

PRESS RELEASE

TELECOM ITALIA SIGNS AGREEMENT WITH TRADE UNIONS TO INCREASE PRODUCTIVITY

The agreement provides for a more effective labour organization. Surplus labour to be managed mainly through solidarity contracts

Rome, 27 March, 2013

Telecom Italia and the Trade Unions today signed an agreement reached after constructive dialogue between the two sides aimed at increasing internal productivity through a more effective organization of labour and internalisation of activities outsourced externally. Redundancies will be managed mainly through the adoption of solidarity contracts.

The understanding, that is particularly innovative in terms of job requalification and evaluation, allows respecting the Company's 3-year Plan targets that foresee continuation of the process of cost reductions, including labour costs.

In a TLC market under a strong competitive pressure on prices and the resulting squeeze on revenues, margins and the sustainability of cost structures, Telecom Italia and the Trade Unions agreed on the need to implement structural measures to offset the reduction in work volumes and safeguard long-term employment.

Further, the agreement signed today allows managing the redundancies identified for the period 2013/2014 through social security cushions such as solidarity contracts avoiding layoffs. Specifically, 2,500 of the 3,000 jobs at risk at Telecom Italia SpA will be saved through solidarity contracts covering around 32,000 employees. Meanwhile 500 workers will leave the company either because they already have legal pension entitlements or voluntarily because will reach pension age during the flexibility period under Law 223/91.

A further 350 surplus jobs identified at Telecom Italia Information Technology for the period 2013/2014 will be protected using the same support mechanisms.

The main measures planned are as follows:

Caring Services Division

The company accepted the trade union proposal to put back the spin off of this business until 1 April 2014. The parties also agreed to rationalise the Caring Services sites with the closure of 47 centres with less than 46 employees. The staff involved will be allowed to apply to work from home.

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Telecom Italia will begin a reorganisation of the work of the maintenance and customer repair teams. For example, each engineer will be given a company vehicle to keep at home to save time reaching customers' premises and a vehicle geolocation system will be introduced to optimise operations and improve safety standards.

Directory Assistance

The company promised to avoid wholesale redundancies even in the event of a complete cessation of activities in an area which has struggled for years from shrinking business due to changing market conditions. The parties agreed to find sustainable solutions including reskilling of workers to fill more productive positions.

Bonuses

The parties also set out the new bonus regime for the 2013-2015 period. The new bonuses will be linked to annual targets based on the company's financial (EBITDA, revenues) and quality (customer satisfaction) results.

COO Marco Patuano, said: "Today's agreement demonstrates our readiness for constructive dialogue with the Trade Unions, to guarantee respect for and protection of the workers, who represent an important asset for the Group. In this context, I believe it is particularly important to stress the constructive and responsible attitude of the trade unions, that not only agreed on a painless solution to the problem of surplus jobs but also contributed, in accord with the Company, to a farsighted plan to raise productivity to protect employment over the coming years.

"This agreement enables us to respect our 3-year Plan efficiency targets and go forward with greater confidence with the investments necessary to relaunch Telecom Italia."

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