenses in the several corporate organisational fields and about the lack of transparency and the poor services offered by former employees' associations.

Finally, he reminded the Chairman about an initiative of his, aimed at coordinating some video surveillance systems within a restricted geographical area, an initiative for which he asked the help of the Company: he also pointed out a failure in the services offered to a subscriber, a religious institute, near Tropea.

He delivered a written document regarding his contribution at the Chair's desk.

**Mr Cusani**, reporting on the request made to employees by the Union to devote the pay of one hour of work to the victims of the earthquake in Abruzzo, asked the Company to give a strong message of solidarity, for example creating special fees for the families of the evacuees.

As far as the health of the Company was concerned, he underlined that the surplus was decreasing, while the debt, 34 billion euros in total, was still high: in his mind, if drastic decisions were not implemented, there would be a real risk that in three years the Telecom Italia situation would become even worse if compared to the one in which Alitalia found itself recently. Also considering the situation of Telco shareholders—which he considered to be staggering—, he thought that it was fundamental for the CEO to work out a strategy and a wide ranging project, aimed at, for example, trying to achieve some agreements in Europe: by itself, he underlined, Telecom Italia was not going to make it.

After all, there was the potential on which it was possible to work to generate an important project: the strong presence in the Italian market, the activities in Latin America, the good reputation that the Company had in Northern Africa, the Adriatic coasts, and so on. It was fundamental to move fast, looking for a suitable partner.

The way to solve the situation in which the Company was, instead, could not be a reduction of staff: if 20 000 employees were to be laid off, aside the social disaster, the functionality of the network, an essential asset, would be in jeopardy. The network needs continuous maintenance and updates. The possible choice to sell the networks would have, due to the amount of goodwill, a very serious consequence on the balance: from this choice, two main possible consequences would arise; either collecting 10-15 billions of “fresh” funds from the partners, which seemed unlikely looking at the social structure of Telco, or starting the Marzano law procedures.

Again, he invited the CEO to be brave and work out new development plans, reminding that in order to do that it was fundamental to start from the dialogue with social partners, leveraging with their desire to defend the Company and restating their professionalism. The current management had the merit, if compared to former administrations, of better controlling the system: it was fundamental now to keep on going and to secure the future of Telecom Italia.

Finally, he again invited the Board of Directors to carefully evaluate the possibility to start lawsuits against the former administration.

**Mr D'Atri**, underlined that all partners, including the smaller ones, should be treated with respect and should be heard with great care. This was all the more true for the

shareholders who gathered around the Asati association: probably, he said, it was quite the lack of consideration towards the shareholders of the Company that created such a bad performance of the shares themselves.

After having underlined that due to the various acquisitions made through leverage, today the balance was characterised by a goodwill that equalled the debt, he said that the current quotation of the shares showed the lack of confidence of the financial markets. He asked how the goodwill had been created, what techniques had been used to reach the final data recorded in the balance, how the estimates of the Company's future expectations had been set, what consequences the notion, created by Professor Guatri, of "eligible value" had.

He underlined that a precise answer was needed for each question and not just a formal one, because it was a specific task of the administrators to try to gain the trust of the shareholders, even if no judge or authority had formally doubted what was stated in the balance.

Going on, he reminded that he himself had been the object of an "informative dossier" created by the Company during a former administration, and that, for this reason, he stated he had joined the lawsuits initiated by anybody who would ask for a compensation for any damage suffered. Moreover, having heard about the apologies made to the employees, who also had undergone similar cognitive actions, by the CEO in the name of the Company, he pointed out how similar apologies should be addressed to other individuals who had been involved as well. He recalled that in the dossier regarding his person, the remark: "Professor d'Atri is able to tell corporate intrigues" had been included; to this regard, he underlined that, in reality, his goal was to offer a useful contribution to the management of the Company in which he had invested.

Talking to Professor Zingales, he asked what the result of his commitment to some important aspects of the governance was, the main one among others being the issue regarding the administrators' remunerations.

**Mr Tronconi** showed his disappointment for the results of the Company, in which revenues, EBITDA and profits went down, and which showed a slow reduction of the debt, considering that the reduction of the debt was the same as the reduction of the dividends distributed last year.

He also underlined that the staff related costs were growing: It was absolutely true that during the financial year, extraordinary burdens had to be taken, but it was also true that a more positive result was expected from the reduction of personnel. He then asked for a more detailed analysis of the costs of Telecom Italia's personnel, dividing the staff into several categories: indeed, if it were to happen that the majority of savings were to be accumulated through the operative staff reduction on one side and through the shrinkage of dividends on the other side, the result would be that the only entity profiting from the difficult situation would be the management's income.

He joined the request to start liability actions against the previous administrators, and he suggested promoting, together with the shrinkage of the dividend of about 30-40%, a similar reduction of the administrators' emoluments.

**Mr Costa** showed his appreciation for the new management, being convinced that the current President and the CEO were the right people to keep the Company united and to foster its growth.

Talking to the Chairman, he suggested moving the Company central offices to Turin, where the Company had originated.

Regarding several requests to start actions for liability against the former management, he assumed that the current management had, at transfer, to commit not to start similar initiatives and suggested that it should be the small shareholders, like him, those who should promote, maybe through the help of associations, judicial actions.

Instead, in the shareholder's mind, it was necessary to express high appreciation for Mr Bernabè who had accepted to take such a huge responsibility.

The **Chairman**, at this point, invited the shareholder to stick to the Agenda, underlining that the current management had not reached any agreements with the former administration.

Taking the floor again, **Mr Costa** kept expressing his support towards the current CEO, reminding his past experience in Telecom Italia, prior to Mr Colaninno's arrival. He thought that, for the future, the old Telecom Italia attitude should be retrieved, first of all reducing the number of managers, which, in his mind, was excessive.

He also thought that the choice to rely, for the settlement of legal disputes with employees, on external law offices was not a good one, because often these structures put the business in the hands of young people with little experience. Furthermore, he underlined that the problem of clients who are short in payments should be addressed properly, maybe finding solutions in accordance with the Authority.

The shareholder said, finally, that he came to know that about the 13% of the calls received by 187 were complaints, a percentage that he thought was much too high; therefore, he thought it would be advisable to dedicate more resources to checking the quality of the service.

**Mr Tarditi**, first of all, underlined that the communication strategy was not consistent, because, in his mind, some sort of "schizophrenia" arose while aiming at convergence and while having to establish communications regarding three different brands at the same time. The investments on Alice seemed insufficient because they did not focus on the brand and were misleading, as, for example, the multiplication of testimonials was. Alice, Telecom and Tim did not generally seem to be sending coinciding, rational and emotional implicit messages.

The communication style was not centred on a single and clear slogan, such as for example "life is now": Telecom Italia's slogan was missing or written in very small type as if one would want to hide it. After all, the choice to have one single slogan all over the world entails evident benefits, which was not the case for Telecom Italia. He reminded, by the way, that when sponsoring Formula 1 races, the Alice brand was on the Ferrari in 2008, driven by a Brazilian pilot racing to win the title, while in Brazil the brand TIM needed to be consolidated. Thus, the shareholder said, it could not be a rational choice to keep a multiplicity of brands in sectors such as that of internet communication or in the "one to

one" field; such a choice, as far as mass communication was concerned, sounded like an amateurish mistake.

Analysing some choices in the balance, the shareholder underlined that in the past it might have been wiser to reduce the value of the goodwill. In reality, the capability of the Company to generate profits had drastically decreased through the years, with an EBITDA margin which went from 46% in 2004 to 37% in 2007. Nevertheless the goodwill had never been reduced, on the contrary, it had gone up to 40 million euros after the TIM acquisition, an amount equal to twice the Stock Exchange capitalisation: keeping the exchange ratios in mind, TIM's goodwill had been paid as if Telecom Italia were to be worth around 3.5 euros. Moreover, the shareholder stated, ending the discussion on this matter, the EBITDA margin turnaround during the fourth quarter of 2008 needed to be kept in mind.

As far as the cost of money was concerned, an alarming increase had been registered, following a trend which probably would continue: the last loans had cost around 8%, while the average cost had been below 6% in the past.

The shareholder, continuing his close examination, underlined that, going back to random notions such as fair value, this year it would be possible to depreciate the goodwill paying a 16% once-for-all tax, with the possibility to deduct the full value from the profits, devaluated over a 9 years' period. This option would have a "moral" advantage, because it would allow bringing the goodwill to a more acceptable value, entailing, at the same time, fiscal savings. Furthermore, following the above mentioned suggestion, there would be a worsening of the indexes, such as the ratio between debt and EBITDA, with possible negative repercussions on the rating and on the cost of money. The trade off depended on the interest rates: paying a rate equal to 8%, benefits would decrease, and in any case, at the end of that nine years' period, the expected gain of 2.8 billion would be less than half due to the payment of interests.

The solution might then be to issue a bond convertible in five years, costing 1.25 euros per share, a period long enough to pass from the phase of cash loss to a phase of profit. After five years, there would be an almost complete recovery of the debt through the payment of the bonds, thus the operation would entail a profit starting from the sixth year, not only in taxes, but also in debt decrease and in the recovery of financial burdens, with profits of around 2.9 billion at the end of the ninth year. Moreover, the shareholder stated, since it was most likely that the share would exceed the limit of 1.25 euros within five years, there might be an additional benefit deriving from the transformation of the debt in equity, with a further reduction of 3.2 billion of debts, for a total reduction of debt equal to 6 billion. A similar suggestion would entail the issue of around 2.5 billion shares, with a reduction of 18% of the ordinary shareholding: the effects on dividends would thus be recoverable through minor financial charges.

The success of the operation, in his mind, would depend on a single element, which was trust. Furthermore, he thought that the current moment was a favourable one: the rate would be competitive compared to that of 5-year Long-term Treasury Bonds, a strike price of 1.25 euros in 5 years would be interesting, the return of the capital after five years does not seem to be a very long period of time. Also markets and analysts would be likely to favourably welcome the operation, having the potential to create value and being the related profit somehow granted by the State through tax relief.

He finally delivered a written document regarding his contribution at the Chair's desk.

**Mr Barzaghi** reminded that he was a former employee, who had bought shares that STET had dedicated to personnel. Since then, he reminded, time had gone by and the Company showed itself to the market only owning many contradictions that for at least 15 years eased a decline that looked more and more unrelenting, despite several reassurances which tasted more like stereotyped sentences and less like a message showing a real change in trend. In the last period, there were some signs in that direction, but they were still too weak compared to what was expected.

Recalling some milestones in the history of Telecom Italia, it was clear that the real saviours of companies were small shareholders. Still, for a long time, a no-holds-barred economic and financial system only had given rewards to those who managed the “Chinese boxes” in a relaxed way, with the approval of institutions, (which had gone so far as to give the chance to build economic empires from nothing) at the expense of small shareholders, who, always and no matter what, had been bashed. The economic and financial crisis somehow had made clear that the virtual economy was not the real one, and that there could not be a real globalisation if the ethics of that globalisation had not been set, because, without those ethics, it was pointless to talk about real economy. In this perspective, the shareholder thought that the current crisis was demonstrating that there could not be development from now on in Italy, in Europe and in the world unless the development were more people-oriented, and less capital-oriented.

At this point, the shareholder asked some questions: he would like to have some clarifications regarding the industrial plan and, in detail, about what the time needed to implement it would be, which participated companies would be sold and which would be kept, as well as which services would be outsourced. Moreover, he asked how many employees would be interested in asking for welfare support provisions, and how many would be entangled in the transfer of Company branches.

He then asked if it was true that the Company was outsourcing services abroad, employing local personnel. He also asked if a project to transfer the network was currently underway, and, if so, what its value was.

Then, he underlined that the information services for subscribers seemed to have a hard time when competing with other services, this being also a consequence of the wide spreading of Internet services: he asked how many workers in the field would be subject to the consequent relocation.

After the Chairman confirmed that the social report had also been drawn up, the shareholder showed his appreciation for the creation of the Telecom Italia Foundation and he asked what the foundation’s tasks would be.

He then asked how many employees or retired shareholders had shares deposited in the Company, and if the moment had come to give more importance to these small shareholders.

He finally expressed his appreciation towards the CEO, with whom, in the past, he had shared an important project, which unfortunately had not taken off, and he announced his vote in favour.

This concluded the contribution of the shareholders to the meeting. The **Chairman** proceeded to answer the questions asked, pointing out that he would focus on some

general and shared issues, mentioned in several contributions, while the CEO would focus on issues of an operative nature.

First of all, the Chairman analysed the so called “Tavaroli” issue, underlining that it could be studied from three different perspectives.

The first perspective is the judicial one. The trial will start on April, 23: the Company, who fully trusts the Bench, cannot but wait for the outcome.

The second is the organisational-corporate perspective. In this regard, mostly referring to the “231 model” and to its implementation, many improvements had been implemented through the received and registered criticism, so that Telecom Italia was reasonably convinced to enjoy an adequate 231 system, which would prevent similar occurrences to those of the past from happening again.

Finally, the perspective of the possible liabilities, which many shareholders considered very important. The Company had, in this regard, appointed two internal attorneys to conduct research and reflection aimed at identifying possible liabilities of people or Companies. The research was not limited by agreements, ties or restrictive orders. Any useful element would be examined by the Board of Directors, who would evaluate and take decisions with balance and serenity and, surely, with strictness, but avoiding any prejudice deriving from revengeful attitudes.

In all the three cases, the Company is operating with full transparency.

Regarding the numerous questions which, somehow, referred to the relations with partners, the Chairman, reminding his own introduction, underlined again that the relation with Telefonica was balanced and productive. In the light of experiences lasting tens of years in many corporate environments, he judged the current situation as being optimal; the shareholders performed their own functions, in transparency, and, he reaffirmed, constructively; he did not see the alleged tensions or conflicts that some mentioned. For sure, at times, there was a healthy exchange of opinions within the Board of Directors, which is natural. If different opinions arise, then an open confrontation follows, thanks to this, clear solutions and no dark areas are achieved, whichever opinions are being expressed; surely they are always solely in the interest of the Company.

As far as the emoluments issue is concerned, the Chairman underlined that, considering a historical perspective, the matter had evolved overtime. Surely, some relations had been closed, which was inevitable when the management underwent renovation. Such decisions were aimed at giving homogeneity, strength and motivation to the management team. Previous agreements had regulated the end of these relations. The agreements had been undersigned in different economical contexts, with motivations tied, at the time, also to the instability within the Company. It was not possible to judge or contest valid and applicable contracts, as also confirmed by the legal opinions we asked on this matter. What needs to be underlined is that the new management, starting May 2008, has established that new contracts with management do not need to exceed the strict regulations of the National Management Contract. Thus, there are no more “golden parachute” contracts, no special agreements that differ from the ones established by the National Management Contract.

As far as the Tavaroli issue was concerned, it had been considered useful and appropriate to make a tangible effort to restore the right climate with the affected employees, who – obviously enjoyed a special relationship with the company, and towards whom the Company had specific duties. This however did not imply any admission of Company’s and

the current management's responsibility. 300 employees had been contacted, and two thirds of them had gladly accepted the offer received.

The politics regarding management and personnel remuneration are increasingly considering models of remuneration based on merit; the incentives linked to MBO systems all aim at giving importance to the quality of the cooperation, the professional capabilities and results. There is a clear feeling, which is not merely psychological, but also based on numbers, that these politics are effective: Meritocracy in Telecom Italia is a fundamental principle.

As far as the financial situation was concerned, the Chairman underlined that the debt was relevant, but sustainable. To those anticipating critical situations related to a possible future raise of the rates, he would like to recall that there was a current effort to reduce debt, which took shape in a specific and important program, so that, keeping on this path, there would not be major issues.

As far as the capital structure was concerned, the issue regarding the non optimal balance of saving shares and ordinary ones could not be discussed now, but it would be possible to tackle it in the future, in more serene times.

As far as the remark regarding goodwill was concerned, the Chairman said that it was kept under constant observation. The one performed was not a mere formal analysis: the evaluation of the recovery of the securities registered in the balance had been done, similarly to previous financial years, keeping the utilization value of cash generator units in mind, determining it based on the revision of cash flows in the budget, the rate of increase expected in the market, as well as the final value of each business unit, and updated using the average cost of the specific unit. The assessment had been performed by Professor Bini, author, with Guatri, of the most recent text regarding impairment.

Regarding the apologies that Mr d'Atri asked for, the Chairman would like to express what he had already expressed towards the employees, which is to say, the regret—even if it was clear that some employees had not acted loyally—for the existence of the dossier. This feeling was not only addressed to the harmed employees, but also to all those involved in the occurrence, because the unfortunate situation had been created by Telecom Italia employees.

As far as the re-exchange of the Telecom Italia shareholding structure was concerned, the Chairman explained that the survey regarding the updated situation of shareholding, for ordinary shares, could only be performed at the moment in which the dividends were distributed. This year that would take place on 23 April 2009. The last picture of the registered shares was made in April 2008 (2007 dividends): due to the current turbulence in the market, it happened to be quite unreliable.

Regarding the idea of opening booths in the main Italian cities, the Chairman warned that, in the past, the relation with the clients had mainly been based on the presence of physical offices managed directly and that that relation had radically changed. Most of the commercial, administrative and technical assistance contacts happened by phone, as the 110 million calls to the Telecom Italia commercial services and the 30 million visitors per year on the Web demonstrated. This did not imply that the “physical” communication was not important, especially for market services and products: the new services related to the evolution of mobile phone services and to the home digitalisation needed shops and windows, so, without a doubt, also this more traditional type of approach was fundamental.



Regarding Fogliati's remark about the thresholds to present candidates' lists for the auditor position, the Chairman underlined that the thresholds indicated in the Telecom Italia By-laws equalled the minimum threshold indicated by Consob. Furthermore, it was not possible to nominate auditors or administrators without lists, because using this vote mechanism was a requirement established by the regulations of listed companies.

Regarding possible legal actions initiated by people who were fired for unlawful causes, admitted by the Company, the Chairman pointed out that there were no dismissals for unlawful causes related to the occurrence Mr Sorrentino referred to. More simply, two former employees impugned the settlement agreements signed when they were leaving the Company, and the related lawsuits are still pending.

Commenting again on a civil action in the "Tavaroli" trial, on the problems met in assessing the damage suffered, on the reasons why the Board of Statutory Auditors did not issue a liability action towards the previous administration and on the Telecom Italia attitude regarding a possible liability action which could be started for moral and property damage, the Chairman specified that the lawyers, whom the President of the Statutory Auditors referred to, are professionals who were given the task to act by the very same Board of Statutory Auditors and that they were not the lawyers who were given the task by Telecom Italia. The auditing of the documents concerning the trial has been carried out by the lawyers of the Company, and it is based on this analysis that the Company has established, and is still establishing, its own litigation strategy. As far as the compensation for damage is concerned, Telecom Italia has already approved a so-called civil action towards all the accused individuals in the trial for all the offences notified by the Republic's Attorney's Office. If, during the trial, new elements arise, involving other individuals not listed among the currently indicted individuals, the Board, as already mentioned, will evaluate the steps that need to be taken.

As far as the fiscal arrangement is concerned, the Chairman pointed out that the fiscal disputes were related to a series of remarks made by the Revenue guard Cops for the 2003-2006 period, which could have amounted to a total charge of around 5 billion euros, in addition to the profile drawn during the inspection at Telecom Italia Media and in relation to the Pagine Gialle split, for a further possible charge of 4 billion euros. Furthermore, a notified investigation conducted by the Revenue Agency, had contested the merger, in the form of acquisition, of BLU in TIM in 2002, with a possible charge of 1 billion euros. The closing of the controversy has been reached through the payment of 317 million euros, which seems to be a reasonable amount in the uncertainty that usually characterizes this type of circumstances.

The Chairman, continuing his speech, pointed out that the contract did not establish any compensation for attending the meeting; he committed himself though to giving an answer within three months to the personal issue mentioned by shareholder Mr Turatti. As far as the alleged sale of Telecom Italia real estate to Mr Tronchetti Provera is concerned, the Chairman underlined that none of Telecom Italia's real estate properties had ever been sold to Mr Tronchetti Provera. As far as the real estate divestments were concerned, he added that, as already widely explained in last year's meeting, 2000 properties had been sold to IMSER, a joint venture between Beni Stabili and Lehman Brothers. In 2002 properties were sold to Tiglio I and Tiglio II, a joint venture with Morgan Stanley and Pirelli Real Estate.

As far as Citec is concerned, the Chairman stressed that the supplier had participated in the Demolab project since June 2008, in order to set a platform for audio-video advanced services. The project is currently being completed. For 2009, an offer regarding the maintenance of about 50 installed Service Node systems is being evaluated. The warnings received have been taken into account and there are currently no weak points.

At this point the **CEO Mr Franco Bernabè** took the floor. He stated that he would try to address, in one answer, the issue and the variations which have characterised identical or similar questions of different shareholders.

Before answering the specific questions he wanted to state some necessary and useful method-related considerations. In this context, Mr Bernabè acknowledged the valuable analysis effort made by several shareholders, first of all by the associations represented by Mr Lombardi and Mr Fogliati. Critical remarks are for sure useful and stimulating. This belief is what pushed him to always ask his fellow workers to examine carefully any complaint or accounts received by several offices. In many cases, those remarks and criticism were the starting point, (and they were for us in the recent past), to improve internal processes and procedures to make them closer to the clients' needs. This task, in a functionally organised operative Company, such as Telecom Italia, requires a strong effort and commitment, qualities that brought in the first results, as many acknowledged. If this was true, then one could not but see how the mood of many contributions in the meeting had sounded really ungenerous. These moods expressed a complete critical attitude towards those who worked in the Company and, in a very difficult year, had made some improvements, thus deserving appraisal and not only criticism.

A further element regarding methods was the acknowledgment that much of the criticism was based on rumours, on inferences and on second-hand information, rather than on facts. The company, beyond the regular auditing, had implemented a specific procedure aimed at pointing out anomalous facts deserving criticism aimed at management: the responsible for internal supervision collected and analysed all the critical remarks, especially if well detailed and not anonymous, and based on those he involved the specific offices and, when needed, the Board of Statutory Auditors. This work had brought excellent results and this was the path that needed to be followed: Anyone having anything to report needs and has to openly report it, addressing the responsible for internal supervision, showing the bravery to express themselves, just like many of the participants in the meeting had done.

Starting from the well-constructed contribution made by Mr Lombardi, Mr Bernabè, answering the question regarding goodwill, (which had already been partially addressed by the Chairman), pointed out that, as established by IAS 35, for the 2008 annual balance, the impairment test had been performed, with the cooperation of independent expertise, more specifically that of Professor Bini from Bocconi University. For all cash generating units, this test confirmed that the balance-sheet value was lower than the recoverable values, thus not recording charges arising from depreciation. Regarding Mr Lombardi's suggestion to compensate external attorneys based on results, Mr Bernabè underlined that these criteria had already been implemented and that during the 2009 financial year these procedures would be extended to all the main fronts of action in which both internal and external attorneys were working on. Moreover, in 2008, 68.5% of redundancy-related lawsuits had a favourable outcome for the Company; thus, the results were satisfactory,

showing that the legal department was working well in order to defend the interests of the Company.

As far as the recurring question regarding the ramification of the main office in the three branches in Turin, Milan and Rome, and on the savings that might be gained focusing all the activities in one single office were concerned, Mr Bernabè indicated that a concentration implied high organizational and human costs. Therefore, an optimisation of the costs incurred for splitting the main office, a historical setting, was under way, while a different organization would imply higher costs than the ones reasonably amortizable within a short period of time.

As far as the synergy with Telefonica was concerned, Mr Bernabè reminded that it was estimated to be worth 2 billion euros, but that this estimate had not been calculated by the current administration. The synergies estimated last year were worth 1.3 billion euros, which would be earned by both groups in the 2008-2010 three year period. 55% of these synergies belonged to Telecom Italia, which, in 2008, had achieved exactly what had been planned: 200 million euros of synergies. Thus, the result was perfectly consistent with the planned program. He added that, as known, in South America Telefonica and Telecom Italia are competitors; thus there they could not have and they did not have any type of synergy, because they were both competing against each other. This was the situation that was drawn to Authorities both in Brazil and Argentina, countries which would surely notice the existence of a real competition between the two groups

As far as the investments on quality were concerned, the CEO informed that, in 2009, investments up to 700 billion euros had been planned: 29% of total technical investments were thus directly or indirectly addressing quality. In 2008, the same type of operations had used 26% of technical investments. The commitment to aiming at better quality was proved by the creation of a "quality Committee", which often meets and which carefully analyses not only the general quality indicators, but all the verified issues suggested in filed complaints. The available indicators showed that this effort was rewarded by improved quality, including the perceived quality, which this year had steadily improved, except for a short interruption due to repricing phenomena, which, nevertheless, had little to do with quality. Sure enough, it was obvious that the increase in prices, even if it was essential for the company, could not be perceived as a positive occurrence by the users.

As far as the request for first quarter data, Mr Bernabè reminded that the financial results for the first quarter would be reported to the financial community on the coming 7 May, and, in that context, full information regarding the domestic and Brazilian business would be provided. The goals of the industrial plan, as known, estimate that the domestic business will undergo a profit squeeze in 2009, but that it will go back to the profits recorded in 2008 in the 2010-2011 period. It seems quite obvious that the first quarter of 2009 had been characterized by two phenomena. On one side, a crisis unprecedented in the last fifty years, which in some sectors had caused a vertical crash mode in demands: Even if telecommunications did not face the problems encountered in other sectors, the general difficulties certainly played and still play an important role. There was an additional second phenomenon: in the first quarter of 2009 the organisational structure of the commercial network had been reordered both in Italy and in Brazil. This reorganisation had caused delays, which should not worry.

The CEO underlined that Telecom Italia confirmed its status as one of the most profitable companies in Italy, which distributes a dividend consistent with a very high level of

financial viability. In his mind, the question that needed to be asked was not if the dividend was proper or if it was too low, but if, in the past, the dividends' level had been bearable based on the dynamics of the underlying business. A comforting feeling arose from the mood of last year's business plan, which did not promise "fireworks" or goal extravaganza, but it was based on balanced and precise goals, as it was proper for those who, being mountain lovers, know that steps are to be climbed up one at the time.

Last year Telecom Italia incurred in a very serious issue: the regulatory constraints which highly penalised the Company. Telecom Italia had a market share and higher returns than those of International competitors, and this induced the supervisory authorities to put Telecom Italia on hold and to open the door to competitors. In this context, the prior goal was to create a renewed sense of confidence and cooperation with the supervisory authorities, aimed at eliminating constraints and hesitations that would not let Telecom Italia compete effectively and sharply. The effort made in this regard had brought significant results and had opened a path which would be followed this year as well.

The main priority at the moment was to rebuild Telecom Italia's commercial potential, the priority lay in the market, and, therefore, attention must be dedicated to the brand. The CEO stated that, in this context, the critical remarks made during the confrontation regarding the scattering of the brands: Tim, Alice, Virgilio, had often limited Telecom Italia's visibility, while the competitors, also internationally, had focused on just one brand. It was fundamental, at this point, to react to this dispersion, making an effort to focus on the Telecom Italia brand, so that the presence in the market would become more effective and sharp. This restructuring required time, "magic wands" do not exist; a restructuring that changes choices made in the past is needed, because at the time those choices seemed to have a good reason to be, but nowadays they are obsolete. A new path is being opened.

It is not productive to discuss today about what happened in the past, about choices discussed, made and approved at the time. If, in relation to those choices and behaviours, illegitimate actions arose, measures would be implemented; this also referring to the security incident, on which the Bench was working.

Mr Bernabè, continuing his contribution, also underlined that:

- the total amount of Pirelli supplies to Telecom Italia amounted to 81 million euros in 2007 and to 88 million euros in 2008;

the goal that Telecom Italia had set for itself was to increase the customer satisfaction index by 3%. In 2008, the growth was 3.1%, which was consistent with the goals.

a flat denial was given, again, to the existence of any possible plan regarding a future capital increase;

the personnel needed in Brazil were sent there from Italy, keeping in mind the local necessities, the need to re-launch the Group and to promote fundamental experience-sharing. The number of people who moved to Brazil is lower than what expected for a foreign branch of a big multinational. The logic was that, once the specific know-how was transferred, the Brazilian management would be mostly represented by Brazilian professionals.

As far as the sale of real estate was concerned, for which the shareholder Mr Lombardi had demanded information, Mr Bernabè informed that one property in the centre of Milan was owned by the Company. Six properties had been sold in 2000 during the allotment to IMSER of a branch of the Company which included 581 properties: in detail the one in

Rome had a value of around 17.6 million euros, the one in Venice of around 11.6 million euros, the one in Florence of around 26.8 million euros, the one in Naples of around 21 million euros, the one in Palermo of around 2.9 million euros. The estimates had been assessed by Richard Ellis. Two properties had been transferred in 2002 during the allotment of some Company's branches, including 168 properties to Tiglio II (in detail, in Corso d'Italia in Rome, with an estimated value of 91.4 million euros, and in Piazza Affari in Milan with an estimated value of 53.3 million euros). Finally, one single property valued 3.7 million euros had been transferred in 2005, within an operation that included 852 buildings, to the closed-end real estate investment trust Raissa whose majority of shares was owned by Morgan Stanley and whose minority was owned by Pirelli RE. The total rental for the above mentioned properties was around 13.4 million euros.

As far as the other numerous questions were concerned, the CEO pointed out the following.

Telecom Italia's network did not need to be drained to eliminate the consequences of tapping, because Telecom Italia was never involved in tapping. It only fulfilled the obligatory services established by the specific rules and regulations. Tappings are performed by the Attorney's Offices based on services which Telecom Italia is obliged to offer. The presence of taps, which are devices functional to the technical and IT operations, is needed in a complex and modern telecommunication system. The Company had compiled a complete inventory of these devices and it had uninstalled the ones considered not suitable for the expected usage.

As far as Telecom Argentina was concerned, the local authorities had implemented measures that placed restrictions in the Group's rights, which, as indicated at the beginning of the meeting, had several illegitimate features. We are confident that through the initiatives undertaken autonomously and also with the shareholders' support, it will be possible to find a solution to the problem. It should also be noticed that, based on the new governance rules, specifically adopted by the Telecom Italia Board of Directors, there were no decisions analysed by the Board regarding Argentinean associated companies.

Regarding the decision of the superintending authority of the Brazilian market, establishing an obligation for a take-over bid on the ordinary shares of TIM Participações, it should be clear that this decision does not involve Telecom Italia or companies of the Brazilian Groups, exception made for shareholder Telco.

The three year period plan, addressing other questions, is first of all based on the trend of earnings in Italy. Referring to the profit deriving from innovative services, the expected average growth in this period was around 18%, against an expected profit squeeze of 4%.

Real estate rentals have been established in proper amounts based on the value of the single property. Nevertheless, because of the substantial fall in the real estate market, the rentals of offices and of radio base stations are undergoing renegotiations: for the time being, a reduction of about 400 real estate units has been agreed with the owners.

As far as the properties transferred in 2005-2006 were concerned, the duration of the rental contracts has been established in accordance with the reorganisation and optimisation programs of the physical spaces occupied by telephone exchanges, which is to say six, nine, fifteen years, with the possibility to renew the contract for the following six years.

The CEO, regarding the failures reported by clients, underlined that, in the first three months of 2009, the percentage of reported failures not fixed within 48 hours following

the final technical report compiled by the operating structures has been 6.3%. The number of reiterated failures went down to a percentage between 3% and 5%. The activation of Open Access has made a huge contribution to quality improvement.

As far as the discorporation of the network was concerned, the CEO underlined that misunderstandings often occurred. The issue related to discorporation arose from a legislative amendment issued by the last legislature, in a pro-competitive mood. Through the commitment expressed to AGCOM, Telecom Italia met the conditions that allow a higher competitive performance in the Italian Telecommunication system; consequently the CEO thought that the issue regarding the discorporation of the network could be set aside. The network represented an assumption and an essential feature of Telecom Italia's value and of its competitive potential.

As far as Telecom Italia Media was concerned, Mr Bernabè reported that works were underway. These works were aimed at improving profitability and at reducing costs, in order to give the asset the maximum value. It is a common belief that its value exceeds the current market value, thus a simple sale today is not the best way to earn a positive profit in the interest of the shareholders.

Going back to the issue about the central offices in Rome or Milan, the CEO added, to what he had stated above, that the functions of the staff which in general could be considered belonging to the central offices included around 3 700 people in Telecom Italia. 2 600 of these employees worked in Rome and Milan (in detail: 2 000 in Rome and 600 in Milan); also in Turin there was a small group of staff. The attempt made this year, was to optimise the structures instead of moving them, grouping the same structures in Rome or Milan based on the expertise and on the pre-existing organizational structure. The working time of the Direction was divided between Rome and Milan, to avoid moving whole groups of people from one place to another; at the same time, as expected from a telecommunication company, the new technologies and the means for remote communication have been fully implemented.

As far as the many questions about the broadband project (the "next generation network") were concerned, Telecom Italia is renovating the access network, which will be based on the needs of services offering ultra broadband for both landlines and mobiles. The implementation of fibre-to-the-building technology has started: in the Milan area; the new pilot services enabled by the system will start in September. The three-year period plan involves investments for around 600 million euros in about 20 cities in Italy. Due to the strong innovative feature of the project and the huge investment which it requires, it seems fundamental to perform continuous checks on the market necessities and on the technology development. From this point of view, in wider cities, where the channelling infrastructure is sufficient, the fibre-to-the-home technology seems to be a good option, thanks to the new technologies entailing wiring using optical fibre and to new important features related to the infrastructural operations introduced by law number 133/2008. The complexity of the access network, which has over 100 million connections, suggests setting a long term strategy that will consider other architectures together with FTTH. Many other new technical features will be introduced in this field, which is innovative and to which there is great commitment. In the end, the innovative areas are represented by the distribution of the interactive digital contents, by the offer of infrastructures and information technology applications as a network service for companies and by the offer of vertical and horizontal applications.

Regarding the SIM cards improperly activated (Mr De Septis Gaeta's question), Mr Bernabè recalled that the company goals were set consistently with the commercial strategies. In the past all the operators in the field were oriented at getting high volumes of activations rather than at acquiring a high level clientele. This criterion has been abandoned by Telecom Italia in 2008. As far as alleged damage is concerned, the restitution of the bonus and all the other matters involved, Telecom Italia will activate all the possible actions aiming at recovering the damage undergone and the bonuses which were issued to compensate results that had not been achieved. Also in this field there is commitment to ensuring the compliance with the applicable rules and regulations, supporting a significant effort in order to ensure the adaptation to the specific standard set of rules and regulations.

As far as Modafiferi's contribution was concerned, Mr Bernabè underlined that the Company had no speculative derivatives in its portfolio. The corporate politics were only politics aiming at covering risks. There was not the slightest intention to perform financial operations which were not exclusively aimed at corporate operability.

As far as the formal organisational positions were concerned, they had not been increased, because, on the contrary, we went from 1 555 to 815 formal organisational positions, with an overall reduction of 47%. There were certainly some redundancies, which were being managed gradually and based on a constructive relation with trade unions.

Reserving the right to address the many further questions asked by the shareholders (not always concerning what was listed on the Agenda), the CEO, referring to Cusani's remarks—of which he appreciates the constructive slant of the contribution—thought that it was necessary to state a few words answering the question of whether Telecom Italia was still a vital moving and dynamic “machine” or whether, on the contrary, it was a stiff and motionless structure. To this end Mr Bernabè underlined that Telecom Italia was currently a reality with a huge income potential and huge possibilities that could be expressed: the Brazilian example could be mentioned. Telecom Italia is a "machine" that lives in a very dynamic context, characterised by strong technological changes and by an intense competitive attitude. The patient and gradual work carried out last year was aimed at making the Company able to face such a context. If opportunities arose, everything was ready to welcome them, also in a direction entailing deep and structural changes, if this meant the creation of value for shareholders. Up until now, however, the priorities met were different and the results achieved were significant. We worked on processes, costs, prices and it is quite that work that allows earning some tranquillity, despite the dramatic economic situation of the market. It is that work that confirms that those who thought that Telecom Italia would be in a very difficult situation were wrong, while many companies find themselves in those situations. Surely the visibility path was not sought at any cost: the path of bombastic slogans was not followed, but a silent and persistent way of working was privileged, day after day, also by the management, to try to find what was not working in processes.

At this point the **Chairman** informed that, in order to ensure a more effective development of the meeting, in the light of the list on the Agenda, he would give the floor to the President of the Statutory Auditors, then to the shareholders for objections, and then to Company Director Professor Zingales, because he was mentioned during the discussion.

Further answers, if necessary, would be written in a specific document which is attached to the minutes.

From the hall, Mr **D'Atri** expressed his disagreement with this solution, stating that it did not allow for a full evaluation of data and useful elements to determine the viewpoints of the shareholders in the meeting.

About the remarks made by the ASATI association, and, more specifically, by its President, Mr Lombardi, regarding the activities performed by the Board of Statutory Auditors, in connection with the so called "Tavaroli" incident, Professor Golia underlined that the accusations mentioned as facts were actually still being evaluated by the Criminal Judge. As already mentioned, if from the analysis of the records strong and solid elements arose, the Statutory Board of Auditors would look into them, also evaluating possible liability lawsuits; **Professor Golia** also thought that the same type of thoughts were suggested by the management. Furthermore, it was a known fact that the Attorney's Office in Milan had not filed any charges against former directors of the Company and that the alleged fraudulent appropriations might have been carried out at the expenses of Telecom Italia by people who did not belong to the Board of Directors. The criticism towards the Company regarding the business process and organization, (former legislative Decree number 231, 2001), could then entail a liability of the Company only if the reported deficiencies had existed at the time of the occurrences investigated, only if the behaviours notified to individuals were to be proved, and only if those behaviours were the result of aiming at a more generic benefit for the Company and not, instead, if they fraudulently did not respect its organisational structure.

Professor Golia firmly rejected any accusations made against him and against his colleagues, and he underlined that Mr Lombardi, when defining the Statutory Board of Advisors as being influenced by the "conspiracy of silence", took responsibility for his statement, in the same way he took responsibility for his statements regarding Professor Golia himself. As far as the work performed by the Statutory Board of Auditors in these last years regarding the so called "Tavaroli" issue was concerned, he invited once again Mr Lombardi to refer to the documents of the same Board, which is to say to the meeting minutes, starting from the one regarding the 2006 financial year, in which he would not find any "conspiracy of silence" but the display of an intense examination and evaluation of facts.

The **Chairman** invited the shareholders who wanted to answer to take the floor with a maximum time limit of five minutes.

First of all **Mr D'Atri** asked if the Chairman, expressing his regret for the security incident, really meant to apologize.

The **Chairman** answered that the expression he used seemed to be absolutely pertinent.

**Mr D'Atri** thought that further explanations would be useful, mostly regarding the agreements reached with the 200 employees involved in the security incident, and he stated that it would be appropriate, in the interests of the Company and of the trend of the stock in the market, to allow shareholders and analysts to access Prof. Bini's report, regarding the impairment test, quite because what was mentioned in the meeting did not



give specific information about the recovery of the recorded values. He wished that the Company's Director, Prof. Zingales would talk about the compensations paid, and he wondered if the Chairman was really convinced that the liquidations paid to Mr Buora and Mr Ruggiero were preposterous. He also thought that some in-depth analysis was needed, because, as clearly stated, about 50% of the compensations paid to the auditing company was related to activities that differed from auditing, whose legality he was not questioning, as he could not decide if giving the auditing company the task to perform such activities was really necessary.

As far as the real estate issue was concerned, Mr d'Atri pointed out that it was bluntly clear that they were not sold personally to Mr Tronchetti Provera; his question was aimed at knowing if there were transfers to Companies or subjects controlled by or related to Mr Tronchetti Provera. He asked if the revision of fees, mentioned by the CEO, also included the junction boxes that Pirelli Re sells guaranteeing a 6% performance. He wished that a press release, even if not compulsory, might clear any doubts regarding the sale prices of real estate.

He ended his contribution inviting others to thank the members of the Statutory Board of Auditors who were not presented again as possible candidates, wondering if the fact that they did not participate again actually meant that, after all, they were not malleable enough. Surely though, and this beyond any other evaluation that could be given, they had performed a very challenging professional work, certainly free from serious faults, and, for this reason, they deserved to be thanked.

**The President of the Statutory Board of Auditors, Professor Golia**, informed that, in order to address any misunderstanding or inference, the only reason he had not been presented as candidate again is that he had already worked in this position for three years, which is the maximum limit for this role, as established by the self-regulation rules implemented by the savings management company which had presented one of the minority lists.

**The President, Mr Galateri**, pointed out that the evaluation of the impairment test had been checked by the following as a consequence of several petitions: Committee for internal auditing and for Corporate Governance, Board of Directors, Statutory Board of Auditors, Auditing companies. The shareholders could not but be confident of the accuracy of the evaluations, without asking the Company to comply with further fulfilments.

**Mr Lombardi**, specified to the President of the Statutory Board of Auditors that he had not mentioned anything but facts, supported by documentary evidence, pointing out that, certainly in good faith, the President of this Board had not read all the records of the proceeding regarding security, even if they had been available for five months then. To this regard he asked if the lawyers appointed by the Statutory Board of Auditors were the same that had been appointed by the Company.

After having explained that the emphasis of his previous contribution derived from the disappointment of somebody who had worked for thirty years (also with Mr Bernabè, with whom he left the Company after the Colaninno take-over bid), in a Company that once was the best one of the whole system and that today is very different, he asked the CEO and the Chairman, half way into their tenure of office, what they thought the future of the Company would be.

He underlined that his reiterated appeals in favour of the sale of the network had a reason to be in order to face a heavy debt, which was still about three times the EBITDA (2.8 times in 2011 vs 2.99 times in 2008). In this context the reduction of the earnings, the lack of clarity about the perspectives of an increase in earnings and of an increase of EBITDA, the very same growth rate, only achieving 3% of the quality index, are all data that worried, and that needed sharper actions.

Mr Lombardi continued his speech announcing that the shareholders who were related to ASATI would vote for the renewal of the Statutory Board of Auditors in favour of the list presented by Assogestioni. He again expressed his disappointment for, in his mind, a lack of attention showed by the Statutory Board of Auditors to the requests of small shareholders and to his own letters, underlying that the integrative declaration given in the meeting had happened only thanks to the intervention of the Consob, which had been made, in turn, because of the request of the Senate of the Republic. He agreed with Mr Cusani's request, regarding the evaluation by the Statutory Board of Auditors of the opportunity to promote a liability lawsuit against the previous administration in the Tavaroli trial.

In light of what he had declared in his contributions and in consideration to some doubts on some records of the balance sheet, such as the reported goodwill and the unknown potential liabilities at the moment, he declared that he would abstain from the vote regarding the balance and invited the ASATI associates to do the same.

**Mr Costa**, recalled the issues regarding outsourcing, to ask if it was true that Telecom Italia had lost in appeal thirty lawsuits related to the transfer of the HP DCS Company, with the consequence that the claimants were being paid twice their pay receiving it both from Telecom and from the transferee. He wished that the Board would launch a new governance model which would allow assessing all the operative imbalances which might entail client abandonment, as the level of debt might indicate. He indicated the number of a client who had been without connection for three months and expressed the availability of the staff to cooperate with the Company, which not necessarily had a future tied to foreign groups.

**Mr Giulianelli** recalled that he was expecting answers regarding the already mentioned issues.

**Mr Mancuso**, insisted on having an indication of the costs and profits in the first quarter, as well as on having indications on the amount of expenses related to consulting (which he imagined was also quite high due to the legal expenses regarding the security incident), even if the CEO had explained that the data would only be available when the quarterly report was approved. Moreover, he would also like to have some explanations regarding advertising costs.

As far as the security issue was concerned, he asked if the press news stating that, in order to avoid a sentence for administrative liability, Telecom Italia was thinking about negotiations, implementing general reimbursements which would entail the necessity to allocate 3.5 million euros. He stigmatised the increase of the monthly fees paid by clients, asking which authority had approved of it and where the enormous earnings deriving from a 10% price increase would go.

**President Galateri** stated again that the proposal for negotiations, which did not imply admission of guilt, was just a consequence of the tie some individuals had with the Company, and that it had only been addressed to the harmed employees in the security incident and not to anyone else.

Invited by the Chairman, the Company's **Director Professor Zingales** took the floor and, first of all, he thanked Mr d'Atri for the faith that he had expressed in his contribution towards him. He thanked Mr Bernabè as well, having to acknowledge that the trend that the Telecom Italia stock had in the last year was less negative than both the general Milan Exchange index, and than many other Company's stock trends. As far as the "battle" that Zingales himself supported in many issues, obviously it did not take place on newspapers or in public places, but within the Board, where it assumed an encouraging function, being a "bone in throat", a proactive stimulation. About the commitment that he took last year in the meeting regarding the action he himself was going to undertake, (asking other directors to do the same), to invest in shares at least half of the received remuneration, he confirmed that he had arranged that, thus losing money, just like any other shareholder. He thanked Mr Bernabè and Mr Galateri and the Directors Mr Baratta, Mr Berger and Mr Libonati who followed his lead becoming shareholders as well. He also would like to acknowledge that Telecom Italia had already approved the most advanced regulations regarding the operations with interrelated parts, while the Consob one had not been implemented yet. As far as compensations were concerned, the significant fact was that Mr Bernabè's emolument was much lower than what Professor Rossi (who, among other things was working part time for the Company) and Mr Buora earned, thus an important step had been taken in order to downsize compensations. Nobody noticed then, Professor Zingales said, that the stock options given in 2008 to both President and CEO had strike prices that were higher than the Stock Exchange price at the moment of allotment: this was an absolutely unknown practice in the market. One fourth of this allotment was conditional on performance. Retirement allowances had been drastically downsized, and since May no other "stunning" contract, similar to those signed in the past, which had been the result of a former administration, had been issued. This also shows that some important steps ahead had been taken. In the end, he thanked Mr D'Atri for the proposal to help the victims of the earthquake. He thought that it was a very meaningful expression of solidarity and declared that he would certainly make the payment.

**President Galateri**, said that he had already sent 1 500 euros.

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No one else asked for the floor, the assembly started the voting procedures which were going to be held separately for each matter on the Agenda.

Initially the Chairman opened the ballot papers received by mail, and handed them out to count the votes.

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The Chairman started the voting procedures for the **Motion to approve the financial statements for the financial year and the allocation of the profit for 2008** and, to this end he

- 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;

- asked shareholders to cast their votes by pressing the key corresponding to their choice of vote, and reminded them that all three of the keys marked respectively *In favour 1, In favour 2 and In favour 3* had the identical effect of casting a vote in favour of the motion being put to the vote; he emphasised that the hall staff were available to provide technical support, and that for any necessity which might arise there was also the **ASSISTED VOTING** booth at the back of the hall.

- announced that for the deciding vote at 18:54, the number of shares represented, entitling the holders to a similar number of votes, was 5 325 535 282, equivalent to 39.80% of the total number of shares;

he then put to vote (18:54) the resolution proposed by the Board of Directors, which is transcribed below:

*The Extraordinary Shareholders' Meeting of Telecom Italia S.p.A.*

- *having examined the annual financial report for 2008;*
- *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 13 657 095 615 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 2008, which show net income for the year of € 1 499 995 748.51*

2. *as regards the net income for the year,*

a. *to allocate to the legal reserve a maximum of € 30 393 156.42 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 allocate up for the distribution of a total dividend to shareholders, calculated on the basis of the following amounts per share, which will be applied to the ordinary and savings shares they hold (thus excluding treasury shares) on the ex-dividend day:*

- *0.05 euros for each ordinary share,*
- *0.061 euros for each saving 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 amount*

3. *to authorise 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 as retained earnings;*

4. *to pay the above dividends starting on 23 April 2009, ex-dividend on 20 April 2009.*

The Meeting approved the motion by a majority.

- In favour: 5 230 716 662 shares.
- Abstaining/Not Voting 91 365 640 shares.
- Against: 3 452 980 shares. Full details are given in the Annexes.

The Chairman gives notice that, with the passing of the resolution proposed by the Board of Directors, the following have been approved by a majority:

- the financial statements of Telecom Italia S.p.A. for the year ended on 31 December 2008;
- the allocation of the net income by distribution of a dividend in the amount of € 0.05 for each ordinary share and € 0.061 for each savings share, gross of the withholdings required by law.

**Mr D'Atri**, expressed his complaint; he delivered the proposal to devote 1/1000 of the profit to the Foundation for solidarity initiatives at the President's desk, a proposal which the Chairman did not put to vote, because the assembly voted in favour of the text proposed by the Board, and because—as pointed out by the Chairman himself—any variation to the proposal of the Board of Directors could be put to vote if the same proposal were not to be approved.

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The Chairman moved on the voting for the **Appointment of one of the members of the Board of Directors**, and therefore:

he reminded that the Board of Directors presented the candidate Mr Stefano Cao, as Company Director, with an office lasting until the end of the term of the current Directors which is to say on the day of the approval of the balance ending on 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;

- *asked shareholders to cast their votes by pressing the key corresponding to their choice of vote, and reminded them that all three of the keys marked respectively In favour 1, In favour 2 and In favour 3 had the identical effect of casting a vote in favour of the motion being put to the vote; he emphasised that the hall staff were available to provide technical support, and that for any necessity which might arise there was also the ASSISTED VOTING booth at the back of the hall.*

- announced that for the deciding vote at 19:00 the number of shares represented, entitling the holders to a similar number of votes, was 5 325 534 282, equivalent to 39.80% of the total number of shares;

he then put to vote (19:00) the resolution proposed by the Board of Directors, which is transcribed below:

*The Extraordinary Shareholders' Meeting of Telecom Italia S.p.A.*

- *due to the dismissals from the role of member of the Board of Directors, presented by Gianni Mion;*
- *keeping in mind that the appointment of the Board of Directors will expire on the day of the approval of the balance ending on 31 December 2010, (as established by the resolution of the Meeting of 14 April 2008),*

**resolves**

*to appoint Stefano Cao as the Company's Director, the office expiring on the same day as the current Directors, which is to say on the day of the approval of the balance ending on 31 December 2010.*

The Meeting approved the motion by a majority.

- In favour: 5 242 708 686 shares.
- Abstaining/Not Voting: 24 584 321 shares.
- Against: 58 241 275 shares.

Full details are given in the Annexes.

The Chairman stated that the proposal of the Board of Directors to appoint Mr Stefano Cao as Company Director, with an office lasting until the approval of the balance ending on 31 December 2010, was approved by the majority.

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The Chairman moved on to voting for the **Appointment of the Board of Auditors – related and consequent resolutions**, and first of all underlined that three different votes would take place, each one of them regarding:

- the appointment of regular and alternate auditorsthe appointment of the President of the Board of Statutory Auditors
- the determination of the pay of the members of the Board of Statutory Auditors.

Moving to the **appointment of the Auditors, to be elected through list voting**, the Chairman:

- reminded that, regarding the Board of Auditors, the number of regular auditors to be appointed was 5 (3 from the majority list and 2 from the minority ones), while the number of alternate auditors was 4 (2 from the majority list and 2 from the minority ones), as established by the By-laws;

recalled that three lists had been presented respecting the terms and regulations of the specific rules, which were about to be read and are transcribed below:

**TELCO's List**

(Presenting shareholder: "Telco S.p.A.)

**Statutory Auditors Section**

1. Mr Salvatore Spiniello
2. Mr Ferdinando Superti Furga
3. Mr Gianluca Ponzellini

4. Mr Lelio Fornabaio
5. Mr Mario Ragusa

Alternate Auditors Section

1. Mr Ugo Rock
2. Mr Vittorio Mariani
3. Mr Luigi Merola
4. Mr Luca Novarese

**Findim Group's List**

(Presenting shareholder: Findim Group S.A.)

Statutory Auditors Section

1. Mr Lorenzo Pozza
2. Mr Massimiliano Carlo Nova

Alternate Auditors Section

1. Mr Silvano Corbella
2. Mr Francesco Nobili

**Saving Management Company's List**

(Presenting shareholders: Aletti Gestielle S.G.R. S.p.A., Arca S.G.R. S.p.A., Bipiemme Gestioni S.G.R. S.p.A., BNP Paribas Asset Management S.G.R. S.p.A., Fideuram Gestions S.A., Fideuram Investimenti S.G.R. S.p.A., Interfund Sicav, Monte Paschi Asset Management S.G.R. S.p.A., Pioneer Asset Management S.A., Pioneer Investment Management S.G.R.p.A., Stichting Pensioenfonds ABP, UBI Pramerica S.G.R. S.p.A.)

Statutory Auditors Section

1. Mr Enrico Maria Bignami
2. Mr Stefano Sarubbi

Alternate Auditors Section

1. Mr Maurizio Lauri
2. Mr Massimo Gatto

- 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;

- he explained that the shareholders would be able to cast their vote pressing the key corresponding to the chosen vote, and reminded that the key In favour 1 was to be used to express a vote in favour of List 1 (Telco); the key In favour 2 was to be used to express a vote in favour of List 2 (Findim Group); the key in favour 3 was to be used to express a vote in favour of List 3 (Saving Management's Company); the key Abstaining was to be used to express the decision not to vote for any of the lists; the key Against was to be used to express a vote against all lists;

- for a correct use of the televoter the Chairman recommended to stay in the hall while voting, and he emphasised that the hall staff were available to provide technical support, and that for any necessity which might arise there was also the ASSISTED VOTING booth;

- announced that for the deciding vote at 19:04 the number of shares represented, entitling the holders to a similar number of votes, was 5 325 534 282, equivalent to 39.80% of the total number of shares;

he then put (19:04) to vote the presented lists.

The voting gave the following results:

- TELCO's List: 3 342 324 151 votes
- Findim Group's List: 675 960 464 votes
- Saving Management Company's List 1 299 819 996 votes

The Chairman, after reading the results:

- underlined that the majority of votes went to the Telco list, from which 3 Statutory Auditors and two Alternate Auditors would be appointed, following the order in the list, which is to say, more precisely:

- Mr Salvatore Spiniello – Statutory Auditor
- Mr Ferdinando Superti Furga – Statutory Auditor
- Mr Gianluca Ponzellini – Statutory Auditor
- Mr Ugo Rock – Alternate Auditor
- Mr Vittorio Mariani – Alternate Auditor;

- underlined that two Statutory Auditors and two Alternate Auditors from the remaining two lists were thus appointed:

- Mr Enrico Maria Bignami - Statutory Auditor from the Saving Management Company's List
- Mr Lorenzo Pozza - Statutory Auditor, from the Findim Group list;
- Mr Maurizio Lauri, Alternate Auditor, from the Saving Management Company's List.
- Mr Silvano Corbella, Alternate Auditor from the Findim Group list

Full details are given in the Annexes

The Chairman, then:

before proceeding with the voting, as per article 2400 of the Civil Code, reminded that the list of the positions in administration and auditing in other Companies of the Auditors who had just been nominated, were written in the file containing the CVs, which had been distributed when participants had entered the hall;

as far as the Auditor Ms Lorenza Pozza was concerned, he pointed out that in an addendum to the same file, it was mentioned that since last April 3, she had resigned from the position of Director of Casa Damiani S.p.A...

Moving to the appointment of the **President of the Statutory Auditors**, the Chairman:

recalled that, by law, the President of the Statutory Auditors was to be elected among the two Statutory Auditors elected by the minority;

informed that, first of all, the proposal to appoint Auditor Enrico Maria Bignami as President of the Statutory Auditors would be voted, explaining that, if the voting were not to be in favour, (and reminding that on this matter the assembly approves with a vote in



favour of the absolute majority of the represented capital), the appointment of the other "minority" Auditor as a President of the Statutory Auditors would be put to vote;

- 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;

- asked shareholders to cast their votes by pressing the key corresponding to their choice of vote, and reminded them that all three keys marked respectively In favour 1, In favour 2 and In favour 3 had the identical effect of casting a vote in favour of the appointment of the Auditor who is the object of the voting as a President of the Statutory Auditors, he emphasised that the ASSISTED VOTING booth was available at the back of the hall: those who would like to nominate the other Auditor, would have to press Abstaining or Against; he then underlined that once a majority of votes in favour of the appointment of one of the two minority Auditors had been assessed, the appointment of the other one would not be put to vote.

- announced that for the deciding vote at 19:15 the number of shares represented, entitling the holders to a similar number of votes, was 5 295 449 632, equivalent to 39.57% of the total number of shares;

- he then put to vote (19:15) the proposal to appoint Mr Enrico Maria Bignami as the President of the Statutory Auditors;

From the hall, Mr D'Atri asked the Telco shareholders to abstain from voting.

The Meeting approved the motion by the majority.

- In favour: 4 584 033 789 shares.
- Abstaining/Not Voting: 704 745 290 shares.
- Against: 6 670 553 shares.

Full details are given in the Annexes.

The Chairman acknowledged that the appointment of Auditor Mr Enrico Maria Bignami as President of the Statutory Auditors had been approved by the majority;

While moving on to the **voting regarding the annual compensation to be given to the member of the Board of the Statutory Auditors**, the Chairman:

recalled that the shareholder Telco had suggested assigning 80 000 euros for the gross compensation of each Auditor, 120 000 euros for the gross compensation of the President of the Board of Statutory Auditors, and 15 000 euros for the annual additional bonus of the Auditor who will be part of the superintending committee;

- 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;

- asked shareholders to cast their votes by pressing the key corresponding to their choice of vote, and reminded them that all three of the keys marked respectively In favour 1, In favour 2 and In favour 3 had the identical effect of casting a vote in favour of the motion being put to the vote; he emphasised that the hall staff were available to provide technical support, and that for any necessity which might arise there was also the ASSISTED VOTING booth at the back of the hall.

- announced that for the deciding vote at 19:18 the number of shares represented, entitling the holders to a similar number of votes, was 5 325 534 282 , equivalent to 39.80% of the total number of shares;

- he then put to vote (19:18) Telco's proposal, which suggests assigning 80 000 euros for the gross compensation of each Auditor, 120 000 euros for the gross compensation of the President of the Board of Statutory Auditors, and 15 000 euros for the annual additional bonus of the Auditor who will be part of the superintending committee.

The Meeting approved the motion by a majority.

- In favour: 5 278 939 224 shares.
- Abstaining/Not Voting: 44 957 612 shares.
- Against: 1 637 446 shares.

Full details are given in the Annexes.

The Chairman acknowledged that the Telco proposal suggesting assigning 80 000 euros for the gross compensation of each Auditor, 120 000 euros for the gross compensation of the President of the Board of Statutory Auditors, and 15 000 euros for the annual additional bonus of the Auditor who will be part of the superintending committee, had been approved by the majority.

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As the matters on the Agenda for the ordinary session have been dealt with, the shareholders' meeting at 19:20 moves on to discuss the extraordinary part of the Agenda, which will be the subject of separate minutes.



**TELECOM ITALIA**  
**SHAREHOLDERS' MEETING**  
**Dr. Gabriele Galateri**  
**Rozzano, 8 April 2009**

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Shareholders,

Before commencing our agenda today I would like to express the most heartfelt condolences and solidarity of this Meeting, the Board of Directors and all of Telecom Italia to the families of the victims and the entire population of the province of Aquila, so bitterly struck by the disastrous earthquake of just a few days ago.

Luckily, both our 110 colleagues in Aquila and their families are safe. The material damage which many have suffered is however serious and the Company is taking steps to channel the donations made by employees towards the most pressing needs.

The Company acted immediately to ensure the provision of telecommunication services in the area hit by the earthquake, despite the serious damage to the exchange in via Cardinal and the call center in via Strinella in Aquila, both out of use, as well as to a number of mobile radio communication stations.

There was, however, no interruption to the service, only the very high peaks of traffic, associated mainly with calls to the emergency services, caused some congestion problems on the day of 6<sup>th</sup> April itself.

In order to strengthen the communication infrastructures, the Company, in close collaboration with the Civil Defence Department),

- promptly sent 6 emergency generator groups (with another 22 on their way) and 2 mobile radio communication bases;
- activated 5 new lines at the Aquila heliport and 50 new lines at the Finance Police Academy ;
- installed a mobile public telephone station in the Paganica reception centre allowing 6 users to telephone at the same time.

To enable everybody, the population and the rescue workers, to continue to communicate, 10 euros of telephone traffic were credited free of charge to all TIM pre-paid mobile phones. Approximately two and a half hours after commencing this operation had been completed for over 281 thousand clients and by yesterday afternoon for more than 327 thousand users.

The Civil Defence Department provided 150 mobile phones with unlimited traffic to act as “public phones” in the reception centres, as well as 2,200 pre-paid phone cards for fixed lines distributed free of charge.

Together with other telephone operators, and again, in agreement with the Civil Defence Department, we activated a number for donations by SMS of 1 euro, on the same number (48580) also activating donations of 2 euros from Telecom Italia fixed lines.

Lastly, the Board of Directors of the newly formed Telecom Italia Foundation will, at its next meeting in April, consider the possibility of two types of operation: one, to the value of 200 thousand euros, to assist the population hit by the disaster and another, to the value of one million euros, destined to a project- yet to be defined- for the salvaging of the historic and artistic heritage damaged by the quake.

Shareholders,

For many years Telecom Italia has had its main advanced training centre, named after Guglielmo Reiss Romoli, the author of the reconstruction of Italian telecommunications in the post-second world war, in Aquila.

This particular historic association makes us feel the dismay and feelings of solidarity with the city and its inhabitants even more intensely.

For this reason too I would like to invite you to observe a moment of silence in memory of the victims.

\* \* \*

Shareholders,

Before handing over to Franco Bernabè, who will comment on the progress of the Company in 2008 and illustrate the plan to relaunch the company, embarked on last December, I would like to make a few brief introductory comments.

### **Governance**

Firstly I would like to confirm, on an even more informed basis than one year ago, that the company governance has reached a level which I would define fully functional to the complex requirements of the Group.

The Board is a place of real discussion and the decisions reached are the result of frank and lively debate, with a highly significant contribution made by the independent board members.

Our relations with Telefonica are also constructive and transparent in the strictest observance of the regulations and limitations imposed by Regulatory Authorities, we compete fiercely with Telefonica in those markets where we are both present, while in others we work on developing important synergies.

The relations between the Board and the management are smooth and collaborative.

The committees in particular, constantly work on improving the functioning of the Company in all its spheres of business including, obviously, the control system which is indeed a question of rules but also of their observance and application.

### **Observance of provisions and of the Ethical Code**

In this latter area events have occurred which have, subjectively, put the Company in a difficult situation, threatening its credibility.

We have reacted strongly to this situation both on internal and external fronts.

On the internal front we have been working for some time on both organisation and behaviour to create a company atmosphere where what counts - and is therefore a primary measure of Group belonging and of assessment - is not just formal respect of the rules but a substantial assumption of individual responsibility.

We do not, and will not, accept violations or exceptions to principles and values - in the first place of our Code of Ethics and Behaviour, an essential heritage for performing our business, or to the legal requirements of transparency, correctness and loyalty.

In this sense we are continuously introducing the necessary organisational modifications.

If we detect any violations, or reports of such are made to us, we promptly intervene, disciplining those responsible in a measured but rigorous manner.

As regards the events subject to investigation by the Public Prosecutor's Milan Office, our attorneys were appointed last July to defend the interests of the company using all legal measures and without reserve. If any specific proceedings have been or should be undertaken, this will be steady, pondered reasoning, decided in the interests of the Company.

### **The new climate with the institutions**

As regards the external front however, we have concentrated our efforts on creating positive and untroubled relations with all our stakeholders.

This is true, first and foremost, of the institutions and especially the independent Authorities, with whom- while strictly observing our relative roles- we have set up a collaborative climate which cannot but benefit the Company and the national economic system.

Our respective points of view do not always converge but the quality of relations has distinctly improved.

In this perspective it was important for us to give a clear signal, and we have done so.

With the creation of Open Access we have introduced a separate organisation model making relations with other operators and with the other internal departments of Telecom Italia more efficient and more transparent, benefiting not only ourselves but the other operators too and, most of all, the consumers.

This independent initiative was followed up with voluntary commitments, presented to and approved by the Italian Communications Authority, assuring absolute parity of internal and external treatment. Most of these commitments have been operative since 1 April.

We are convinced that we have made significant progress in terms of improving competitive conditions in the access network, positioning our model at the level of best practice.

We can confidently state that today the national economy recognises us as an asset and as its main interlocutor in the prospect of a digital society and economy.

### **Sustainability**

For our part we intend to perform this role as best we can as key players in the modernisation process which Italy so urgently needs, giving a strong impulse to innovation. An impulse to innovation which is structurally combined with a strong sense of business responsibility and particular focus on sustainability and on the social consequences of our actions.

One example of this is the project set up in Bologna in collaboration with the CNR and the S. Orsola Malpighi Hospital to prevent children suffering from serious illnesses from becoming socially isolated: by providing broadband and new connection technologies they can stay in touch with their schools and families.

The Company has done much more than this however, evidence of which you'll find in the Sustainability Report, included in the pen drive you have been given.

Here, I would like to remind you that in 2008, for the first time in many years, we reduced our electricity consumption and as a result emission of CO<sub>2</sub> into the atmosphere, and that our eco-efficiency rate is continuing to improve.

In addition, to concentrate and improve our initiatives in favour of the community, at the end of last year the Telecom Italia Foundation was created to promote ideas and projects in the social, educational and cultural spheres.

### **The economic crisis and the TLC sector**

Spreading and sustaining innovation is our role and is even more important in this extremely complex and difficult economic phase from which the only way out is by going bounds ahead in terms of efficiency and productivity.

In an industrial scenario heavily penalised by the global fall in demand, telecommunications remains one of the sectors most able to withstand the crisis.

This is especially true of the core business (voice and broadband) linked to an essential need to communicate. A certain weakness may emerge in the mobile, interactive services connected with entertainment but above all in business investments in ICT which- as we have reaffirmed with Confindustria too –deserves particular attention from our political decision-makers, if we are to avoid even further delay in the use of these technologies in the Italian economic sector, already critical compared to other countries.

### **Share price performance**

The serious economic crisis which we are facing is an inevitable point of reference for several comments on the performance of the Telecom Italia share.

As we know, the origin of the crisis lies firstly in financial imbalances, caused by a long period of under-assessment of risk and by consistently late changes to the rules compared to the innovations which the financial operators themselves were able to express...

In a nutshell, over the last twelve months the gap between the real economy and the financial sector, along with an extremely serious loss of confidence, has widened to its maximum point, blocking the normal functioning of markets, among which that of asset management.

This is certainly not the place to reconstruct a year of financial events which have taken us where we are today but it may be worthwhile to recall some asset management figures in major European countries (United Kingdom, France, Germany, Spain and Italy).

In 2008 the asset management of investment funds fell by 22%. In the month of October alone, after Lehman Brothers went bankrupt, the quantity of managed assets fell by about 10%.

The capital invested in shares was even harder hit: falling by almost half in 2008 (-41%), with a net worsening detected most of all in the second half of the year.

In Italy, this trend persisted for the first quarter of 2009, with a further fall of 9%. The last survey by Assogestioni emphasises that at the end of last March the net worth of Italian share funds was 64 billion euros, less than half the 135 billion at the end of 2007.

The confidence crisis had clear repercussions in redemptions characterising the entire period of 2008. In Italy, in particular, over 26 billion euros, 30% of the total, were taken out of asset management.

Redemptions are a measure of confidence and of market performance, the Italian Stock Exchange, since the last shareholders' meeting up to today, has been one of the worst performers in Euroland, with a fall of 49%.

In this situation and over the same period the Telecom Italia ordinary share fell by 28%, the savings share by 31%.

The slightly better performance of the Telecom Italia share compared to Italian listed securities may be a meagre consolation, if any, but is one worth emphasising.

Compared to the European telecommunications sector our share was more in line with the average (-25% since the last shareholders' meeting), thanks mainly to the good performance following publication of the results of the first three-quarters of 2008.

In recent times, the reduced tension with regard to the borrowing capacities of firms had a positive effect on share prices. Following the presentation of the Group's results in 2008 and, specifically, since mid-March, - when the tone of the financial markets benefited from the American government's plan to buy back the toxic shares and, last week, the announcement of the measures decided by the G20 -, investors have welcomed news of

operations involving the Company, such as the authorisation to increase the *unbundling* service charges, with greater serenity and a more positive attitude.

Further proof, were it needed, of the decisive effect of a climate of confidence.

\* \* \*

Shareholders,

It is only by rebuilding this climate of confidence between all the players involved in the economic and financial system that the fundamental improvements of our Group will be appreciated as much as they should.

For our part we will further strengthen the dialogue with the market with increasingly precise and constant financial communication.

We have confidence in the industrial plan we have laid down and are determined to achieve its objectives.

It will be a difficult task, but we are convinced that we can complete it and thereby assure the Company a reliable path of value creation sustainable in the medium - long term.

I shall now leave the floor to Franco Bernabè.



## SHAREHOLDERS' MEETING

Dr. Franco Bernabè

Rozzano, 8 April 2009

Thank you Mr. Chairman

Shareholders,

with your permission I will briefly expound the main results of the Company in the course of 2008 and the Group's strategies for the three-year period 2009-2011.

### 1. 2008 in detail

During 2008 the main economic financial indicators of the Telecom Italia Group showed a progressive improvement, with positive signs on the domestic market where the erosion of revenues was stemmed, maintaining excellent profitability levels.

Consolidated **Revenues** in 2008 were 30.2 billion euros. Specifically:

- the organic reduction of **Domestic Revenues** was 3.9% in 2008 compared to -5.8% in the previous year.
- increases were recorded for the foreign affiliates of the Group, **Brazil and European Broadband**, with an organic rise in Revenue, compared to 2007, of 4.9% for Brazil and 4.5% for Broadband companies in Germany and Holland.

The organic consolidated **EBITDA** margin for the whole of 2008 was 38.8% (39.5% in 2007). This result exceeded the target of 38.5% announced to the financial markets.

To such purpose I should like to emphasise that, against an average 4.2% reduction of consolidated EBITDA in 2008, the last quarter of the year showed, both in absolute terms and as a percentage of revenues, an inversion of the trend compared to the previous quarters, with an upturn of 2.2% compared to the same period in 2007 and an increase of the organic consolidated EBITDA margin of about 0.8 percentage points.

Such performance is to be attributed to Domestic business which in the last quarter generated organic EBITDA up by 3.8% on the 2007 figures, thanks to the first results of rationalisation and simplification projects leading to significant savings in terms of costs.

**Consolidated net profits** were 2.2 billion euros, down by 9.6% on 2007.

**Profits for the financial year of the parent company Telecom Italia S.p.A.** were 1.5 billion euros, a fall of about 0.4 billion euro compared to 2007.

At 31 December 2008 consolidated Net Financial debt was 34 billion euros, a decrease of 1.7 billion euro compared to 31 December 2007. The ratio of net financial debt to EBITDA was around 2.99 (3.06 at 31 December 2007), in line with the commitments made on the financial market.

I would like to point out in this regard that the Group has, and is, facing the serious crisis of the financial markets without worry, being able to rely on over **12 billion euros of available funds**, composed of 5.1 billion in cash or equivalent securities and 6.5 billion in long term (expiring 2014), non-revocable, available credit facilities.

In the first quarter of 2009 we refinanced over 60% of the financial requirement expiring during 2009, at an average cost slightly higher than our average debt cost of about 6%: an excellent result given the uncertainty of the financial markets.

Today the Telecom Italia Group has a treasury margin sufficient to meet the debt repayments of the next 18/24 months.

## **2. New climate, new rules**

2008 was a two-tier year: with a slow, uphill start followed by a comeback in the second half of the year when the benefits of the operations aimed at recuperating efficiency and simplifying company processes and organisation began to show the first results. Over the course of the year, as well as working on costs we also tried to create a more favourable operating context for your Company.

As recalled by the Chairman, we worked to improve our relations with various institutional referees (Government, Parliament, Authorities), basing such on principles of absolute transparency, trust and loyal collaboration.

The starting point of this strategy was the creation of Open Access, the division of Telecom Italia responsible for independently and separately managing and developing the Telecom access network in a non-discriminatory manner.

Down line of this decision and in order to manage the reorganisation process of the access network in tune with AgCom (the Communications Regulatory Authority), was our decision to propose a series of commitments, divided so as to achieve the objectives of developing competition in the access markets, a point made more than once by the Authority.

Such commitments, with an eye to the new generation networks, effectively ensure equal treatment by the commercial departments of Telecom Italia and other Operators in the supply of wholesale access services, thanks to a more efficient separation of the business related to the access network and the other Company departments.

In December 2008, AgCom approved the commitment proposal, deeming it likely to improve the competitive conditions of the access markets.

This was an extremely important step for Telecom Italia, the Authority and the competitors themselves, putting a definitive stop to discussion of the separation of Telecom Italia's access network.

In fact, this way the source of potential conflict is removed since the Telecom Italia network is offered indiscriminately to all operators, bringing tangible benefits to consumers too.

With the creation of Open Access and presentation of its new commitments, Telecom Italia has therefore taken an important step forward towards a more transparent market, in line with the hopes, expressed on various occasions, of AgCom and the European Commission itself.

More equal treatment will, among other things, bring the benefit of significantly reduced litigation between Telecom Italia and the other Operators. In addition, the potential positive impact of such commitments on competition in the retail and wholesale markets connected with the access network, seems able to overcome many of the competition issues highlighted in the past by the Authority. We hope, that over and beyond the benefits I will now list, there will be a re-examination of the entire framework of the current regulatory obligations imposed on Telecom Italia, reducing the entity of such.

Again, in terms of regulation, I would like to remind you of the other important results of this new climate created with the Authorities, that is to say the increase in the

residential service charge, unchanged since July 2002, and that of unbundling, marking a tangible change of direction compared to the continuous fall in wholesale and retail prices occurring since the liberalisation of the sector; in addition, the setting of mobile termination tariffs in line with our forecasts, the definition of a series of fundamental principles able to assure sufficient flexibility to Telecom Italia when formulating offers for public tenders and the setting up of new procedures for so-called winback aimed at facilitating the return of clients.

A further and significant area of legislative intervention with potentially beneficial consequences for Telecom Italia, regards the simplification of authorisation procedures for the realisation of the network infrastructures, especially the law simplifying the administrative procedure for the realisation of horizontal and vertical cables and the possibility of laying fibres using the micro trench technique.

### **3. The difficult economic context and prospects for the TLC sector**

It's these results therefore that allow us to look to the future with reasonable confidence. We are perfectly well aware that to speak of "confidence" in the midst of a global economic and financial crisis such as the one we are currently experiencing may seem rash to some.

We are convinced otherwise for two main reasons.

First of all, at a macroeconomic level the crisis is not the same for everyone; the weakness of the United States and Europe is countered by the strength of Asia and China especially, sustained by important political-economic operations, particularly in the field of infrastructures.

The second reason relates to the fall in demand and especially to the demand for telecommunication services.

As in any crisis, we have seen a general fall in consumption and investments which, I must say, in the first half-year was particularly dramatic. However its effects on the telecommunications market are currently proving less serious than in other sectors, albeit as the recession continues consumption habits may change with a consequent reduction of family and business expenditure on evolved communication or applications.

However in a general scenario of restructuring of economic-social systems, telecommunications and – more generally – new technologies, constitute a trump card to play in stimulating innovation, raising productivity and establishing new bases to improve competitiveness.

For a country like Italy where lower productivity penalises opportunities for growth, the potential of Information & Communication Technology to be exploited is still greater than elsewhere.

It's in this moment of crisis that we need to seize on the opportunities of technological discontinuity- in the terminals, in the network and in the service platforms- to speed up the digitalisation of the national economic system via broadband and the new services it enables.

### **4. Telecom Italia's Industrial Plan 2009-2011**

We intend to accompany the Nation in the process of transformation that it can, and must, undertake to emerge from the crisis stronger and more innovated than before.

To do so, we will naturally have to measure ourselves against an industry and competition which are changing under the pressure of convergence of telecommunications with the adjacent sectors offering digital contents and IT services.

Market confrontation is no longer within our traditional sector but with the biggest global operators in the world of Internet. If this is the area we are competing in we no longer want to appear as mere providers of telephony services or broadband connections but as “enablers” of new services crossing a number of markets.

To tackle these challenges with serenity we need to tidy up our own accounts and have a solid base to work from, that’s why in December we presented an Industrial Plan 2009 – 2011 aimed at restoring those essential requisites to Telecom Italia to pursue a path of expansion and relaunching of the Company.

In its operative aspects the Plan centres around:

- a redefinition of the Group’s core activities, which will be concentrated in Italy and Brazil;
- a strong commitment to a reduction of costs and the stabilisation of revenues;
- a programme of disposal of non-core activities to be implemented as soon as market conditions permit a maximum return on the same.

All this is clearly aimed at achieving more reliable cash generation so as to restore to Telecom the financial flexibility it needs to resume expansion

### **The domestic market**

To meet demand more effectively, since January 2009 we have adopted a new “customer centric” set-up, already fully operative and divided according to client type (consumer, business and Top) as opposed to the previous divisions based on technologies (fixed and mobile telephony).

This transformation based on a global vision of the client, as well as encouraging a natural convergence in terms of technology, permits more effective use of the operative and competitive levers available to us through:

- a new approach to making offers, based on better and fuller understanding of the client’s requirements and priorities;
- a strengthening of our distinctive features (customer care and, especially, retail channels and IT systems).

A courageous step which, as expected, has caused some weaknesses during the transition phase in terms of commercial efficacy but which was required to continue the recovery process we have embarked on

At the same time we are continuing to invest in innovation.

The increasing penetration of broadband and convergence of fixed and mobile lines will enable us to market advanced Information and Communication Technology solutions for business and public administrations and distribute multiplatform digital contents to consumers.

We expect these measures to bring about a change of direction in the downward trend of domestic revenues, thanks especially to the growth of innovative services both in the core business (with the development of fixed and mobile broadband) and in the adjacent businesses (digital contents and IT services).

A resumption of growth will also depend on our ability to raise perceived quality and consequently consumer satisfaction and loyalty, which we are focusing all our efforts on.

Achieving this objective will not only depend on the value of our services but also on a series of important projects designed to raise the quality of what we offer both from a technical point of view and as regards customer care.

By 2011, upon completion of the process that we set in motion in 2008, we count on having improved the satisfaction index by 5 per cent.

Together with other measures on the revenues front, we will continue to pursue a number of operations on the costs front. To improve our ability to compete and our flexibility we need to make a big improvement to the operative machine and this will come about as a result of a number of programmes by which we intend:

- to redesign retail and customer care activities according to a “customer centric” logic, thus ensuring better supervision of the client and the development of new channels;
- to rationalise the main technological and systems installation infrastructures;
- to align procedures and support functions with the most demanding industrial best practices.

The target we have set ourselves is to reduce the incidence of monetary costs on revenues by over 5 per cent in the years of the Plan, with truly significant overall efficiency, which we have quantified in the order of 2 billion euros.

All this will be made possible by investing about 10 billion euros in pioneering infrastructures, serving the growth of the Country.

### **Brazil**

Our Industrial Plan forecasts extensive growth in Brazil, a country which we believe has great, long-term potential

In this country we will continue to invest in innovation to restore to Tim Brazil its role as market leader in terms of value of its client base and technological capacity.

In this perspective, at the end of 2008 we reorganised the Company with a changeover of managerial staff and the definition of an Industrial Plan concentrating on the following key areas:

- restoring brand notoriety to its maximum level;
- developing particularly innovative offers, especially in the post-paid area, including by launching converging offers;
- restructuring the customer care activities, especially those dedicated to “high value” clients;
- making the distribution network more effective;
- improving voice quality and speeding up the diffusion of third generation technology.

With this combination of operations, over the next three years we expect TIM Brazil to increase its rate of revenue growth, improve profitability and cash generation.

### **Argentina**

In Argentina, on the other hand, Telecom Italia is facing a particularly complex situation in the light of a number of measures issued by the Argentine Authorities following the purchase by Telefonica of an indirect holding in Telecom Italia.

Specifically, the recent ruling of the local anti-trust authority (CNDC) has prevented Telecom Italia, and the board members designated by us at our board meetings, from

exercising our “political rights”. This decision has a number of clearly illegitimate aspects and does not take minimum notice of the fact that Telecom Italia and Telefonica operate autonomously and independently on the local market. I would add to this that Telecom Italia – despite not being subject to the administrative proceedings pending before the antitrust – has already adopted, as part of its corporate governance and in observance of the rulings already issued by the local Authorities, measures to prevent any influence of Telefonica in decision-making processes relative to Argentina.

Telecom Italia will continue to defend its rights in all the courts, confident of having a strong case and of the fundamental contribution made over the years to the relaunch and success of Telecom Argentina, which is today an important asset for the country.

### **Disposal of non-core assets**

The focus on markets considered strategic has resulted in us identifying a number of activities - which do not guarantee, either for reasons of position or market, growth prospects which we consider adequate, but which may constitute - in the wider consolidation process of the sector – interesting opportunities for other operators.

A specific organizational structure, reporting directly to me, was created in January 2009 to manage this process: this structure’s objective is to maximise, in terms of time and value, the benefits deriving from the disposal of non-core assets.

### **Reduction of debt**

The cash generated by business on our domestic market and in Brazil, plus that deriving from disposals will significantly reduce the Group’s net debt and strengthen its capital structure, giving increased financial flexibility to the Company.

The specific target is to reduce debt by 6 billion euros by 2011, thereby reducing the net debt: EBITDA ratio by two, three times compared to its current level of 3.

It is in this framework that the dividend for the year 2008 was decided. In such apportionment we have tried to conciliate the need to reduce debt with the maintenance of reasonable levels of remuneration for the shareholders.

The proposal to distribute a dividend of 0.05 euros on ordinary shares and 0.061 on savings shares which you are called to vote on today, are in line with average market expectations.

In such regard I would like to emphasise that Italian Listed Companies have adopted prudent policies: the overall amount of dividends has fallen by 50% compared to last year. the reduction proposed by Telecom Italia is below such average (37.5% for ordinary shares and 33% for savings shares); such choice means we can still be considered a company with a good dividend payout, bearing in mind that such level is a floor which we intend to build on in the years to come.

\* \* \*

Shareholders,

The aim of the Plan is to strengthen a Group for which the domestic market will be the fulcrum of cash generation and Brazil the driving force for growth.

I believe that the financial market appreciates the plan for its pragmatism, clarity and for the determination shown in wishing to achieve its objectives. I think the path we have taken is the right one

The current difficulties of the macroeconomic context clearly show the need to adhere to a path of managerial rigour, to tirelessly concentrate on costs and to optimise all the company processes, so as to greatly improve the quality of the service and achieve those objectives of valorising Your Company which we are all strongly committed to.

## COMPLETION OF ANSWERS PROVIDED DURING THE MEETING

### INDUSTRIAL PLAN

The objectives of the industrial plan 2009-2011 presented on 3 December 2008 in London forecast a drop in turnover for domestic business in 2009, and a return to the revenue levels of 2008 in the following years (2010 and 2011).

With reference to the increase in revenues from services and innovative products the plan contains forecasts of average growth of 18% in the period 2008-2011, against a drop in traditional revenues of 4%.

\* \* \*

The 2009 - 2011 plan estimates industrial investments of the Group at around 4.8 billion euros in 2009; in 2011 it forecasts a percentage of investments on turnover of between 13.0% and 13.5%.

In domestic business, industrial investments of about 3.3 billion euro are estimated for 2009 and, in 2011, a percentage of investments on turnover of between 13.0% and 13.5%.

The investments in products and innovative services regard:

- developing fixed and mobile broadband platforms;
- developing service platforms for VAS (IPTV, ICT platforms, digital advertising, etc.);
- innovating IT platforms, to adequately support the new customer centric approach (fixed-mobile integration).

More than half the planned investments are destined for allocation in such areas of intervention.

\* \* \*

The Industrial Plan 2009-2011 provides that the Group will focus on the domestic market and on Brazil.

The possible sale of TI Sparkle (as of the European broadband companies - Hansenet and BBNet) is part of a wider disposal strategy of “non-core” assets by Telecom Italia. The industrial plan, having evaluated all the Group’s assets, reflects the intention to concentrate resources and investments on the business deemed more profitable, in keeping with the aim of giving the Company a financial flexibility able to sustain the debt reduction project in the medium term.

As is the plan does not include any outsourcing projects.

### PLATFORM AND NETWORK EVOLUTION

The development of the innovative services envisaged in the industrial plan requires upgrading of the existing networks and platforms but also the introduction of new platforms for ultra-broadband fixed (NGN2) and mobile (LTE) services.

As part of the so-called NGN2 deployment activities, in the course of 2008 Telecom Italia installed 2,700 ONU (Optical Network Units) at the bases of buildings in the city of Milan. Approximately 31 billion euros, net of the costs capitalized for the work performed by company staff, were invested in this project.

In Rome the Company is co-ordinating the “Digital Rome” project promoted by the local Industrialists Association and regarding the investments planned to date by all the Operators (including Telecom Italia) to develop the new generation network in the Capital.



Said investments amount to about 300 million euros over the three year period 2009-2011, and have been sustained mainly by Telecom Italia.

#### QUALITY

The trend in the fault rate on Telecom Italia lines has shown a progressive improvement from 14.9% in 2006 to 14.1% in 2008. The goal for 2009 is to reduce this figure to below 13.4%.

The fault rates recorded are falling throughout the country, as shown in the table below.

	North	Centre	South	Total
2007	10.6%	15.0%	19.7%	14.5%
2008	10.4%	14.7%	19.0%	14.1%

North: Piedmont. Valle d'Aosta. Lombardy. Veneto. Friuli Venezia Giulia. Trentino Alto Adige

Centre: Emilia Romagna. Marche. Umbria. Tuscany. Liguria. Lazio. Sardinia. Abruzzo. Molise

South: Campania. Calabria. Basilicata. Puglia. Sicily

To further improve the network (maintenance and repair of connections) investments for 90 million euros are planned for 2009, mainly devoted to operations on street cabinets and MDFs.

\* \* \*

Indirect confirmation of the improvement in the service quality technical indicators is given by the trend in overall customer satisfaction, for which the quarterly figures of internal surveys starting at the end of 2007, are shown below, with separate reference to fixed and mobile services in the consumer and business segments.

	2007	2008				2009
	IVQ	IQ	IIQ	IIIQ	IVQ	IQ
Fixed consumer	6.89	7.03	7.08	7.11	7.23	7.19
Fixed business	6.29	6.35	6.48	6.55	6.58	6.63
Mobile consumer	7.64	7.71	7.66	7.44	7.47	7.46
Mobile business	6.77	6.85	6.87	6.87	6.83	6.9

More specifically, the source of the above satisfaction data is the "reflective" assessment survey known as the "customer satisfaction monitoring survey", which envisages repeated monthly questioning for 11 months a year for fixed phones and mobile phones for the consumer and business sectors. For top clients surveys are conducted twice a year.

This type of survey permits analysis and monitoring of an assessment which the client makes on the basis of his/her everyday experience, not of what happened in relation to a single, specific event, but the "sum" of his/her experiences over time with Telecom Italia.

\* \* \*

As regards customer relations in the case of reporting a disservice, when the reported fault is resolved directly while talking to the client or after an operator has been sent out, notification of the so-called "fault closed" procedure is immediate. However in the case of remote resolution of the problem the client is normally called so as to inform him/her that the problem has been resolved; this communication is not always successful however, either on account of the working hours of the company offices and therefore the unavailability of the client, or as a result of particularly intense workloads of the operating structures (usually in the event of widespread faults caused by prolonged bad weather).

In the awareness of the need to improve this phase of information and subsequent reporting, an automatic recall system of all clients reporting a disservice and whose fault has been repaired is being implemented: during the call the client is able to confirm the correct functioning of the line or to speak directly to a technician, should he/she consider that the problem has not been resolved.

As regards the identification of the fault report, to enable traceability in the telephone relations between the client and the call center staff, the client is recognised and the fault dealt with, with sole reference to the user's telephone number.

#### **REAL ESTATE**

With reference to the IMSER operation in December 2000 the Company sold off 581 properties, by selling a branch of business to a fully owned subsidiary, in which Telecom Italia maintained a 40% share of the capital, selling 15% of the residual part to Lehman and 45% to Beni Stabili. The properties were medium-large sized and situated mainly in major Italian cities.

In 2001 and 2002 some of these properties were sold on:

- by transfer to Telemaco (subsequently sold to the Whitehall Fund) and Telegono (subsequently wound up), the shares of which were held by the same IMSER shareholders, and
- by a non-proportional, partial demerger to EMSA, a Telecom Italia subsidiary, subsequently merged into Tiglio I.

The aforesaid operations were approved at the time by the Board of Directors and examined by the Board of Auditors with the support of the following consultants:

- CB Richard Ellis, a leading independent company which valued the properties asset-by-asset;
- KPMG, who carried out the investigation of the company complex at the moment of the sale to IMSER, as the court-appointed expert.

The idea of selling off the properties was adopted as part of a strategic decision to focus on core business. The cash generated by this operation was used for characteristic business.

The IMSER operation generated total liquidity of about 3 billion euros and gross capital gains of about 500 million euros in the individual financial statement of Telecom Italia S.p.A. with index-linked rental costs of about 1.3 billion euros. Comparing the current value of the costs connected with the IMSER operation and the total liquidity generated, the result is certainly positive.

It should be specified that the costs of maintaining the properties sold and leased-back, bearing in mind the conditions better described herein, are unvaried in relation to the transfer operation of the assets made at the time.

\* \* \*

As a supplement the information provided by the Managing Director during the meeting in relation to the offices in Rome, Corso d'Italia and in Milan P.zza Affari, as well as the telephone exchanges of Rome, Via delle Vergini and Corso Vittorio; Turin, Via Lancia; Milan Centre; Venice, Via Torino; Florence, Viuzzo dei Bruni; Naples Tuppiti and Palermo, Via Mignosi the following is specified:

- one property (Milan Centre) is owned;
- six properties were sold in 2000 as part of the sale of a branch of business comprising 581 properties to IMSER, a joint venture with Stable Assets and Lehman. One of these properties (Rome, Via delle Vergini) was returned to the owner in 2004. As regards the other five, details are given below:

(i) Rome, Corso Vittorio: surface area 7,487 square metres, estimated value about 17.6 million euros;

(ii) Venice, Via Torino: surface area 13,262 square metres, estimated value about 11.6 million euros;

(iii)

Florence, Viuzzo dei Bruni: surface area 19,425 square metres, estimated value about 26.8 million euros;

(iv)

Naples, Via Monte di Dio: surface area 14,262 square metres, estimated value about 21 million euros;

(v) Palermo, Via Mignosi: surface area 4,352 square metres, estimated value about 2.9 million euros;

- two properties were transferred in 2002 as part of assignment of a branch of business comprising 168 properties to Tiglio II, a company the majority capital of which was held by a joint venture of the property funds of Morgan Stanley and Pirelli Real Estate. Specifically:

(i) Rome, Corso d'Italia: surface area 25,467 square metres, estimated value about 91.4 million euros;

(ii) Milan, Piazza Affari: surface area 10,381 square metres, estimated value about 53.3 million euros;

- One property was transferred in 2005 as part of a contribution operation of 852 properties to the closed property fund Raissa, the majority shareholder of which was Morgan Stanley and the minority shareholder of which was Pirelli Real Estate. The case in point regarded the Turin plant, Via Lancia: surface area 3,887 square metres, estimated value about 3.7 million euros.

The estimates quoted were made by the independent expert CB Richard Ellis.

The question of selling off these properties, all sold "as a lot" by assignments or contribution of branches of business, was indeed amply discussed at the shareholders' meeting dated 14 April 2008, the minutes of which can be seen on the Company website and which reference should be made to for further details.

The overall annual rental cost of the aforementioned properties, defined by the independent expert during negotiations, is about 13.4 million euro.

On the matter of the duration of the rental contracts stipulated by Company employees on the basis of special proxies granted by the *pro tempore* legal representatives:

- as regards the properties sold to IMSER (including sites holding telecommunication equipment of strategic importance) such contracts are valid until 2021, with tacit renewal save notice of termination, for subsequent periods of six;
- in the case of properties sold to Tiglio II, used as offices, six-year contracts renewable for further periods of six years were drawn up;
- however, as regards the property sold to the Raissa fund, the duration of the rental contract was set as until 2014 with tacit renewal save notice of termination, for subsequent periods of six years.

\* \* \*

The rental contracts of the properties sold to IMSER in 2000 just as the contracts relative to the properties sold to Tiglio II in 2002 provide that extraordinary maintenance is the responsibility of the lessee (Telecom Italia), rather than of the owner. First of all, given the strategic nature of the properties in question the maintenance work is thereby performed by specifically selected, specialised firms chosen by the Company, able to perform such activities without risk to the telecommunications systems and to guarantee the technical correctness of the operations.

In addition, given the commitment by Telecom Italia to take responsibility for the extraordinary maintenance, a discount on the yearly lease of 10% was agreed to. This type of agreement regards about 10% of the properties rented.

\* \* \*

The costs to be incurred at the moment of returning the leased business premises used for industrial purposes to the owners will be that of restoring them to their original condition which, at the end of the lease, must be free of any equipment and other telephone exchange systems.

\* \* \*

Within the sphere of the initiatives selling off the real estate assets, no item was sold directly to Pirelli Real Estate.

## **HUMAN RESOURCES**

In 2008 staff costs of Telecom Italia S.p.A. amounted to 3.448 million euros, up by 336 million euros compared to the financial year 2007 (+10.8%).

This increase was considerably affected by the mobility costs (283 million euros) resulting from application of the mobility agreement ex lege 223/91 signed on 19 September 2008 with the Trade Unions and the fact that 2007 benefited from lower costs of 129 million euros in relation to the reduction of the performance bonus ascertained in 2006 (78 million euros) and the actuarial recalculation of severance payment in application of the new regulations on complementary insurance (euros 51 million).

If these “non-ordinary” effects are neutralised, the staff costs for 2008 would show a reduction of 2.4% compared to 2007 as the main effect of (i) the lowers cost deriving from a reduction of the average amount (ii) the higher costs related to the carry-over of the increase in contractual minimum wages from October 2007 and June 2008 provided

for in the CCNL TLC dated 31 July 2007 for the two year economic period 2007-2008 and (iii) the fewer costs of early retirement.

Excluding the last component, the labour costs incurred by the Company can be divided as follows according to category:

- directors: 7.6%
- management: 9.9%
- clerical: 79.8%

the remaining 2.7% being attributable to non-distributed costs (such as benefits, service payments, MOS. etc.).

\* \* \*

Wage management in Telecom Italia – inspired by market best practices – aims to support business objectives by valorising the contribution of each resource.

The pay packet of directors especially, divides into a fixed part, defined on the basis of principles of internal equity and in consideration of the strategic nature and distinctive characteristics of the post occupied, and a part which varies over the short term (MBO).

\* \* \*The average *pay-out* in April 2008 of the 2007 MBO was 131% compared to the bonus connected with achieving target objectives (analysis limited to Italy, net of resources posted to Brazil and the *Business Unit Media*). The MBO system 2008 generated a significant cooling off in the dynamics of variable wages, determining an important alignment of overall pay-outs to company performance: the average payout was in fact around 101%.

As regards the 2009 MOB system, the assigning of managerial objectives is close to completion. Generally speaking, no important variations compared to the 2008 scheme are envisaged, with definition of objectives closely connected to the targets of the 2009/2011 plan.

\* \* \*

We exclude the possibility of accepting the proposal to reduce, in 2009, the variable part of the salaries of managers who in 2008 had a RAL of over 300.000 euros.

Where such proposal refers to objectives already assigned the agreements made by the Company and the director must be honoured and the 2008 incentive was put in for payment after the final balance of the results with a general average payout (already mentioned above of 110% compared to 131% of the previous year) showing the effectiveness of the procedure aimed at containing the salary dynamics of the managerial component.

Directors' remunerations are in line with market levels in the sectors of reference and in the financial year 2008 the gap between the top positions and the basic director (fixed plus variable) fell by 20%.

\* \* \*

The company's meritocracy policy is not defined in a differentiated manner for age groups.

As regards treatment of "over 50s" (the object of the specific query), this category currently accounts for 22.6% of the total working population of Telecom Italia. In 2008 this group received 10% of the wage increases and 15% of one-off bonuses connected with achieving objectives.

\* \* \*

As regards non-cash benefits and company cars especially, this is currently provided for almost all directors in observance of the current contribution and fiscal regulations. This is a component adding to the flexibility of Telecom Italia's remuneration offer, the costs of which are in line with the conditions practiced by the market to big Italian groups.

For the sake of completeness it should also be mentioned that the whole benefit structure is being reviewed in relation to a reinterpretation of managerial divisions in the light of the new organisational set-up.

\* \* \*

As things stand, net of staff posted abroad, there are 892 Telecom Italia S.p.A. directors. Managerial policies encourage filling posts from within the company but this may entail relocating to new premises, as is often the case in big industrial groups, so as to optimize management allocation. This strategy is determining, among other things, a considerable reduction in the average age of managers occupying strategic positions in the group.

Where the skills sought are not present within Telecom Italia, it is not uncommon and has happened in the past that the selection process is directed at the consultancy companies which have worked for the Company in the past.

In 2008 internal promotions as indeed the entrance of new professionals from outside the company occurred in any case in line with a general trend of reduction of managerial salaries.

Roughly 50% of the positions of responsibility in the Company are occupied by non-managerial staff.

This figure is not stable however nor is it estimable in that assessment of the weight of organisational positions, down line of the recent reorganisation, is not yet complete.

\* \* \*

The use of Italian staff in Brazil, within the limits of a shrewd integration policy of the skills present in Italy with local personnel availability, is an optimisation of the group's resources.

In the case in point, the essential requirements being satisfied, the destination of resources for use in Brazil has been used to achieve the following effects:

- the valorisation of internal Italian resources;
- a uniform Group culture;
- cross fertilization and
- a reduction of overall labour costs.

The main provision made to the resources posted in Brazil over the last year was the flat-rate expenses refund within the limits and criteria foreseen by Group regulations, in line with market practice and the cost of living index for Brazil.

Minimal adjustments of fixed wages were absolutely in line with nationwide provisions connected with the responsibilities assigned and the weight of specific positions.

\* \* \*

As regards queries relating to the person of Doctor Luca Luciani and the presumed damage caused by the same to the Company image, we would specify that the group's reputation is monitored by a specific index measured by the IPSOS Institute.

In quantitative terms, in the period corresponding to the episode referred to by a number of shareholders (dating back to April 2008), no fall in such index attributable to any specific fact was observed. Moreover, it should be added that with reference to the

episode in question, no negative impact was observed either on the general population or on the *top target* (business men, managers professionals).

The appointment of Doctor Luciani to a position of responsibility in Brazil derives from assessment of the same as a manager qualified for the post, determined and with a strong inclination to achieve the expected results.

\* \* \*

As regards containment initiatives of the headcount, on the basis of current trade union agreements by 31 December 2010 attempts will be made to conclude voluntary mobility agreements for 5000 workers. At the same time the normal policy of incentives to leave continued.

Moreover negotiations are under way with the trade unions for the use of a welfare safety net to tackle the excess of 470 staff on the 1254 service and approximate total of 1,300 staff occupied in the Directory Assistance sphere.

#### **DISPUTES**

The total number of judicial proceedings involving the Company amounts to approximately 28,000 excluding the so-called “class actions” before Justices of the Peace relative to recurrent cases among which – for example- the refund of postal charges for sending invoices.

Almost all the legal proceedings in progress regard issues of a commercial and technical nature with the clientele which, we would remind you, amounts to over 17 million fixed clients and almost 35 million mobile clients.

\* \* \*

The level of employment disputes present in Telecom Italia is 8% of the total, with 2,589 cases pending at various levels, to be considered essentially physiological, especially where one considers the incidence of “outsourcing” as a cause of the phenomenon (see herein).

The rate of success for the Company in employment disputes was 61.39% in 2006, 71.11% in 2007 and 68.5% in 2008.

In 2008 241 employment cases were settled with a cost to the Company of 6.3 million euros.

\* \* \*

Since 2000, 824 employees affected by outsourcing phenomena took legal action against Telecom Italia (in a total of 398 cases): 28 workers settled, while in 389 the Judge found in favour of the Company and in 223 cases against; the remaining 184 cases are still pending at first instance. The definitive rulings regard a total of 10 outsourced employees and were all in favour of the Company.

Of the employees obtaining a favourable (non-definitive) ruling declaring the illegitimacy of sale of the branch of business, there are 36 who, while continuing to work for the respective cessionaries (specifically 32 working for HP DCS), demand payment of wages from Telecom Italia too by injunction order.

In such cases the Company has objected to the injunction order and paid the sums requested on each occasion only, after receiving an unfavourable ruling and reserving the right to recover such sums in relation to the outcome of the subsequent levels of justice.

#### **OUTSOURCING**

One of the results of Telecom Italia and the companies belonging to the Group focusing on their core business was the outsourcing of some non-strategic activities.

The choice of outsourcers was made following in-depth economic assessment, evaluation of the quality of the service and provisions of guarantees of continuity. In an initial phase, the offers received from leading operators in the relevant markets were assessed on an individual basis or as joint ventures with others. In the second phase Telecom Italia then started negotiations with the companies making the best offer, the negotiations leading to closing of the operations at the best economic conditions for the Group.

Each outsourcing project was however separately assessed in relation to its specific features and purposes. Generally speaking, the projects posed as a condition for implementation, an economic return in the medium to long term resulting from the economies of scale of the outsourcer, achieved thanks to its concentration and specialization in vertical processes and businesses.

The outsourcing choices were made, on each occasion, after rigorous cost: benefit analysis by managerial committees operating so as to ensure the best return for the Company and the safeguarding of the interests of all the stakeholders, bearing in mind the employment aspect too.

To ensure maximum levels of service for the outsourced activities special organisational structures responsible for the governance of relations with the outsourcers were set up and the supply contracts envisaged appropriate control mechanisms.

\* \* \*

Below is a list of the most important relations with the companies receiving outsourcing contracts for company services:

- following initial granting to a fully owned subsidiary (TESS), since 2002 the payroll service has been transferred to Accenture, with expiry of the supply contract at the end of 2009. For a description of the main features of the economic conditions existing see herein;
- in 2002 the management of business vehicles was outsourced with drawing up of a long term leasing agreement and relative management with Savarent Fleet Services s.r.l. (Fiat Group), now LEASYS S.p.A. (50% Fiat Group. 50% Crédit Agricole Bank). In 2004 the contract was reviewed with a reduction of the number of company vehicles leased, the expiry date remaining unchanged as 2010;
- in 2003 a number of challenging projects were undertaken to redesign the logistics infrastructure, giving Telecom Italia more efficient and flexible logistics today. Relations with the chosen *partner* (TNT Logistics, since 2007 renamed CEVA Logistics) have been satisfactory and the contract has been renewed until 2010;
- in 2003 a contract was signed with Hewlett Packard DCS, expiring in 2011, for the following two macro types of service:
  - desk top management;
  - application support services.

For a description of the main features of the economic conditions existing, see herein;

- in 2004 the maintenance activities (civil and technological plants) and environmental services (environmental hygiene, green areas and moving) were outsourced by sale of the corresponding branch of business from the companies in the Group to MP Facility S.p.A. (then owned 50% by Pirelli RE Facility and 50% by Manutencoop), with simultaneous entering into of service contracts. The contract was reviewed in 2007 and extended to



reviewed in 2007 and extended to 2013. MP Facility S.p.A. is currently fully owned by the Manutencoop Group;

- in 2004 the Document Management activities of Telecom Italia (including those provided by Emsa to other companies in the Group) were sold as a branch of business to Telepost, owned 51% by TNT, 20% by Pirelli RE ( since December 2008 Manutencoop) and 29% by Comdata. The contract was renewed for five years until 2014, bearing in mind the performance of the outsourcer;
- in 2001 the printing and putting into envelopes of the bills was outsourced to Printel (100% Postel, 100% Poste Italiane). At the beginning of 2008 the service was put out for tender and the commission reassigned to Postel for a three-year period.

\* \* \*

During the trade union meetings illustrating the industrial plan 2009-2011, in response to specific questions on the subject, any plans for new outsourcing operations or to resume activities already outsourced were excluded.

As was acknowledged at such time, in some cases the quality/cost ratio of the services purchased from outsourcers has not always proven entirely satisfactory. As a result, upon expiry of the relevant contracts renegotiations will be extremely pondered.

\* \* \*

As regards the interpretation of the preventive clause of acceptance of transfer of the employment contract and the comments made about such by some shareholders during the discussions of the meeting, we would point out that in fact this is a standard clause in employment contracts.

In the event of transfer of an employee from one company in the Group to another in the Group - in cases other than sale of a branch of business - preventive acceptance of transfer of the individual contract is similarly requested.

\* \* \*

The costs incurred for the payroll services supplied by Accenture in 2008 to the Telecom Italia Group were 18.2 million euros; the average monthly cost of a payslip amounting to 22.48 euros for thirteen months' wages.

The low costs of the service should be assessed on the basis of a medium to long term scenario however, in which case the appropriateness of the new conditions offered upon expiry of the contract period (end 2009) will be of particular significance.

In the prospect of renegotiation, the widest market reconnaissance procedures in the interests of the company will obviously be conducted.

\* \* \*

The cost for 2009 of the existing IT service contract with HP DCS was 27 million euros. This amount divides into two macro service type areas:

- desk top management services accounting for an overall cost of 18 million euros, at a unit cost of about 230 euros for each station managed;
- additional services of an infrastructure nature (data center support. OSS help desk. other) to a value of 9 million euros.

In 2003 this business branch, at the moment of signing a supply contract with the cessionary company, had a higher cost profile associated with a perimeter of 78,000 stations and about 600 people employed in the service. The overall savings in 5 years have been estimated at about 45 million euros.

## **COMMERCIAL ACTIVITIES AND SUPPLIER RELATIONS**

In view of the commercial marketing of the video telephone (2004) market research was conducted which suggested a potential interest in this type of service. The product launch took place at economic conditions without losses to Telecom Italia.

In the first phase (video communication services on the PSTN network) the selected supplier was Hitel, at the time the only company owning the patent for supplying the service on the PSTN network. Technical assistance for the devices was supplied, as usual, by the manufacturer of the same.

Video telephony on PSTN however revealed a number of problems when running that had not shown up during the laboratory test phase. The subsequent products, based on AFSL technology, resolved such issues.

The change in technology led to premature termination of the contract with the first supplier who did not however take legal proceedings against Telecom Italia which was therefore not sentenced to pay any compensation to the same. Nor were there rulings sentencing Telecom Italia to compensate the damages to clients following marketing of the product.

In a judgement dated 25 August 2005 the Antitrust Authority declared in fact that the advertising of video telephony was deceptive given its lack of indication of the technical-qualitative limitations to use of the service publicized. However in such regard no economic sanctions were enforced.

In 2008 a total of 55,000 video telephones were sold and 234,000 were rented.

The devices were supplied by the consortium composed of Industrie Dial Face, Urmet and Promelit LG (present in the Group's Supplier List in various product categories) who also supply the devices abroad. No problems of product quality were detected for such supplies.

\* \* \*

As regards supply contracts with Kelyan Xaltia ed Engineering, during 2008 the orders by Telecom Italia placed with the Engineering group (therein included Xaltia, which was bought up by Engineering in 2008) amounted to 27.2 million euros; in 2007 orders from the same supplier were 27.7 million euros.

It should be pointed out that in the current state of affairs no connections exist between companies included in the Supplier List of Telecom Italia and strategic resources of the Group. Specifically, the addition of new suppliers to the List is not allowed for companies having among their key shareholders or among the Higher Management, directors in office or having left the Group less than three years previous.

\* \* \*

The contract with Sky for broadcasting the relative pay-TV channels on IPTV does not entail any costs to Telecom Italia.

In the case of an IPTV Telecom Italia client taking out a subscription to Sky the contract is between Sky and the client directly; Telecom Italia is paid by Sky via

- a one-off payment for each client acquired.
- a monthly revenue share mechanism on the quantum paid by the client to Sky.

## **FAKE HOLDERS OF SIM CARDS**

In relation to the phenomenon of fake names being used for holders of SIM cards, Telecom Italia has started legal proceedings in Sicily too, specifically with the Public

Prosecutor's Offices in Enna and Caltanissetta, but is not currently informed of the progress of the investigations.

Generally speaking, the Company has undertaken many, incisive initiatives to combat the phenomenon throughout the country, taking action on a legal front as well as preventive measures.

On the legal front, from May 2008 to today a number of actions have been registered in the relative Public Prosecutor's Offices involving a consistent number of dealers.

As regards "prevention", a work group has been set up to review the in-house procedures and company processes related to activation of SIM cards, with special focus on the profile for acquiring identification documents of the dealers.

The damages incurred to Telecom Italia in the matter consist mainly in having paid cash bonuses for targets which were merely apparent. Such damages are currently being assessed but the Company will, in any case, bring a civil action against those responsible of unlawful conduct for compensation of the damages incurred. .

#### **OTHER BUSINESS**

At 31 March 2009 4,281 employees of companies belonging to the Group, of whom 1,710 retired, had Company shares deposited with Telecom Italia

\* \* \*

In 2008 the "Advertising and promotion costs" of Telecom Italia S.p.A. remained essentially unvaried compared to the previous year.

As the financial statement shows, such costs fell from 413.6 million euros (financial year 2007) to 413.3 million euros (financial year 2008). Within the accounting item the costs of pure advertising are much the same from one year to the next.

\* \* \*

With reference to Telecom Italia Media, no signs of interest from and/or in Mediaset have been manifested.

\* \* \*

The sale of the block of shares held in Telekom Serbia, amounting to 29% of its stock capital, took place in 2003 as part of Telecom Italia's policy of rationalising non-strategic shareholdings.

As communicated to the market at the time, the sale to PTT Serbia (a public company controlled by the Serbian government) was at a price of 195 million euros (the book value of the shareholding at the time, in the financial statement of Telecom Italia) with payment partially in instalments, duly paid.