

TELECOM ITALIA S.p.A.
Minutes of Ordinary Shareholders' Meeting
15 May 2012

The Ordinary Shareholders' Meeting of **TELECOM ITALIA S.p.A.** began at 10:01 a.m. on 15 May 2012, at Via Toscana 3, Rozzano, Italy.

Franco Bernabè, Chairman of the Board of Directors, declared the meeting open and, with the unanimous consent of all attendees, asked Carlo Marchetti to act as the meeting Secretary.

The Chairman began by reminding attendees of the **Agenda** for the

Ordinary session

- *Financial statements as at 31 December 2011 – approval of the documentation on the financial statements – related and consequent resolutions and distribution of 2010 profits carried forward*
- *Report on remuneration - related resolutions*
- *Appointment of two Directors*
- *Appointment of Board of Auditors – related and consequent resolutions*
- *2012 Long Term Incentive Plan - related and consequent resolutions*

Extraordinary session

(Omissis)

The Chairman then reported that:

- the notice convening the Shareholders' Meeting had been published on 02 April 2012 in the daily newspapers Il Sole 24 Ore and the Financial Times;
- the share capital was 10,693,628,019.25 euros, divided into 19,442,960,035 shares with a par value of 0.55 euros per share, of which 13,416,839,374 were ordinary shares and 6,026,120,661 were savings shares;

- as of the date of the meeting, the Company held 37,672,014 of its ordinary treasury shares. In addition, 124,544,373 Telecom Italia ordinary shares were held by its subsidiary Telecom Italia Finance S.A.;
- in relation to the possibility of exercising the right to vote by mail, as provided for in the Bylaws, a single ballot card had been received, for a total of 12,250 ordinary shares;
- the vote could be cast from 26 April 2012 until the end of the day before the meeting, including electronically via the Company's website; votes representing 3,027 ordinary shares were received.

The Chairman therefore declared that, at 10:03 a.m., the ordinary shares participating in the shareholders' meeting for the purposes of the quorum were 7,069,594,355 in total, including the ones associated with votes cast by mail and electronically. The share capital represented at the meeting was therefore equivalent to 52.69% of the total of ordinary shares.

Accordingly, the Chairman noted and acknowledged that the meeting was quorate and able to discuss and resolve on the matters included in the agenda.

The Chairman also stated that:

- the documentation relating to the various matters on the agenda had been published in accordance with the applicable regulations;
- the following, among other things, had been distributed at the entrance:
 - the printed document containing the financial statements for 2011 (including the proposed resolutions and the associated explanatory reports);
 - the financial statements of the incorporated company Telecom Italia Audit & Compliance Services S.c.a r.l.;
 - a printed document containing the report on corporate governance and share ownership and the remuneration report;
 - a printed document containing the slates and CVs of the candidates to the position of Auditor (including the updated list of administration and control offices already held) as well as the CVs of candidates to the position of director;
 - the information document regarding the “2012 Long Term Incentive Plan”;

- a request for information received from Consob on 9 May 2012 pursuant to article 114 of Legislative Decree 58/1998;
- according to the figures in the possession of the Company, the following held shares with voting rights amounting to more than 2% of the ordinary capital:
 - Telco S.p.A., with a direct holding, by way of ownership, corresponding to 22.387% of the capital with voting rights;
 - Findim Group S.A., with a direct holding, by way of ownership, corresponding to 4.986% of the capital with voting rights;
 - Blackrock Inc, with a holding in the capacity of asset manager corresponding to 2.885% of the capital with voting rights;
 - AllianceBernstein LP, with a holding in the capacity of asset manager corresponding to 2.063% of the capital with voting rights;
- as regards the relevant clauses for Telecom Italia pursuant to article 122 of Legislative Decree 58/1998, the extract from the existing agreement between the majority shareholders relating to Telco S.p.A. (Intesa San Paolo S.p.A., Mediobanca S.p.A., companies in the Generali Group and Telefónica S.A.) was published in the national press on 29 February 2012;
- the following were present at the meeting, besides the Chairman and the Managing Director Marco Patuano:
 - the Directors Minucci, Catania, Calvosa, Egidi, Fitoussi, Sentinelli and Zingales;
 - all the Auditors Enrico Maria Bignami (Chairman of the Board of Auditors), Pozza, Ponzellini, Spiniello and Superti Furga;
 - Mr. Emanuele Rimini, common representative of the holders of savings shares;
 - Mr. Francesco Pensato, common representative of the holders of bonds relating to the following loans: "Telecom Italia S.p.A. Euro 1,250,000,000 5.375 per cent. Notes due 2019".
 - Mr. Enrico Cotta Ramusino, common representative of the holders of bonds relating to the loan "Telecom Italia 2002-2022 Floating Rate bonds, Open Special series, reserved for subscription by employees of the Telecom Italia Group, in service or retired";
- finally, representatives of the audit firm were present, as well as staff engaged in the proceedings of the meeting;

- for the purposes of the Shareholders' Meeting, the Company appointed Mr. Dario Trevisan as a person on whom people with legally authorised voting rights could confer proxy free of charge, under Article 135 *undecies* of Legislative Decree no. 58/1998. Mr. Trevisan informed the meeting that he had not received any voting proxies in his capacity as designated representative.

The Chairman then:

- determined, as per the Regulations governing the Shareholders' Meetings, that 10 minutes would be set as the maximum length of speeches during the course of the discussion which, as usual, would cover all items included in the ordinary session and subsequently, during the second part of the meeting, all the items relating to the extraordinary session;

- stated that voting would later take place separately on the various items on the agenda;

- pointed out that the operations of recording attendances and counting the votes would be performed with the aid of a remote unit, the so-called "televoter", which is associated with the personal identification details of the entitled individuals. The televoter is therefore a strictly personal tool that shareholders must carry with them throughout the meeting and is supplied with an instruction sheet;

- reminded shareholders who intend to address the meeting to make a booking; when called to make their speech they would be required to proceed to the podium set up for the purpose, and avoid speaking from the floor;

- he then informed the meeting that recording equipment was being used in order to facilitate minute-taking, and that there was also a simultaneous interpreting service from Italian to English and vice versa (headphones were available at the entrance to the hall). The personal data collected would be handled for the purposes of the proper conduct of the meeting and for minute-taking. All data would be handled in accordance with the legislation on *privacy*;

- he reminded attendees that audio and video recording of the meeting by shareholders was not permitted.

Given that, for all matters included in the Agenda, documentation had been made available on paper and online, and delivered at the entrance to the hall, the Chairman stated, with no objections, that the documentation would not be read out.

The Chairman then read out the following speech.

Dear Shareholders,

2011 was once again a difficult year for the European economies and particularly the Italian one, but for your Company it was a year of recovery in terms of market penetration and investments.

The internal market, for which service companies cater, showed no signs of recovery. An analysis of quarterly performance shows that in reality there was a slow and gradual deterioration culminating in the second half of 2011.

Unfortunately there are no signs that the serious situation will improve in the short term. Indeed, the first economic indicators for the current year confirm the contraction in demand recorded in the first two quarters of 2011.

Compared to this scenario of general containment in consumption, the evolution of telecommunication services, in terms of volume, is bucking the trend. In 2011, the average monthly number of mobile telephony minutes per customer increased by more than 6%. The increased volume, which is explained partly by the elasticity of prices and partly by the increasing availability of package offers, allowed the fall in income resulting from price contraction, which has been increasingly significantly in recent years, to be mitigated.

Telecom Italia's main performance indicators also show a decisive improvement resulting from the effort and commitment shown over the past four years or more.

The overall growth in income of 2.7% is the combined effect of strong growth in Latin America and the ongoing recovery of revenues in Italy, which has continued throughout the first quarter of 2012: an improvement attributable to the better performance of fixed network services and above all to a significant improvement in the performance of mobile services.

Considerable improvements were recorded in the consumer segment, which has suffered most in the past because of strong competitive pressure. TIM has already regained a position of leadership in this sector.

These results were achieved through a greater capacity to attract new customers and improved customer loyalty among existing customers, both resulting from a higher degree of customer satisfaction than recorded by our direct competitors.

Furthermore, the improved results of mobile service revenues is also due to the

contribution made by mobile broadband services which, having recorded a constant improvement exceeding 20% in the first quarter of 2012, have proved to be the driving force behind demand.

Finally, on the domestic side, we must not forget the positive results achieved at regulatory level: our equivalence model, based on creating Open Access and presenting our pro-competition commitments, was considered by Agcom to be structurally suited to ensuring conditions of effective equality of treatment. A forward-looking and innovative regulatory approach, agreed with Agcom in 2008, radically restored relations with alternative operators, previously characterised by excessive litigation, to the extent that it now constitutes a best practice at European level, as recognised by the European Commission itself.

The important results achieved in the domestic market were accompanied by a constant improvement in market prospects in Latin America.

In Brazil, the 18% increase in revenue recorded in 2011 improved further in the first quarter of 2012.

The prospects for growth consolidation in Brazil are supported by a favourable economic context, characterised by strong expansion of the middle classes, as well as by the positive effects of growth associated with important sporting events planned for the next four years. Added to this positive scenario for our Group are the business opportunities associated with the acquisition of AES Atimus in 2011. The Company's fibre optic network will in fact allow our mobile network capacity to be further increased, while at the same time offering fixed network services, including super fast broadband, in the areas of Rio de Janeiro and São Paulo, the two areas that account for almost a quarter of all Brazilian GDP.

The Argentina Telecom Group continued its relaunch and consolidation in Argentina too, completing a very positive year in which revenues grew by 26% and a significant improvement in operating profits was achieved. At the same time, the number of mobile lines increased by over two million units, boosting the market share by over one percentage point. During the first quarter of 2012, the increase in revenues was confirmed to be in line with the one recorded in 2011, marking a growth of 24 percentage points.

The results in terms of a consolidation of revenues achieved in the three respective markets, together with effective cost containment action taken in Italy, have led to a net improvement in the values of the main financial indicators (revenues and EBITDA) both in

the financial year just ended and in the first quarter of 2012.

These results are the culmination of relaunching and restructuring work that began over four years ago, thanks to which we have been able to achieve the ambitious objectives we set in the Business Plan presented to analysts at the end of 2008.

To put it very briefly, we have regained our competitiveness on the domestic market, we have relaunched and consolidated our international presence on markets with strong growth and, lastly, we have reduced the debt level by approximately 5.5 billion Euros.

New restoration phase: relaunch, investment and growth

Today we have entered into a new phase in the relaunching of the Telecom Italia Group, in the quest for a revival in investment and growth.

The new phase, the expansion of investment, has already been launched in the past year in the form of three major operations:

- *acquisition of frequencies for the development of LTE ultra-broadband networks;*
- *acquisition of AES Atimus in Brazil;*
- *increase in the financial holding in Telecom Argentina from 16.2% to 22.7%;*

these three operations have entailed a total disbursement of over 2 billion Euros, which are in addition to the already substantial commitment of the resources required for our ordinary activities.

We have therefore had recourse to different forms of leverage, although they all originate in the same context and share the same objective: to equip our group with the right tools to embark on a new phase of growth and expansion.

In addition to the investments already made, over 500 million Euros are earmarked under the Industrial Plan for the development of the LTE network and simultaneously for the further expansion of the 3G networks to 42 Megabit/sec, which should attain a coverage of 18% of the population by the end of the year. In the market segment of mobile data services, in other words the segment that exerts the greatest attraction over consumer interest and spending capacity, we intend to invest more than 1 billion Euros over the next three years.

The development of mobile broadband, however, is just one part of the incremental investments that we are preparing to make over the next few years. This development will in fact proceed at the same pace as that of the ultra-broadband fixed network infrastructure in order to achieve synergy and complementarity, albeit combined with

rigorous attention to costs and the actual growth in market demand.

Growth and the containment of debt

In this relaunch phase, in which Telecom Italia is committed to tackling the issues of growth and development, the commitment to working towards the containment of indebtedness has not flagged, with the prospect of a reduction of close to 3 billion Euros in this year alone.

Telecom Italia bears witness to the fact that investing in growth and containing costs are not necessarily a contradiction in terms. Austerity and growth can in fact co-exist. Shrewd and effective policies of rationalising expenditure will release resources that can be devoted to investment in new networks and technologies, and the greater efficiency to which they lead will in turn help to keep further expenditure down, creating a virtuous circle.

Telecom Italia intends to continue along this path, reconciling the objective of containing debt with the need not to let slip the opportunities for growth associated with the markets of Latin America and the services accredited by the new networks.

In line with this approach is the announced launch of the process of divestment of Telecom Italia Media, whose activities include – as you know – a substantial infrastructure of high-quality broadcasting television channels, the growing success of which is testified by the results achieved by La7.

With this new operation we shall continue our course of action, disposing of non-strategic activities in order to contribute towards the Group's investments in the most promising areas of business, such as the development of new generation networks in Latin America and in Italy.

The sovereign debt crisis recorded in certain countries in the Eurozone is having heavy repercussions on the financial market and the cost of borrowing. In this climate of acute uncertainty and instability, a further and rapid reduction in indebtedness becomes an even more strategic factor, in that it will shelter us from the consequences of any speculative assaults that might be directed towards companies with high financial gearing.

In this scenario, in order to strengthen the Group's financial situation and so avoid a possible deterioration in our rating and the cost of debt financing, the Board of Directors has decided to propose a reduction of the resources available for dividends.

In particular, the amount of the dividend proposed for 2012, i.e. 4.3 euro cents for

ordinary shares and 5.4 euro cents for savings shares, represents a minimum threshold below which it will not fall over the next three years. On the other hand, once the objectives of reducing the net debt to 27.5 billion and 25 billion Euros are reached, as is expected by the end of 2012 and the end of 2013 respectively, it will be possible to envisage increasing the level of remuneration to shareholders.

Containing debt levels and meeting the deadlines scheduled under our Industrial Plan, with the aim of reaching by 2004 what is considered a “normal” level of indebtedness by comparison with the ability to generate cash, in other words less than twice the Group’s gross operating margin (EBITDA), have been one of the guiding principles in our past action and will continue to be a vital tenet in our future efforts.

Long-term growth and sound ethical principles

There are, however, other equally vital considerations that have guided the management of your Company over more than four years now: these are the ethical principles that should inspire the conduct of those operating within the Group and with the Telecom Italia Group. This is a point on which we cannot descend to a compromise, nor do we intend to.

Over these years we have intervened repeatedly to improve the control procedures and offer the maximum guarantees as to compliance, in both form and substance, with the stringent ethical standards that our Group has set itself. The image of a Group that observes the highest ethical and professional standards, however, is above all built up by the behaviour of the people who work in it and, in particular, of those holding the most senior positions in the company.

Our managers must conduct themselves correctly in form and in substance, but first and foremost their conduct must not give rise to doubt or suspicion of any kind. We cannot allow our provision of services to the general public, businesses and institutions to suffer from any negative repercussions caused by the behaviour of individuals, whatever the position they hold.

For these reasons, without wishing to enter into the merits of past events and the accusations that have been levelled, Telecom Italia has decided to dissociate its own future from that of Luca Luciani.

The team of managers at our disposal in Brazil is made up of very high-level professionals who, under the supervision of Andrea Mangoni, will certainly be able to pursue the excellent work that has been done up to today.

In these circumstances too, Telecom Italia has demonstrated its ability to react promptly and its determination to continue along the path on which it embarked four years ago, in other words a course of action combining excellent professional results with the highest ethical standards. This choice is based on the conviction that the values of professionalism, commitment and ethics are the optimum combination that will guarantee our shareholders, our clients and all those who work for Telecom Italia the best possible prospects of sustainable long-term growth.

The coming years are likely to be complex, due both to the difficult macroeconomic climate and to the radical changes taking place in the telecommunications sector. Here again, we cannot allow ourselves to make mistakes, to look for short cuts or to fall into any traps we may encounter on our route.

Telecom Italia has gone back to investing forcefully in its own future and in the future of the countries in which it operates. In the first four years, we have been able to demonstrate that we are capable of achieving major objectives. I am convinced that we can do even better over the next few years.

The Chairman then gave the floor to the Managing Director, who read out the text of the speech that follows.

Dear Shareholders,

The past year, 2011, has been both challenging and constructive on the domestic level. It has been challenging because, as our Chairman Franco Bernabè has pointed out, we have had to operate in an increasingly difficult macroeconomic context, within a market subject to renewed competitive pressure, characterised by a steady downfall in prices and the resulting reduction in earnings. It has been constructive because, despite the climate, we have managed to obtain satisfactory operating management results, launching a phase of transformation and a review of our strategic guidelines so that we can consolidate and increase our competitiveness over the medium- and long-term future.

We closed 2011 with a trend towards an improvement in our economic and financial position. In particular, cash generation has stabilised at about 5.8 billion Euros, confirming the role of the domestic sector within the Telecom Italia Group portfolio as a cash generator. This trend has been confirmed and reinforced in the first three months of

2012, when we have recorded further signs of recovery in terms of revenues, with a margin of approximately 50%. These are encouraging results, then, arrived at by maintaining our investment expenditure substantially stable at approximately 3 billion Euros over the year, and obtained by means of a process of radical renewal involving the whole architecture of the domestic sector at the organisational, market and technological levels. This process is still under way, and I would like to describe its key factors to you.

We started by formulating a programme that can be summed up by its three key objectives: innovation, quality and the enhancement of our local presence.

To achieve these, first of all we worked on a definition of an essential organisational structure, both in form and in its capacity to place human capital and skills at its core. To reinforce the capacity of departments to take action, we have set up more streamlined, dynamic entities, each with a strong individual character, recognisable both within and outside the company.

We went back to separating the IT from the network, making optimum use of their specific characteristics and advantageously supplementing the process of retraining in SSC, an operation that enabled us to avoid the transfer of the company and at the same time to improve its productivity and performance.

The associated measures to simplify organisation related to both the Consumer world – where various decisions on structural rationalisation were made without detracting from the pursuit of the commercial objectives in the fixed and mobile sectors – and the world of business and the Public Administration, starting with the unification of Top Clients and Public Sector units. These simplification measures helped to reconfigure the customer portfolio based on market potential.

In rationalising the organisational architecture, we have also optimised the use of human capital. At one of the most complex junctures in recent history, we have managed to abide in full with the demanding commitments of the agreements signed with the trade unions two years ago. We have retrained more than 500 people through 127 training schemes. In the domestic sector alone, there have been 1,130,000 training hours, involving a significant percentage of operative personnel. We have invested over 18 million Euros in training, the highest amount for many years in this sector. It is in this very period, when we are involved in a new phase of negotiations with the trade unions, that our industrial relations system can look back on a season of extensive retraining and development

activities. More than anyone else, we have stepped up our recourse to ‘Alto Apprendistato’ – third-level apprenticeship – as a channel for joining the company (with 400 pre-graduates in Engineering and Economics), under a collaboration arrangement with universities, later extended to 95 research doctorates and 65 master degrees. Lastly, under the “I care myself” project, we have given 4,000 of our staff the opportunity to enrol in university courses, becoming the leading corporate investor in adult education in Italy.

To attain the objectives of innovation and quality, we have also worked to develop a new approach to efficiency.

Efficiency has always been one of our goals, but this year we set ourselves the aim of allying the traditional concept of savings with the desire to create sustainable value. Following our commitment over the previous years to a prolonged operation of reducing expenditure, in 2011 we refocused the processes of supply and purchase, giving priority to quality and sustainability. Today the parameters of energy efficiency and low environmental impact are fundamental factors in evaluating the purchase of goods and services, and the management of internal consumption and property assets. Let me cite certain practical instances. We have renewed the company vehicle fleet by the gradual introduction of bi-fuel cars, and trials are being conducted on electric vehicles. We have achieved a 50% saving in energy by replacing 10,000 traditional PCs with cloud solutions. We have commissioned more than 30 environmental sustainability audits in order to establish new quality standards with our suppliers. The evolution of our radiomobile sites has led to an improvement of up to 40% in energy efficiency. The new hardware infrastructure in the Data Centers has helped to bring about energy savings of up to 20% . Due to these and other initiatives, we have been able to apply to the Energy Authority for “White Certificates” for 9 energy efficiency projects.

The concepts of quality and innovation have also been translated into the business and technology sectors, as strategic tools in tackling a fast-developing market.

The Internet is continuing to set the pace for changes in our sector, revolutionising people’s habits and transforming the dynamics of competition on our market. In a few years, a sector that used to be dominated by a few economic entities has become a complex ecosystem, in which new players are the pioneers and the pressure is exerted by constant innovation.

Voice is no longer the absolute core medium, data traffic has grown at a dizzying rate, the smartphone and tablet have rewritten the rules of communication and digital entertainment, Over-The-Top providers (Facebook, Google, Skype, Twitter, etc.) have conquered millions of users by offering services, experiences and applications that travel on the network and live in the cloud.

This new paradigm has extended the scale of people's needs. The need to communicate in the traditional manner by voice and text messaging has risen, but the need to communicate in innovatory ways through social networks and multimedia apps has risen far faster. with the overwhelming rise of on-demand services, people can watch films and videos, enjoy gaming, listen to music at home or on the move, how and where they please. And there is an ever growing need to synchronise contents across different technological tools and, above all, to protect their own digital identity.

The new and evolving scenario means that we need to rethink the role of the telephone and network operator, and this calls for a change in the scope of our activities, generating a complex and asymmetrical mix of market trends and cash flows, and of innovation and our core business.

If we look at the Consumer component, the largest share of investment and the resources is directed towards responding to the great expansion in data traffic created by the intensive use of the Internet, both fixed and mobile, whereas most of the cash flow is still accounted for by the traditional services (voice, access). Although the latter are declining in terms of spending, they will still represent our core business, at least over the near and medium-term future.

Given this outlook, the challenge now, as in the past, is to move from a voice-based business model to a model based on the Internet. The transition is not a simple matter, as it involves a misalignment between the logic of revenue and the logic of volume, as well as the association of direct and indirect costs. We have therefore:

- retained close control over the core business, safeguarding the revenues derived from the traditional services and conducting the efficient management of their costs;*
- invested in the creation of innovatory broadband and ultra-broadband services for the fixed and the mobile world;*

- *developed cloud solutions for the individual, for companies and for Public Administration departments. Nuvola Italiana, it should be borne in mind, is a best-practice cloud computing provider recognised at international level;*
- *we have nurtured and developed the innovatory content management platforms: Cubovision, Cubomusica and Cubolibri;*
- *we have launched research on the development of new generation services and applications based on Near Field Communications, Unified Communications and Machine-to-Machine technologies.*

In an ever more complex and distant digital world, Telecom Italia offers not only an intelligent network but – step by step – a platform that can be adapted to meet the client’s needs, that can deliver services to individuals and companies in a simple, secure manner, and provide care, support and assistance. Today networking and cloud computing already represent a winning dual concept, catering for the new demands of the Italian customers.

Only Telecom Italia, with its exceptional territorial coverage, can bridge the distance separating the digital universe, with its rules and its limits, from people’s needs, and it does so by enhancing the quality of the relationship, empowering and perfecting what we can call the central nervous system of the digital experience: the networks, the infrastructure, the Data Centers, Smart services, the concern for the relationship with the customer. And it is there that we are building the foundations for our future.

Obviously, to guide this process of transformation there must be investment in technological infrastructure – substantial investments, those to which our Chairman has just referred. One feature of 2011 was the acquisition of LTE frequencies, with a total outlay of over 1.2 billion Euros.

The development of mobile ultra-broadband, however, forms only part of the general plan of Telecom Italia’s technological development. The three-year plan is structured around four points, its objective being to provide a mix of market-driven interventions aimed at households and the production system, in other words:

- 1) Development of the mobile ultra-broadband network (HSPA and LTE) to cover about 50% of the Italian population by 2014;*
- 2) Introduction of fibre optics for families and small businesses, by the adoption of two technological solutions:*

- *Fibre-To-The-Cabinet, to take optical fibre to street-side cabinets and create 30/50 Megabit/sec connections, whose performance can be increased to up to 100 Megabit/sec by introducing the technological solution known as vectoring;*
- *Fibre-To-The-Home, to take optical fibre to the client's home or office, with connection speeds of over 100 Megabit/sec.*

With the investments in fixed ultra-broadband we will be able to reach more than 6 million property units by the end of the three-year period, corresponding to 25% of the Italian population.

3) Extension of the rollout of fibre optics in industrial districts, using GbE solutions to reach medium-sized and large companies and deliver faster connectivity services – measurable in Gigabytes rather than in Megabytes.

4) Bolstering the Next Generation Data Center programme to reinforce the infrastructure for cloud computing services.

This overall investment commitment of over 9 billion Euros between 2012 and 2014, on top of the 3 billion Euros spent in 2011, bears tangible witness to our determination to manage a complex and fast-evolving sector over the next few years.

We are looking well ahead in this transformation phase, but it has already arrived at positive results, not only in the economic and financial terms with which you are familiar, but also in relation with customers' perception.

This year we have managed to improve all the indicators linked with our brand. There has been a significant rise in the popularity rating of TIM advertising due to its "Italian history" theme, a successful campaign that has imparted a distinctive character to the brand. Customer satisfaction ratings have also improved, rising to historic maximum levels and exceeding the performance of our main competitor. There has been a rise in the Net Promoter Score, in other words TIM customers' willingness to award a "positive" score to the services provided by our mobile operator. Today TIM is the leading brand cited by 42% of consumers, outdistancing our main competitor by 8 percentage points: its spontaneous and total recall has stabilised at scores of over 92%.

In the fixed telephony market, Telecom Italia's leadership in terms of consumer awareness is even more marked, and the gap with other operators is even wider, despite our advertising pressure having eased off in 2011.

These are important findings, and they corroborate and support the effort expended over the past year, revealing the effectiveness of our strategic guidelines. They are findings that encourage us to set ourselves even more ambitious goals.

The Chairman then read out the reply to the request for information received from Consob, which is reproduced here.

“Consob has forwarded a request for information on the Kroll affair, on the relationships with the Consultant, Naji Nahas, and on two areas of investigation already considered in the Greenfield Project: the Security Department and Prepaid Cards.

It should be pointed out that it was a unilateral decision by the Company to launch the Greenfield Project in 2010. Regarding the subject of the review, choices were made at that time, restricting the field of analysis to those areas in which acknowledged and clearly identifiable critical technical and legal situations had emerged in the light of criminal investigations or an internal review.

The areas of investigation identified in the light of the judicial authority’s activities were Sparkle, the irregular registration of Prepaid Cards and Security.

On 24 November 2011, the Company first learned from press reports that the former Chairman of Telecom Italia, Marco Tronchetti Provera, had been listed in the register of persons under investigation, in connection with investigations that apparently referred to:

- *the acquisition in 2004 of data stolen from Kroll in Brazil by members of the “Tiger Team”;*
- *contracts with the consultant, Naji Nahas.*

Just one week after the first news of the event appeared in the press, on 1 December 2011 the Telecom Italia Board of Directors,

- *in view of the new circumstance of Mr Tronchetti Provera having been listed in the register of investigated persons in connection with facts of concern to the company,*
- *in the same spirit of transparency distinguishing the Company in its examination of other questions that had attracted the attention of the judicial authority,*

approved the launching of an ad hoc internal review, to be conducted under the management of the Chairman of the Committee for internal control and corporate governance with the support of Deloitte Financial Advisory Services, on facts covered by the investigations not already dealt with under the Greenfield Project: In 2010 neither of

the questions appeared to have been investigated, and had therefore remained outside the Security stream.

Deloitte has recently concluded its work, and its findings have been made known to the Committee for internal control and corporate governance, which presented its considerations to the Board of Directors on 9 May 2012. Consob has therefore already obtained the report summarising the conclusions of the internal review.

At this point, the Company, pending the closure of the preliminary investigations, when it can have access to the information acquired by the Public Prosecutor and can assess more clearly any protective action, has asked the Davis Polk & Wardwell and the Santa Maria law firms for legal evaluations of the review findings.

Based on these evaluations and the facts acquired, in due course the necessary consideration will be given to the issues, including the economic issues, and the appropriate measures – to include the possible bringing of proceedings against former Directors for compensation – will be launched in the forms and according to the procedures available. It would be untimely here to state in advance what those measures might be or to quantify the presumptions and possible financial effects correlated with the affairs under consideration.

To complete the picture, it is stated that, based on the information available to the Company as regards the seizures carried out in our offices in February, the charges being brought in the course of these investigations are the offences of criminal conspiracy, handling stolen goods “and others” (as per the documents served on the Company).

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Turning to the Security case (the trial now proceeding before the Milan Court of Assizes), the Corte di Cassazione (Supreme Court) of Appeal, in its judgement 1265/11 of 20 September 2011, the grounds for which were not filed until early May 2012, upheld the decision of the Milan Judge for Preliminary Hearings that there was no case to answer, based on the absence of legal or logical defects in that decision.

More specifically, the Court concluded that the judgement in the Court for Preliminary Hearings had decided that the charge was unfounded: in brief, that the Security Department not had acted without the knowledge of the other company departments and the senior management of Pirelli first and then Telecom Italia (who were in fact the same individuals).

Given these circumstances, on 9 May 2012 the Board of Directors decided to take action against the former Executive Director Carlo Orazio Buora to suspend the period of limitation (due to expire on 3 December 2012), in preparation for the bringing of a suit for corporate liability, a matter to be included in the agenda for a special Shareholders' Meeting, adopting all the necessary and appropriate measures to that end.

Moreover, the Company has already applied to Pirelli for reimbursement of the unwarranted costs borne in connection with the Security case, as announced at last year's Shareholders' Meeting.

In formulating this application, we examined in detail all the investigations billed to Telecom Italia by Worldwide Consultant Security Ltd, Security Research Advisory Ltd and Polis D'Istituto S.r.l., attributable to Emanuele Cipriani, a defendant in the proceedings pending before the Milan Court of Assizes.

From this body of investigative measures, Telecom Italia identified those that could objectively be attributed to Pirelli, in the light of the following criteria:

- *the files in the Cipriani archives bearing the Pirelli "customer code";*
- *the cases initially invoiced to Pirelli, later cancelled and re-invoiced to Telecom Italia when Pirelli became a major shareholder in Telecom Italia;*
- *the cases commissioned by Pirelli personnel, in the light of the findings emerging during the proceedings.*

The total amount paid out for the operations identified as stated above is approximately 1.2 million Euros, which Telecom Italia has asked Pirelli to refund.

The Company has taken the following further action to recover compensation for the loss caused in connection with the Security affair from activities unrelated to the Company's interests:

- *its application to be a civil party to the current proceedings against the defendants in the Milan Court of Assizes has been admitted. Telecom Italia has therefore claimed: (i) compensation for the expenses incurred for the tax dispute in respect of years 2003 and 2004, amounting to approximately 15.4 million Euros, (ii) compensation for the amount of 750,000 Euros paid under a settlement with the Public Authorities involved in the proceedings, (iii) compensation for the amounts paid out to employees on whom dossiers were compiled, as a gesture of solidarity, amounting to some 1.8 million*

- *a conservative seizure of 2.6 million Euros has been obtained against Emanuele Cipriani, a defendant in the criminal proceedings. The enforcement procedures are currently being carried out;*
- *lastly, following the analyses conducted by Deloitte under the Greenfield Project, the Company has claimed payment of a total amount of approximately 5.5 million Euros from some of Security's former suppliers.*

* * *

Moving on to another question, on April 20, 2012, the Public Prosecutor of Milan sent notification of the notice concluding the investigations of Riccardo Ruggiero, Luca Luciani, Massimo Castelli and Telecom Italia.

Regarding the individuals, they were investigated for impeding the authorities because, with prior agreement and in league with others, among other things:

- *"in order to obtain a larger market share for Telecom Italia S.p.A. for its mobile telephone business that exceeds its current market share, a technical-accounting device was used to falsely increase the client volume, implemented through a procedure that involved keeping temporary and expired SIM cards active that should actually have been deactivated since thirteen months had passed since their last top up. Instead, they were falsely topped off in the amount of one cent;"*
- *they shared these intentionally altered data with the National Regulatory Authority for Communications in order to modify their client base and the company's market share;*

According to the accusations, these crimes were committed in the interest of and to benefit Telecom, which benefited from "a total of 5,130,000 fake top offs" and a market share increase of 0.19% in 2006, 1.88% in 2007 and 1.64% in 2008.

It is worth noting that this phenomenon was discovered under the Greenfield Project, which was subject to disclosure in the annex to the report on corporate governance in 2010.

According to the notification of the notice concluding the investigations, the subjects of investigation also reported to AGCOM that starting in April 2006 until 31 March 2009, a total of "1,042,447 cards not topped up in the twelve months following activation" were

improperly considered activated. The Public Prosecutor found this conduct to have been committed in the interest of and to benefit Telecom Italia.

As regards the Company, the alleged responsibility pursuant to Legislative Decree nr. 231/2001 would have been due to "not adopting and efficiently implementing suitable organization and management models to prevent crimes of this kind from occurring." The notification of the notice concluding the investigations does not refer to any economic profit that Telecom Italia could have acquired from the alleged events.

Regarding the matters at the heart of the investigation, the Company does not have any preliminary information from the National Regulatory Authority for Communications.

The examination of the documentation collected by the Public Prosecutor is currently pending. Upon its completion and if the criminal proceedings continue, Telecom Italia will take every opportunity to protect itself during criminal or civil proceedings as the injured party, including the recovery of sums paid to the parties under investigation as incentives.

In this regard, note that following the Greenfield Project, the Human Resources and Organization department examined the bonus paid to Luca Luciani based on the number of active SIM cards. In short:

- for 2005, there was no goal related to the number of mobile phone lines acquired.*
- for 2006, there was a goal ("Commercial Mobile Phone Performance"), which included the TIM market share but was not actually reached;*
- in 2007, for the "SIM Tim Portfolio" goal (totalling 10%), a 45,000 Euro bonus was paid, which was undue. Luca Luciani voluntarily and of his own initiative reimbursed this amount to the company, which was fully recovered by deducting it from the manager's future remuneration;*
- for 2008, none of the commercial goals assigned were directly related to increasing the number of SIM.*

Starting in 2009, Mr. Luciani was assigned goals as the Diretor Presidente of TimPart based on performance in Brazil.

In the Greenfield report, Deloitte had estimated that the company had incurred costs of between 19.9 and 27 million Euros due to the improperly registered SIM cards; this estimate could be revised as these proceedings continue.

In the meantime on 9 May 2012 the Board of Directors decided to take action against the former Executive Director Riccardo Ruggiero to suspend the period of limitation (due to

expire on 3 December 2012), in preparation for the bringing of a suit for corporate liability, a matter to be included in the agenda for a special Shareholders' Meeting, adopting all the necessary and appropriate measures. Currently, no further evaluations have been made against the recipient of the notification of the notice concluding the investigations in question.

Of the three subjects under investigation, all Telecom Italia employees at the time of the events in question, only Mr. Luciani was still at the company at the time of the notice, who, on 20 April 2012, was the Chief Executive Officer of Tim Brazil.

Subsequently, Mr. Luciani resigned, waiving all other positions at the Group companies.

At the time of his transfer to Brazil in 2008, the sum of 2.9 million Euros was agreed upon as severance pay in case of the termination of his employment. The clause applies in this case. Moreover, a non-competition agreement was signed that covered all of South America with the payment of 1.5 million Euros to the interested party in 2013.

While tendering his resignation, Mr. Luciani's right to participate in the stock option plan at Tim Participações S.A. lapsed, as described in the financial statements (without prejudice to the rights referred to in the 2011 performance). No benefits following the end of his term as the CEO of Tim Brazil were contemplated.

The Company did not make any commitments to hold harmless or indemnify Mr. Luciani for any liability proceedings against him.

A commitment in this sense was made upon the exit of Mr. Ruggiero (employee and Managing Director of the Company at that time): in particular, the settlement act terminating the employment, signed by the Executive Vice Chairman pro tempore, Carlo Orazio Buora, holds Mr. Ruggiero harmless for his work performed as a manager at Telecom Italia and commits the Company to maintain the protections set forth by the collective agreements for industrial company managers in relation to their corporate positions. I would like to specify that there was no waiver of right to impose liability proceedings by the Company pursuant to the law.

There are no similar commitments for the other company directors, including those no longer with the Company.

** * **

With references to the phenomena regarding the prepaid cards, which are under investigation by the Public Prosecutor of Milan, the Italian Securities and Exchange

Commission asked for more information regarding Brazil (where Telecom Italian controls the Tim Brasil group) and Argentina (where Telecom Italia controls the Telecom Argentina group),

- regarding the internal audit activities or other initiatives performed or set forth to verify its presence in the two South American countries;*
- on the incentive systems for the prepaid service management process.*

Regarding the audits, note that the local regulations on registering and identifying clients are different from those in effect in Italy.

That said, in Brazil (where Tim Brasil is historically a mobile only operator), the prepaid card management was involved in a specific project as part of the 2009-2011 audit plan, which already involved the registration and termination upon expiration process for the SIM cards. Additionally, there are two audits pending regarding the statistical collation and registration monitoring systems and the management and control process for multiple registrations. In any case, in order to ensure continuity to the internal control process, two audits a year are planned, to be conducted by an integrated Italo-Brazilian team.

The audits performed in the context of the project highlighted improvement opportunities for the controls and processes, which led to an important update in the internal procedural framework, formalized in March 2012.

At Tim Brasil, a limited review internal audit was completed in the last few days on the internal controls over financial reporting in order to fill Form 20-F for 2011 for Tim Participações and Telecom Italia, which were filed yesterday. From this review, significant findings emerged, which included a reference to the registration/cancellation process for prepaid SIM cards.

In Argentina, the management criteria for the sale of SIM cards and the current monitoring and control processes were considered adequate upon verification carried out by the internal control systems for the purpose of the correct representation of the economic-financial situation of Telecom Argentina.

Regarding the incentive systems, Telecom Argentina's systems do not include the activation of prepaid lines nor market share, basing itself on the net annual revenue share parameter and the activation of high-value contracts.

In Brazil, in 2011, the MBO system assigned all those to receive incentives (excluding the CEO, the Top Management and the management involved in managing the fixed network)

a the post-paid line activation goal and the mobile market share goal. Among the goals assigned to the sales positions, there were Prepaid Gross Ads and Postpaid Gross Ads, broken down by region and channel. Moreover, the prepaid goal was based on reaching a percentage of lines with a second top-off. Among the goals assigned to the Marketing departments, there were customer base goals, divided among business and prepaid."

At the end, at the invitation of the Chairman, the Chairman of the Board of Auditors Enrico Bignami read the response of the Board of Auditors to the cited request for information from the Italian Securities and Exchange Commission, reproduced below.

"Dear Shareholders,

with the notice dated 9 May 2012, protocol 12038495, the Italian Securities and Exchange Commission - among the other things - invited the Board of Auditors at Telecom Italia S.p.A. to provide some information and news about the "Security Department" and "Prepaid Cards" affair at the Shareholders' Meeting.

The answers from the Board of Auditors to the information requests from the Commission are provided below, which consider that illustrated for the Shareholders' Meeting by the Chairman of the Board of Directors of the Company regarding the same request for information from the Italian Securities and Exchange Commission.

The Security Department

Following the filing of the Report pursuant to Article 153 of the Legislative Decree nr. 58/98 regarding FY 2011, the grounds for the ruling of the Corte di Cassazione (Supreme Court) of 20 September 2011, nr. 1265/11 were filed, which dismissed the appeal of the ruling of the Preliminary Judge in Milan, with which the crimes of misappropriation, initially charged by the Public Prosecutor, were considered unfounded.

Given these grounds, the Italian Securities and Exchange Commission asked the Board of Auditors to express its thoughts regarding the liability proceedings and upon the interruption of the statue of limitation, as regards the question of "costs for the illegal activity of spying initially paid for by Pirelli in 2003 [...] subsequently bounced back to Telecom Italia," the object of the charges pursuant to Art. 2408 of the Civil Code received on 14 December 2011 by a shareholder.

First, the Board of Auditors highlights how from the examination of the ruling of the Corte di Cassazione (Supreme Court), there was recognition that the Security spying, the reason for the proceedings, although illegal, was done in the interest of the Company.

In this regard, the Board of Auditors acknowledge that, considering the ruling of the Corte di Cassazione (Supreme Court), at the meeting of 9 May 2012, the Board of Directors of Telecom Italia decided to "interrupt the statute of limitations (which would expire on 3 December 2012) against the former Executive Director Carlo Orazio Buora prior to the liability proceedings, which will be included in the agenda of this Shareholders' Meeting, including all necessary and appropriate acts to this end."

The Control Body agrees with the Board of Directors on the opportunity - within the times indicated - to implement a suspension of the statute of limitations against the former Executive Director Carlo Orazio Buora and will carefully oversee the initiatives that will be taken by the Company, taking into due account the independent power of the Board of Auditors on the liability proceedings against its directors.

The Board of Auditors will also oversee the evolution of the criminal proceedings against the former Chairman M. Tronchetti Provera and on the subsequent Company initiatives.

Finally, acknowledging that the examination of the ruling of the Corte di Cassazione (Supreme Court) does not show any new elements regarding the question of "the costs for the illegal activities of spying" set forth in the cited report pursuant to Art. 2408 of the Civil Code, the Board of Auditors confirms that indicated in its Report to the Financial Statements as of 31 December 2011, published on 12 April 2012.

The absence of new elements is also valid as a reference to the quantification of the amount the Company asked to be returned to Pirelli regarding operations that refer exclusively to the former, charged to Telecom Italia and paid by the Company itself for which the Italian Securities and Exchange Commission asked for further assessments by the Board of Auditors.

In this regard, note that the Control Body has further examined and verified - as necessary - the terms and criteria adopted to determine the amount of about 1.2 million Euros requested to Pirelli, the amount included in the information notice from the Company during today's Shareholders' Meeting, considering the contents of the ruling of the Preliminary Judge in Milan and the results of the "Greenfield Project." After an extensive period of assessment, the statement contained in the claim made by a Shareholder

pursuant to Art. 2408 of the Italian Civil Code, received on 14 December 2011 and stating that the total amount of the operations in favour of Pirelli but paid by Telecom Italia would total about 40 million Euros, is unfounded.

The Chairman of the Company in his information note at today's Shareholder's Meeting also provided clarifications on other initiatives undertaken by the Company for third parties to compensate for damages caused by activities outside the company's interest.

In particular, it has been notified that the Company

- was admitted as a civil party against the current defendants in the proceedings pending before the Milan Court of Assizes for the compensation for damages suffered following the formers' illegal conduct;*
- obtained from the Court of Assize (and undertook proceedings for the enforcement of) an order for conservative seizure for 2.6 million Euros against Emanuele Cipriani, a defendant in the proceedings pending before this Court;*
- asked for the payment of a total sum of about 5.5 million Euros against some former Security suppliers following the analysis performed by Deloitte as part of the Greenfield Project.*

The Board of Auditors reiterates that it will continue to carefully monitor the actions that will be taken by the Company (and the others that may be reported to the Company in the future) for compensation for the damages caused by activities outside the company's interest.

The Prepaid Cards Affair

The Italian Securities and Exchange Commission asked the Board of Auditors to provide considerations on the Notification of the Notice concluding the Investigations sent by the Public Prosecutor of Milan on 21 March 2012 and 20 April 2012.

Regarding the first of the two provisions, which shows that the Company is being investigated by the Public Prosecutor of Milan pursuant to the Legislative Decree 231/2001 for the crimes of handling stolen goods (Art. 648 of the Criminal Code) and counterfeiting (Art. 491-bis of the Criminal Code) committed, according to the alleged allegations, by fourteen Telecom Italia employees of the so-called "ethnic channel" jointly with several dealers, the Board of Auditors had already brought its own investigation which showed (i) that the employees involved in the matter, none of which were managers, were all suspended by the Company when there was news of the investigation, (ii) that the

relevant aspects in terms of the internal controls systems, which emerge from the notice of the end of the investigations, had already become policy, since they essentially referred to the improper registration of SIM cards, which the Board had already mentioned in its last report pursuant to Art. 154 of the CLF for FY 2011. The Board of Auditors will carefully monitor the situation, reporting any additional relevant problems and Company liability proceedings.

Regarding the notification to conclude the preliminary investigations sent on 20 April 2012, which involves the Managing Director of the Company at the time of the alleged events, Riccardo Ruggiero, the two managers Massimo Castelli and Luca Luciani (only the former was still with the company at the time of the notice) as well as Telecom Italia pursuant to Legislative Decree nr. 231/2001 - the contents of which are shown to the Shareholders' Meeting by the Chairman of the Board of Directors - the Board of Auditors regarding the activities completed thus far by the Company:

- agrees with the Board of Directors regarding the decision made on 9 May 2012 "to take action against the former Executive Director Riccardo Ruggiero to suspend the statute of limitations (due to expire on 3 December 2010), prior to filing the liability proceedings, which will be included in the agenda of the appropriate Shareholders' Meeting, adopting all the necessary and appropriate measures" and will monitor the initiatives that will be taken by the Company, considering the autonomous powers of the Board of Auditors regarding liability proceedings against the directors;*
- acknowledged the resignations handed in by Mr. Luca Luciani with a waiver from him for all positions held at the Group, including the position of Chief Executive Officer of Tim Brasil, under the conditions illustrated by the Chairman of the Board of Directors of the Company, considering the termination of employment as a necessary act to maintain an adequate "environment of control" within the Group. The Board of Auditors also acknowledged that the Company did not make any commitments to hold harmless or indemnify Mr. Luciani for any liability proceedings against him.*

The Board of Auditors will monitor the initiatives taken and that will be taken by the Company to protect its interests, also with reference to the valuation of the recurring amounts paid - and not yet refunded - as incentives.

Regarding the activities carried out by the Company in order to assess similar events even within the subsidiaries operating in Brazil and Argentina, the control body:

- regarding the *Tim Brasil Group*,
 - (i) *followed the internal audit activities on the process to resolve control weaknesses and the prepaid SIM card management system processes, subsequently upgrading the internal procedure framework, formalized in March 2012 and will continue to monitor its application as well as the pending audit results and*
 - (ii) *acknowledged, regarding the filing of Form 20-F for 2011 for Tim Participações and Telecom Italia, an internal limited review of the internal controls over financial reporting was conducted, which did not produce any significant findings, including any reference to the registration/cancellation process for prepaid SIM cards;*
- regarding the *Telecom Argentina Group*, *it acknowledged the information provided by the Chairman of the Board of Directors of the Company based on which "the management criteria for the sale of SIM cards and the current monitoring and control processes were considered adequate upon verification carried out by the internal control systems for the purpose of the correct representation of the economic-financial situation of Telecom Argentina."*

The Control Body, currently, does not have other comments to make on the subject, reserving the right to perform any additional controls where necessary."

The Chairman notes that Mr. Franco Lombardi, as the Chairman of the Asati association, asked to discuss several liability proceedings and invites Mr. Lombardi to illustrate the proposals made so that the discussion can be extended to all items under examination by the Shareholders' Meeting.

Lombardi, the ASATI Chairman, formulated and commented on the presentation delivered to the desk of the Chairman and provided below upon his request.

In particular, there were three proposals to the Shareholders' meeting of Telecom Italia S.p.A. on 15 May 2012 regarding a civil liability proceedings for the illegal actions from 1977-2009 and the suspension of the statute of limitations.

First Proposal: Liability proceedings for having let the statute of limitations towards Mr. Tronchetti Provera, the former Chairman of Telecom Italia from 2001-2006, expire.

Mr. Lombardi, as the Chairman of Asati (Association of Small Shareholders of Telecom Italia) and as an individual shareholder, suggested that the Shareholder's Meeting should vote on a liability action against the current Board of Directors and Board of Auditors for having let the statute of limitations expire in favour of Mr. Marco Tronchetti Provera (former Chairman of Telecom Italia in 2001-2006), despite the fact that the criminal proceedings pending at the Public Prosecutor of Milan seemed to indicate significant liability in the period in which he was the Chairman of the Company, also referring to the Deloitte report published on the L'Espresso website on 14 May 2012 regarding the ruling of the Corte di Cassazione (Supreme Court) on 20 September 2012 and the minutes of the Board of Directors on 16 December 2012 where, except for Director Luigi Zingales, it was decided to defer; he cited in this regard the letter sent on 9 May 2012 by the Italian Securities and Exchange Commission to the Board of Auditors that confirms this proposal, attached to the Financial Statement for 2011.

Second Proposal: *Liability proceedings regarding the completion of the investigations of the Court of Milan on fake SIM.*

Mr. Lombardi, as the Chairman of Asati (Association of Small Shareholders) and as an individual shareholder, regarding the closure of the investigations at the Public Prosecutor of Milan on 20 April 2012 dealing with tampered SIM (this would be 223,000 cards in 2007, 2.7 million in 2008 and 2.3 million in 2009), suggested that the shareholders' meeting should vote in favour of liability proceedings and notice of suspension of the statute of limitations against:

the former Managing Director Riccardo Ruggiero from 2006-2007

the former General Manager Luca Luciani from 2007-2008;

the former General Manager Massimo Castelli from 2007-2008;

the Chairman of the Board of Auditors Paolo Golia from 2006-2008;

Auditors Enrico Maria Bignami from 2006-2008, Salvatore Spiniello from 2006-2008,

Ferdinando Superti Furga from 2006-2008, Gianfranco Zanda from 2006-2008;

of the Auditing Firm' Ernst Young from 2005-2009,

for the following grounds:

- impeding the supervision activities of the National Regulatory Authority for Communications (AGCOM), such as "having wilfully shared inaccurate data with the Market and the Company Shareholders";*

- *having continued, in 2008, this illegal activity despite the procedures implemented by the new management during the same year to avoid these events from reoccurring;*
- *having allowed that the bonus system, incentives, exit money, MBO and their large amounts be assigned to themselves and all the managers and the external sales channels for the period in question and that they were inappropriately used to create fake results for several tens of millions of Euros;*
- *having caused incalculable damages to the image and internal climate for staff at the Company with the subsequent repercussions on the share price that abnormally swung 30-40% compared to DJ Eu Stock tlc for the period in question and FTSE-mib with a significant reduction in the capitalization and the negative consequences by the rating agencies;*
- *the obvious lack of financial statements control and auditing activities that did not prevent, during the Shareholder's Meetings from 2006-2008, the shareholders from approving the financial statements that could potentially be inaccurate and missing information and cost summaries supported by the Company regarding other illegal facts that emerged thanks to the investigation of the Judiciary.*

As a consequence, considering, among other things, that Riccardo Ruggiero, on 12/02/2007, as a bonus, other incentives, general settlement and early retirement bonus, was paid 17.363 million Euros and Massimo Castelli as a general settlement and early retirement on 6 March 2008 was paid 4.5 million Euros and Luca Luciani, who resigned, on 5 May 2012, for the issues set forth above as a Telecom Italia manager and CEO of Tim Brasil although we do not yet know the amount conferred (which Lombardi hoped and felt will be reduced to the legal minimum), that said, he invited all the majority shareholders present, i.e. Telco (22.2% of the share capital), whose members of the Board of Directors at Telecom Italia were the only ones aware of the Deloitte report regarding the unlawful facts reported; Findim (5%), the funds that support Assogestioni and that has three Telecom Italia directors, the only ones who were aware of the Deloitte report as well as directors appointed by Telco, shareholders that had all suffered increased damages (making it difficult to understand any other decision to the contrary) and all the small shareholders present at the Shareholders' Meeting to vote in favour of the liability proceedings proposed and, in favour of the fact that Telecom Italia send the

letter suspending the statute of limitations for the Executive Management, Auditors and Auditing Firm as soon as possible.

Third Proposal Liability proceedings regarding the grounds for the ruling of the Corte di Cassazione (Supreme Court) of 20 September 2011 and the suspension of the statute of limitations.

Mr. Lombardi, as the Chairman of Asati (Association of the Small Shareholders) and as an individual shareholder, with reference to the publication of the grounds for the ruling of the Corte di Cassazione (Supreme Court) no. 1265-2011-000 "Total Dismissal", of 20 September 2011, published on 5 May 2012 on the events for the 1997-2006 period on the Telecom case suggested that the Shareholders' Meeting should vote for the Liability Proceedings against the former Senior Managers and for official notice by the Company to interrupt the statute of limitations against:

the former Chairman of Telecom Italia Tronchetti Provera from 2001-2006

The former Managing Director Carlo Buora from 2002-2007

The former Managing Director Riccardo Ruggiero from 2002-2007

the former Human Resources Manager, for the purposes herein for a period of the security and the management account called "Top Management" , Gustavo Braco from 2002-2008

the Chairman of the Board of Auditors Ferdinando Superti Furga from 2003-2006

the Chairman of the Board of Auditors Paolo Golia from 2006-2009

the Chairman of the Board of Auditors Enrico Maria Bignami from 2009

the Auditors for their term in office Salvatore Spiniello from 2003 to 2008, Gianfranco Zanda, Enrico Maria Bignami, Rosalba Casiraghi, Paolo Golia, Superti Furga

The Auditing Firm' Reconta Ernst Young from 2000-2009

for the following grounds:

- regarding the joint actions that allowed and did not prevent constant illegal spying at the Telecom Italia Company for several tens of millions of Euros, for activities that are not in the interest of the Company business, causing damages to the Company, its assets, its image in Italy and around the world, the share price and its capitalization on the market;*

- *because among the indexes of potential possible indicators on the perception and sharing for unlawful acts with the company senior management, there is a lack of expense control;*
- *for the lack of auditing and review of the financial statements which did not show any costs or contingent liabilities on property assets, illegal costs from Security and, in particular, the K Operation (Kroll spying) as found on page 14 of the grounds for the Corte di Cassazione (Supreme Court) Ruling no. of 20 September 2011 "a series of particularly costly counter-spying activities, so much so as to blow the Security Management's budget" (the Chairman of Telecom, Tronchetti Provera, and the Company senior management were clearly aware of this (specially the Managing Director, Carlo Buora), as confirmed by the evidence given by the general counsel for Telecom Italia, Francesco Chiappetta. In particular, for the K operation, neither the Board of Auditors nor the Auditing Firm showed the well-known invoices for the cost of the transaction, invoices already available in 2003 and 2004 as indicated in Annex 1, extracted from folder 72 C PM page 947 of the Criminal Proceedings as per the Order of the Preliminary Judge Gennari on 25 October 2007. And again, the Rio and Rio2 transactions with the Lebanese financier, Naji Nahas, working as a broker for TI, who was paid 26 million Euros from 2002-2006 from the account of the Chairman as commissions for Sparkle and others.*

In addition the reading of the grounds for this ruling of the Cassation highlighted that if liability proceedings were not started, this would lead to an additional indemnity for Telecom Italia, the financial statements of which for 2006-2007-2008 seemed to have the potential to contain accounting items that did not always correspond to the truth as also per the reading of the 2011 financial statements.

That said, he invited the Shareholder Telco, whose directors elected to Telecom Italia were the only ones who were aware of the Deloitte report (22.2% of the share capital), the shareholder Findim (5%), the funds that support Assogestioni and that have three directors, the only ones who were aware of the Deloitte report in addition to the directors elected by Telco, all shareholders that had suffered additional damages (making it difficult to understand a decision other than the one proposed) and all the other small shareholders at the Shareholders' Meeting to vote in favour of liability proceedings and formal notice sent as soon as possible to the Executive Senior Managers indicated, the

Board of Auditors and the Auditing Firm. Finally, note that both the Top Managers indicated received more than 50 million Euros as exit money, a bonus, early retirement and the Auditing Firm' received ten million Euros over the period having almost had a monopoly over the account and financial statement auditing of the Company for about 9 years.

In conclusion, he underlined that if Shareholder Telco and the funds present at the Shareholders' Meeting, which had indicated all the ' Representatives of the members of the current Board of Directors and the members of the current Board of Auditors (except for Auditor Pozza), vote against the proposal, they will create a serious risk of bringing a liability action against the current Directors and members of the institutional bodies at the Company, appointed by these former.

Along with the intervention report set forth above, Mr. Lombardi delivered the documents related to the "K" Operation to the Chairman, the contents of which are reported below:

“GLOBAL SECURITY SERVICES – Washington, D.C. USA – Rome Italy

"K" OPERATION

COSTS SUMMARY

- > Nr. 4 SENIOR OPERATORS– \$1,200.00/day X 300 days = \$1,440,000.00*
- > Nr. 8 JUNIOR OPERATORS– \$800.00/day X 300 days = \$1,920,000.00*
- > AIRFARE= 12 X 2,000.00 \$ X 10 MONTHS = \$240,000.00*
- > HOTELS = 12 X \$200.00 X 200 MONTHS = \$480,000.00*
- > VARIOUS REIMBURSEMENTS = 12 X \$50.00 X 300 days = \$180,000.00*
- > TRANSPORTATION + LOCAL SOURCES = 5 X \$500.00 X 40 weeks = \$10,000.00*
- > FEES FOR EXCHANGE RATE = \$25,000.00*
- > TOTAL = \$4,295,000.00*

[720923]

GLOBAL SECURITY SERVICES – Washington, D.C. USA – Rome Italy

"K" OPERATION

SUMMARY LIST OF SEPARATE INVOICES FOR THE PERIOD

Reference period: November - December 2003 - invoices issued in the month of January 2004: Invoice nr. 4001, 4002, 4003;

Reference period: January 2004 - invoices issued in the month of February 2004: Invoice nr. 4006, 4007;

Reference period: February 2004 - invoices issued in the month of March 2004: Invoice nr. 4011, 4012, 4017, 4019, 4024;

Reference period: March 2004 - invoices issued in the month of April 2004: Invoice nr. 4029, 4030, 4036;

Reference period: April 2004 - invoices issued in the month of May 2004: Invoice nr. 4043, 4044;

[720924]

Reference period: May 2004 - invoices issued in the month of June 2004: Invoice nr. 4053, 4056, 4057, 4058;

Reference period: June 2004 - invoices issued in the month of July 2004: Invoice nr. 4065, 4066, 4067, 4068, 4059;

Reference period: July 2004 - invoices issued in the month of August 2004: Invoice nr. 4083, 4084, 4085;

Reference period: August 2004 - invoices issued in the month of September 2004: Invoice nr. 4088, 4089, 4090, 4091, 4092, 4093, 4095, 4096;

Reference period: September 2004 - invoices issued in the month of October 2004: Invoice nr. 4099, 4104, 4105, 4106, 4107, 4108, 4109, 4110, 4111, 4112;

Reference period: October 2004 - invoices issued in the month of November 2004: Invoice nr. 4114, 4115, 4116, 4117, 4119, 4121;

[End - Page 2/2]

[720925]"

The presentation of the introductory reports having ended, the Chairman:

- reiterates the items on the Agenda of the Shareholders' Meeting, including:

- Financial statements as at 31 December 2011 – approval of the documentation on the financial statements – related and consequent resolutions and distribution of 2010 profits carried forward
- Report on remuneration - related resolutions
- Appointment of two Directors
- Appointment of Board of Auditors – related and consequent resolutions

- *2012 Long Term Incentive Plan* - related and consequent resolutions;
- regarding the first point of the agenda ("Financial Statements as of 31 December 2011 - approval of the financial statements documentation - related and consequent resolutions and distribution of 2010 profits carried forward") reports that the fee paid to the auditing firm, PricewaterhouseCoopers
 - for the audit of the 2011 financial statements of Telecom Italia S.p.A., was 782,677 Euros for a total of nr. 13,161 hours;
 - for the audit of the 2011 consolidated financial statements of Telecom Italia Group, it totalled 291,229 Euros for a total of nr. 3,507 hours;
 - for the audit of the 2011 financial statements of Telecom Italia Audit & Compliance Services Scarl (incorporated in Telecom Italia as of 1 January 2012), it was 5,238 Euros for a total of 106 hours;
- he specified that, as resolved by the shareholders' meeting when conferring the assignment, the fees for auditing the consolidated financial statements included additional costs for 140,465 euros, corresponding to 1,136 hours in relation to the final purchase price allocation procedures performed following the acquisition of control of the Sofora Telecomunicaciones S.A. group (which includes Nortel Inversora and the Telecom Argentina group);
- he also reported that the fees for auditing the internal controls pursuant to section 404 of the Sarbanes-Oxley Act for 2011 FY were 939,538 Euros for a total of 15,407 hours. As per the shareholders' meeting resolution to confer the assignment, these fees include additional costs of 216,530 Euros for a total of 2,405 hours;
- he reported that the amounts indicated do not include the direct and administrative fees, which are charged at cost plus VAT;
- again, with reference to the first item on the agenda, he reminded the meeting that the Shareholders' Meeting was also called to approve, along with the financial statements of Telecom Italia S.p.A. for the year, the financial statements of the wholly-owned subsidiary Telecom Italia Audit & Compliance Services S.c.a.r.l., which was incorporated in Telecom Italia since last January 1;
- regarding the second item on the agenda ("Report on remuneration - related resolutions"), he reminded the meeting that the Company drafted the Report on the Company policy on the remuneration of the members of the management boards, the general managers and the

managers with strategic responsibilities for the first time; the document is divided in two sections:

- the first illustrates the Company's policy with reference to 2012 FY;
 - the second provides the 2011 total for compensation paid to the subjects cited above.
- he reminded the meeting that the shareholders are called on to express their opinion of the first section of the report, with a resolution that is not legally binding;
- the third item on the agenda ("Appointment of Two Directors") deals with the replacement of Directors Ferdinando Beccalli Falco and Francesco Profumo, who left office respectively on 6 June and 16 November 2011; in this case, the slate voting mechanism does not apply and the Board of Directors suggests confirming the two directors already co-opted to the position, Lucia Calvosa and Massimo Egidi, who - by law - leave office with today's Shareholders' Meeting. Their appointment was proposed for the residual term of the Board of Directors in office and, therefore, until approval of the financial statements on 31 December 2013: both of their CVs are available along with the CVs of the candidates for the position of Auditor;
- as regards the fourth item on the agenda ("Appointment of the Board of Auditors"), he reminded the meeting that - as per the press releases and publications done pursuant to the current law, three slates were submitted, which are reproduced below:

TELCO Slate

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

Standing Auditors Section

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

Alternate Auditors Section

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

Findim Group Slate

(Presenting Shareholder: Findim Group S.A.)

Standing Auditors Section

1. Lorenzo Pozza

Alternate Auditors Section

1. Massimiliano Carlo Nova

Slate of a group of Asset Management Companies and international institutional investors

(presented by a group of asset management companies and international institutional investors). The complete list of presenting shareholders was distributed to those in attendance)

Standing Auditors Section

1. Enrico Maria Bignami

2. Sabrina Bruno

Alternate Auditors Section

1. Roberto Capone

2. Franco Patti

- specified that, with the slates, the information, statements and documentation set forth by the applicable regulations were filed at the Company's offices; a special folder containing the slates and CVs of the candidates (complete with the updated list of director and auditor appoints already covered) was distributed to those present;

- reported that Shareholder Telco also proposed setting 95,000 Euros as the gross annual remuneration of the Alternate Auditors and 135,000 Euros as the gross annual remuneration for the Chairman of the Board of Auditors.

Therefore, the Chairman renewed his invitation to the shareholders who would like to address the meeting to discuss the items on the agenda for the ordinary session to book at the desk in front of the platform. He noted that, prior to the meeting, by the term indicated in the notice convening the meeting, questions were received by a shareholder, one for the ordinary Shareholder's Meeting and one for the extraordinary Shareholders' Meeting. Given these questions, no "Question and Answer" session was activated on the Telecom Italia website and the questions will be answered along with the others raised during the debate. He recommended that speeches should be kept to the points on the agenda and he

reminded the meeting that the time available for each speaker was 10 minutes. He then declared the discussion open.

Borlenghi read the intervention report delivered to the Chairman's desk which is reported as follows.

First of all, he reminded everyone that he was a small shareholder, loyal to the Company, who has always participated with interest at the Shareholders' Meetings. He underlined that South America is the "*jolly*" of Telecom Italia: in a poor year for Italy and Europe, Telecom has been able to grow more than the economy and has passed the threshold of 30 billion in turnover. Despite the general crisis that struck the productive sectors, causing a recession, a drop in consumption and an increase in unemployment, all goals were reached. The expected news, that was taken for granted by all the financial markets, was the decreased dividend: the dividend has been lowered and has dropped to 900 million, thus the reduction was lower than expected. The dividend paid is 0.043 Euros for ordinary shares and 0.054 for saving shares: the decision of the Board of Directors was prudent and not punitive because the drop in dividend represents a mix between the desire to remunerate shareholders and the need to keep resources and cash on hand for future needs. Satisfaction was expressed by the fact that the level of indebtedness dropped to 30.4 billion, which was much better than expected. The market appreciated the decision to focus on reducing debt, which would have dropped to under 30 billion if there hadn't been the disbursement for the frequencies tender. Finally, the turnover (+8.3%) and the operating margin (+7.3%) increased.

He therefore asked if the growth in South America can continue and if we will be able to maintain our positive rating for the current fiscal year, considering the crisis that impacts all industrialized sectors.

He then reported that, in the Brera area in Milan, various telephone equipment has broken and has been out of service for a long time: Piazza San Marco (four booths with only one working); Via Fiori Chiari; Via Verdi; Via dell'Orso and so on. He also suggested installing a telephone in front of the Pinacoteca di Brera to help the many visitors who complain about the lack of service. He also complained about how frequently the telephone cards don't work: he had actually sent in cards that didn't work to get a reimbursement for the remaining credit but never heard anything.

Antolini, after having noted that he did not have a chance to examine the financial statement data, focused on the trend at the subsidiary Telecom Italia Media, complaining about the continual losses that it posted. In particular, he felt that the Group senior management, considering La7 programming, was playing politics with investors' money: for these reasons, warns the shareholders, we must get rid of this damaging investment as soon as possible. Continuing, he observed how the Company had reduced the amount of dividends paid, a decision that he has long felt was necessary considering the high management costs. Again, he formulated a series of critical considerations on the cross investment system that characterizes Italian companies, a system that multiplies losses for shareholders that invested in various companies connected by cross investments. On this point, he reminded the meeting of the recent negative trend of various companies listed on the Stock Exchange, like SAI Fondiaria, Unicredit, RCS and Mediobanca. Lastly, he comments on the need for a domestic politics aimed at protecting Italian companies that appears, as - the shareholder claims - subject to speculative manoeuvres, as confirmed by the Chairman of the Italian Securities and Exchange Commission.

Davalli read the intervention report delivered to the Chairman's desk and reported as follows.

First and foremost, he reminded everyone that he had been a small shareholder since Colaninno was in charge (having increased his holdings over the years to balance the initial purchase price) and he was participating in the shareholders' meeting for the first time. He felt that the current management was doing a good job considering the macroeconomic difficulties and the situation in which the company was previously. He felt that the Argentina operation was particularly good. The difficult dispute with the Argentinian shareholders made him fearful of a divestment that didn't happen. He also shared the need for attention on debt reduction. Nevertheless, the management, in his opinion, should do more to reduce or retrain the local operative staff because there was still a lack of efficiency and too much absenteeism. Maybe the time is right to enter or re-enter another Latin American market or to take advantage of some opportunities that may arise throughout the world. Finally, he felt that the relaunch of Telecom Italia Sparkle with the planned advertising went very well. He concluded by hoping that the stock price increases, highlighting that target net debt of 27.5 billion for 2012 represented an ambitious goal and asking for reassurances about hitting that target.

Parisciani thanked Telecom Italia for its support over the years for the association to protect the disabled, which he represented. This support wasn't just mere assistance but rather creating work positions that really helped the disabled enter the workforce. On this point, he reminded the meeting of the avant-garde initiatives that Telecom Italia developed, like the Telemedicine project. The shareholder concluded by reminding the attendees that handicapped people were not "a part" of society but rather "part" of it and he thanked the Senior Management at Telecom Italia for its help in creating additional support initiatives to assign more jobs over the next two years.

Lombardi, Chairman of ASATI, summarized and commented on the intervention report delivered to the Chairman's desk, which is reported as follows.

First of all, he warned that the intervention of ASATI will be comprised of four parts: the first - Actions and Positive Results; the second - Negative Results and Critical issues; the Third - Proposals; the fourth - Questions for the Board of Directors and Board of Auditors/Internal Supervisory and Corporate Governance Committee.

Regarding the subject "Actions and Positive Results", Lombardi cited the following elements:

- The investment plan for LTE and the NGN/FTTC network, which will allow Telecom Italia to start in an initial phase with a technological solution enabling, within a very short time, to connect 6 million customers at a speed of at least 30 Mbit in the 90 largest Italian cities in the period 2012-2014, in line with the goals of the European Digital Agenda;
- Controlling the debt that has dropped by about 5 billion Euros from December 2007 to December 2012;
- Cleaning and highlighting the negative elements in the 2011 financial statements, the risk of liabilities deriving from illegal activities in the period 2001-2007, which total several hundred million Euros and that show that the 2006-2007-2008 financial statements are not accurate and that the shareholders approved "false" financial statements at the respective Shareholder Meetings;
- The partial recovery occurred with adjustments at the Senate, including the ASATI contribution, with the approval of the amendment on the liberalization of access network services;
- The sensitivity shown to help the small shareholders represented at the Company's Shareholders' Meeting;
- The improvement of advertising and the company image in the *mobile sector*;

- The agreements signed with the Region in Trento, Pavia, Sondrio, Brescia and Lodi to eliminate the digital divide in more than 150 Municipalities;
- The new position of TI on the Italian market with 400% growth in 2011;
- The understandable interim replacement of Luca Luciani in Brazil with the CFO of TI Andrea Mangoni. ASATI recommends that this change becomes permanent, filling the position with a resource from TI. The selection of Top Managers from the outside by the General Counsel and the current CFO and one or two other managers in 2011 were - affirmed the shareholder - a disaster thus far and it would be a good idea - after analysing the results of the first quarter of 2012 - if Mr. Patuano were appointed to this position in order to support the TI Group, since he already knows the South American market well having already worked there (in fact, he worked for TIM).

Regarding the subject “Negative Results and Non-Positive Attitudes”, Lombardi cited the following elements:

- The loss of a large number of fixed and mobile lines (MNP);
- The depreciation of more than 7 million Euros;
- The need to focus more on staff management and the sense of belonging and not consider employees as redundant (particularly customer care employees for the 187, 119,191) or as an expense to get rid of (by outsourcing). Instead, we need to understand that paying attention to staff right now could be an opportunity because the customer should be the centre of TI's focus so that it does not leave the company. From this point of view, the staff is a fundamental asset to create customer loyalty and recover lost market share. The presence of operators from countries like Albania and Romania (some of whom do not speak Italian well because they originally come from Arabic-speaking countries) constitutes a risk rather than a cost-reduction factor. We need to recover the internal activity in this sector, taking care not to focus only on cutting costs and remembering that the loyalty and preparation of Telecom Italia employees is at a higher level than at other external companies. In terms of excess, we need to re-appropriate outsourced activities, entrusting them to Telecom employees. ASATI has received complaints from customers who were visited by staff that had received Telecom work through subcontractors and didn't even speak Italian well.
- The domestic market has continued its negative trend. It isn't very consoling that the drop has gone from two digits to just one: we need to win back customers.

- We need to stop or keep consulting and outsourcing to a minimum, focusing on training staff.

Regarding “Proposals”, Lombardi submitted the following ASATI proposals:

- regarding the long-plan incentive, MBO and the bonus system, ASATI feels that it is scandalous that the Board, given the company and the country's critical situation and despite constantly cutting the dividends (-40%) compared to those announced and confirmed in 2011, cutting staff costs by 200 million Euros a year for the domestic market (as reported during the conference call in February 2012 with the CEO), the current solidarity contracts, the so-called early retirement affairs, the potential elimination or reduction of the performance bonus, the outsourcing of the business lines (Lombardi mentioned the SSC affair, reiterating that it resulted in numbers of law suits) and all the scandals that emerged, had the courage to suggest a plan for a large number of managers that cost tens of millions of Euros. The clear and clean proposal of ASATI is to eliminate, at least for one year, the entire bonus system or, alternatively, reduce it by at least 50% based on the current values. In any case, ASATI proposes that the relative resources are only assigned at the end of the plan, i.e. at the beginning of 2014, when the company's critical issues are less stressful and the country will have begun to undergo an economic recovery. In any case, when at least the following objectives are reached within the same context: a. net financial debt of 25 million Euros; b. share value over 1.5 Euros (corresponding to the actual book value of Telecom); c. 2012 and 2013 dividends equal to the 2010 dividends; d. TI share price trend for the period not more than 5% below the European DjStock index for the TLC. If these goals - which ASATI feels are minimum - are not reached, no bonuses will be given out. No one at the company will receive more than his or her salary. Too many times in the recent past, continued Lombardi, the shareholders were disappointed and frustrated by the bonuses and MBO assigned based on fake results and goals and ASATI declared its disappointment and anger with this conduct, that has no place in a company that says that it wants to follow a Code of Ethics. The proposal was also motivated by the fact that, if the illegal events regarding the Sparkle, fake SIM and Magnum project affairs actually occurred, that would mean that the managers involved in these activities - who proved to be criminal and that will have significant negative consequences for the Company and its shareholders - still hold important positions at Telecom and its subsidiaries and, as such, would be able to benefit

from the incentive plan, as well as the managers in the legal department that helped these individuals commit these crimes without ever reporting them to the Police and who are still part of the Company, from which they receive a hefty salary. In fact, with regard to these matters - and the security scandals, the fake SIM for the ethic channel, tax evasion for the illegal deduction of VAT for real estate transactions, the leasing and/or sale of goods and shares and, in general, criminal proceedings filed by many Public Prosecutors in the country thanks to the obstinate and insistent actions of ASATI for all institutional and supervisory bodies - if they occurred, it cannot be attributed to just a few "bad apples" or to a criminal agreement with a few top managers (which, underlines Lombardi, left the company between 2006-2008 with the early retirement liquidation, bonus and incentive package of more than 60 million Euros) but also the collusion of some top-level managers who closed their eyes and continued to execute orders that damaged the company's assets, its small investors (who invested their savings in the company's shares because they were savers), its lower management, its middle managers and all 80,000 employees (most of whom make less than 1,400 Euros a month), who share no blame but must now pay with solidarity, mobility and early retirement. ASATI therefore asks for a contribution that is an example and a proof of faith for all the staff and shareholders;

- in terms of outsourcing and consulting, ASATI has offered to zero corporate early retirements thanks to the training and reassignment of internal staff to positions that are currently outsourced. ASATI actually proposes not using outsourcing but rather using "insourcing," which will reduce consulting and outsourcing. ASATI has received hundreds of emails from employees who feel that they can work on projects that the Company currently outsources.

Regarding the final section on "Questions," Lombardi asked the following questions:

1) whereas ASATI, until 2007, is offering the access network through the incorporation of a majority TI newco at all the operating offices so long as there are the market conditions and the regulatory regime of the new Telecommunications Anti-Trust Authority allow it and the value of this network is around 14 million Euros as of today (much less than three years ago), the Executive Chairman is asked to approve the ASATI proposal or the NGN access network enhancement strategy and competitive initiatives regardless of their content (such as the plans submitted by CDP/Metroweb/F2i) and, more precisely, if these

initiatives are developed jointly or an agreement is reached with the CDP in the interest of the country and TI;

2) the Managing Director of Telecom Italia was asked with which concrete measures he is planning to obtain the 200 million euro employee cost cutting in 2012, that were presented to the financial community by the Managing Director in February 2012;

3) the Executive Chairman was asked, considering the data from the first quarter of 2012, which show results that are not completely negative (the free cash flow went from 1,076 million in the first quarter of 2011 to 624 million, dropping by 450 million and the net debt only dropped by 102 million in the first quarter of 2012), what actions he is planning to use to reach the target, all things being equal, of 27.5 million Euros of debt at the end of 2012;

4) the Executive Chairman, the Compensation Committee and the independent Directors at Assogestioni were asked, whether they share the opinion that - for solidarity with the small shareholders (who saw the stock drop along with the value of their investments by 60% compared to December 2007 and their dividends by 40%) and employees - anticipates a significant reduction in the MBO (and, in this regard, Lombardi stated that the plan indicates a "net financial position" for Italy of 28.5 million Euros as the goal and asked what this datum refers to and if the debt goal for 2012 is 27.5 or 28.5 million Euros). Lombardi underlined that the request comes from 100% of shareholders registered with ASATI so the response, which will be heard and considered by the entire board, should be weighed. The response will be considered in all operative Telecom centres in Palermo, Milan, Turin, Mestre (one of the many offices hit) where restructuring, closures and the transfers of call centres to Bologna are pending, with large sacrifices for employees;

5) the Executive Chairman was asked to confirm that a new equity plan for the staff will be approved, as promised, in 2012, for at least 50 million shares with the establishment of early severance for those for which it is still available at the Company and, for others, through a monthly payroll deduction;

6) whereas the audit department at Telecom Italia was aware of the terms and costs of Operation K as summarized in the ruling of the Presiding Judge on 25th October 2007, the Chairman of the Internal Committee, the Chairman of the Board of Auditors and the Chairman of the Supervisory Board were asked why in the 2010 Report on the Financial Statements was there no mention of the current industrial spying in Italy and Brazil; why the lawyers for Telecom Italia and Deloitte did not include the costs of 51 invoices

including 4.2 million dollars of the 28 million Euros for consulting by the Lebanese broker Naji Nahas; what was the reason for the illegal action as found in the Brief filed by the Preliminary Hearing Judge Mariolina Panasiti in May 2010 and the enormous fees as found on page 14 of the grounds for the ruling of the Corte di Cassazione (Supreme Court) of 20th September 2011; if the Report of 16th February 2007 prepared for the Internal Audit and Governance Committee given that highlighted in the 2011 Financial Statements and the Deloitte report could have already contained all comments on the industrial spying; why was light not shed on this unbelievable lack of information;

7) whereas on page 35 of the corporate governance report of 2010, chapter 1, it is stated, among other things, that the origin and grounds for the investigation projects called the "Greenfield Project" were prepared following the internal audit and investigation or "other known facts" and that ASATI feels that the sale of the real estate and, in particular, the "Magnum Project" (sale of 1,400 buildings that were home to the company's most important telephone exchanges) is a fact "known" to have caused significant damage to the Company, both with the sale (to funds and subsidiaries of Pirelli Real Estate for below market prices in terms of the sales value and the 8% re-rental frees) and because the exchanges cannot be fully vacated before transfer to their new owners with dramatic repercussions on the TI financial statements in the future; that said, the Chairman, the Chairman of the Board of Auditors and the Chairman of the Internal Committee were asked if they intended to document the entire situation as soon as possible and report it in the context of the biannual financial documentation for 2012 rather than wait for it to be "discovered" by the Courts since it is not part of the Deloitte report despite ASATI's repeated requests from 2008 on. Lombardi asked that different answers be given that those provided at past meetings because that would be insulting;

8) the Chairman of the Board of Auditors was asked (i) considering that the costs for the illegal security activity can be assessed at several million Euros and the theoretical improper appropriation considered by the Telecom lawyers did not occur because Pirelli was asked for compensation limited to just one million Euros, what is the requested one million Euros for exactly; who is going to be asked to pay the compensation for the other several million Euros; what is the status of the case against Pirelli; (ii) how many civil compensation cases are there - and what is their status - filed by some celebrity victims of spying including the footballer Bobo Vieri, Dr. Fabio Cappon (the brother of the former

General Manager of RAI Claudio) and the journalist of the *Corriere della sera* Massimo Mucchetti; the status of the work-related lawsuit and the compensation requested by the former General Secretary Nola and the former security manager, Gallina; if there is a risk of bankruptcy; who will pay; if there is still a company policy for former employees and employees, all involved in spying; (iii) in relation to the invoices issued by Marco Bernardini regarding the K Operation, if these invoices for 2004 were paid by Telecom; which Telecom budget were these spying charges posted to: the *security* budget (Tavaroli) or the Top Management accounting (Valente). On this point, Lombardi specified that these documents were taken from Folder 72 CPM, page 947, of the Criminal Proceedings as per the Ruling of the Preliminary Judge Gennari on 25 October 2007 and that they were known at least since 2007 and, continuing on this point, asked the Chairman of the Board of Auditors: (i) if the Deloitte report- Greenfield Project considered this; (ii) why the Board of Auditors did not perform the required internal controls and requested a specific Deloitte integration report in December 2010; (iii) to summarize the figures regarding the following, which he knew by heart:

- solidarity interventions for employees and former victim employees;
- 231 plea costs;
- total costs of the legal fees incurred to defend TI in the various Courts and various cases already initiated by celebrity victims of spying, which is now public knowledge;
- the costs for the Deloitte report; indeed ASATI reiterated that it is waiting for the report to be provided by the Chairman of the Board of Auditors and the entire Board, since it had not yet been published despite being summarized in the latest edition of *L'Espresso*;
- costs of the internal structures used such as the audit - the very existence of which ASATI doesn't understand since nothing was reported that could have stopped these illegal actions- the legal structures, the institutional relations and communications structures used to answer the Italian Securities and Exchange Commission in a timely manner;
- the damages to the image of TI due to its continued media presence because of the previous management; the reasons for which compensation for this damage was not requested, considering that before the penultimate meeting of the Board of Directors, *Corriere della Sera*, with a photo of Dr. Bernabè, that was most probably deliberately inserted, readers who didn't look closely got the impression that TI and Bernabè were guilty, further damaging the image of the Company:

- the costs of the K operation, where are the related invoices, what is the total for the Naji Nahas consulting and what was the work product from that consulting;

- what is the weight and the future weight of the damages produced by the Magnum Project in the future financial statements due to the fact that the exchanged were not fully vacated but will be vacated in the next 5-10 years; Lombardi asked for more information and, subsequently, a summary table that includes all costs. He asks for a different answer than given at the previous Meetings because those past answers were inaccurate.

Savina, first thanked Mr. Lombardi, who, with his words, gave a voice to the shareholders and, particularly, employee shareholders. The work performed by ASATI, he continued, is extraordinary and through this communication network, we are seeing a new culture and encouraging the renewed participation of Telecom Italia employees: and this is, he affirmed, the key to the Group's future.

Certain of representing a significant part of the partners and employees, he asked the Chairman to discuss two points: the first point could be called: "from public financing of political parties to private financing of managers at the last minute." The shareholder warned that we must avoid exposing the company and showing the country this latest example of poor management. And so he would like to know the intentions and the actual remuneration of Luca Luciani for the resignations agreed upon by the CEO of Tim Brazil.

The second point, continues the shareholder, could be called "who does Telecom Italia belong to?" He reminded the meeting that at the shareholders' meeting in 2010, the then Chairman Galateri promised a new shareholders plan for all employees. 90% of employees registered with ASATI asked the association if the company could provide a new stock option plan in 2012, which they could join with company financing at a discount rate or by using all or part of their severance. It is considering that employee stock options are a way to create loyalty and make employees responsible, which benefits everyone: the employees and the company. Employee participation in the company's share capital is currently below 0.4% compared to a European average that is about 2-3%. Shareholders employees, he reiterated, would be another piece to the puzzle of seeing the Company as a public company with a stable shareholder base.

He concluded by asking the Chairman to proceed with the liability proceedings without further delay. In the country, and first and foremost at Telecom Italia, there is no need for bad teachers. So, the shareholder asked for significant contributions, setting the example of

a new economic democracy. He invited the meeting to accept the "gift" of ASATi, adequately considering the motions made in the programs for the next few months.

Castellano claimed to speak in three capacities: as a shareholder, as an employee and member of the ASATi association and that he would like to speak about the two motions put forward by the many members of ASATI, of which he is the spokesperson. The first question involved the transfer of Telecom Italia Media and La7: regarding the access network investment project and, in particular, broad band (which, after his experience with the fiber to the building project, in which he participated first hand, the fiber to the cabinet projects continue throughout Italy), the video-television component is one of the key factors to make these investments that are being made profitable; moreover, the position that La7 has in the world of Italian television is extremely prestigious. Considering all that, he asked for the reasons why La7 was sold, since the benefits in terms of debt do not seem to compensate the losses in terms of broad band services and the loss of a content provider within the Group. The second question involved the known Deloitte report: the publication of the Deloitte report was adamantly requested several times by ASATI. This request has never been fulfilled even though Telecom Italian has a code of ethics since 2004. During the day yesterday, the Espresso website published the ending of the Deloitte report and the minutes of the Board of Directors of December 2010. He asked why the report was disclosed to the press rather than to the shareholders who had been asking for it for a long time.

The **Chairman**, on this last point, specified that the Deloitte report was acquired by the Court as part of the judicial investigation documents and, as such, cannot be disclosed; the Company does not know how *l'Espresso* obtained it and the Courts should look into the matter.

Lombardi, from the room, disagreed with the Chairman, observing how the report in question was not "required" but only, simply, "acquired" by the Court.

Zarillo read the intervention report delivered to the Chairman's desk and reported as follows.

He reiterated that he is a small investor and a member of ASATI but, above all, an employee of Telecom Italia with the best interest of the company at heart. He was participating at this meeting to be able to bring to everyone's attention, and particularly the management's, a very delicate point, as confirmed by the many reports and notices that the

ASATI Association received: the corporate climate and the relationship between the management and employees. ASATI was able to conduct an informal survey of its members, which was followed up by a meeting with Human Resources that then prepared this year's report on the corporate climate. Thanks to Mr. Cardamone, ASATI was able to ascertain the Company's attention to this activity and, in particular, realized that the Company was aware of a very delicate problem: the lack of trust between the Company and employees. This relationship has definitely deteriorated over the years due to the criminal activities such as illegal wire tapping or corporate restructuring that didn't go over well with the employees and that did not have the desired effects (like the reduction of software costs), such as the case for outsourcing some employees at the Shared Service Center.

Regarding the focus that the company is placing on restoring this relationship, ASATI appreciated these first steps and he, as an employee, received the positive general satisfaction with the corporate climate. ASATI will look at the subject again with the Human Resources department but, above all, feels that there is still a long road ahead and a lot of work to do. ASATI therefore suggested a solution for the Top Manager that could hardly be disagreeable: the road to recovering a healthy corporate meritocracy that involves everyone: employees, middle managers and top managers. A meritocracy that aims at rewarding those who are truly good, that encourages corporate talent, avoiding external consulting firms that just drain corporate resources. A meritocracy that focuses on teamwork, partnership and sharing information and (it's not a given) goals. Objectives that must always be interrelated and shared among management and employees and that lead to a positive cycle with mutual feedback. Along with employee evaluations (i.e. a top-down evaluation), there must be a bottom-up evaluation: employees must be able to evaluate their managers, not to create further divides but based on the evaluation goals and to show areas for improvement rather than differences. To show that we are part of the same team: the Telecom Italia team.

Lastly, Zarillo concluded, we must reflect on how the poisoned corporate climate or at least the climate based on mutual diffidence can influence an employee's decision, which bears witness to a few unclear facts involving making a report to the supervisor based on the provision of the corporate code of ethics or the supervisory board as set forth in the 231

organization model: if Telecom had a better climate in the past, it could have avoided all the cracks that have created this chain effect now.

Fogliati summarized and commented on the intervention report delivered to the Chairman's desk and reported as follows.

He reiterated that he had long participated in the Stet Telecom Italia meetings as a shareholder and also as a representative of ADAS, an association incorporated in 1995 following an unfortunate sector privatization and liberalization of the sector. After the incorporation of 7 other associations, in 1998, only ASATI is currently active and involved, thanks in particular to Franco Lombardi. His request to put liability proceedings to a vote is in the interest of Telecom, the aggrieved and damaged party and thus, all the shareholders. Luciani's exoneration must be followed by other initiatives: in his place, an internal staff member must be selected, perhaps Dr. Patuano. Fogliati reiterated that he does not know Luciani personally and is not able to judge his assets and defects; he certainly made mistakes and Telecom perhaps paid him too much for what he did but now we need to ask ourselves why he was able to do what he did for years. If Luciani were present today, as a shareholder, he would have to explain what happened and why. A part of the Telecom managers in the last 15 years were "yes men" and that's why they were paid well but this also infected the situation and led to incalculable damages. Chairman Bernabè had to intervene to "take matters into his own hands": is the work done?

Fogliati cited his Stet experience, where he was employed for 40 years, part of that time as a manager: Stet was a financial firm that employed 300,000 people (127,000 directly), listed on the Exchange since 1934. It operated during the IRI period and was supported by "techies" like Romano Prodi (the 5-year Stet plans were debated in his presence while the 10-year ones were discussed at the Ministry). During those years, there were conflicts with the IRI president (not Prodi) who wanted to convince his contacts that selling Seat was an "industrial" requirement and with another manager who felt that it was time to get out of the satellite systems (like Telespazio and the international organizations).

Today, Chairman Bernabè has announced that he will sell La7 and, again, Fogliati doesn't agree. In fact, this is an *asset* that will allow Telecom to keep its eye on the world of communication, the future of internet, the convergence of email and texts in the new interactive systems like "Facebook" and so forth.

In the past, we talked about Telecom as "one company" and a "media company" (Fogliati wonders if they were wrong?) and today we're talking about a "restricted core" right when information companies, ICT, the future of internet, over the top and so on are booming.

This is the umpteenth event that has led us to ask if shareholders have the right to know where Telecom Italia is today and, to the point, where it will be in a few years. Moreover, the Board compared this with 2007, a year that stood out from previous one but this comparison showed differences in the financial statements that were approved (for example, there was a reduction in profits totalling 1.7 million Euros compared to 2007) that should be examined (which is related to the need for consolidation).

The documents submitted to the shareholders' meeting (more than 550 pages) answer the first question but not the second: a few three-year projections were provided that were limited to certain data. It was said that the end-of-the-year debt will be reduced, but not how that will be done. Certainly, by generating cash but how? Certainly, by saving, but how? Certainly, by selling the latest assets, but which?

President Bernabè shouldn't let the financial markets influence him but rather focus on the job at hand and, that means, first and foremost, the employees, the customers and the best ways to meet their needs through internal and external resources to earn a good return. The shareholders would certainly understand that course of action.

Regarding the matter of debt, Fogliati suggested paying interest with the subsidiaries' dividends and the residual part with the internal industrial margin. We could also pay the dividend with shares and the rights to the shares of the subsidiaries: in fact, it is better to have balanced financial statements than unbalanced ones! This is the only ethically and socially sustainable solution.

Fogliati continued with a few comments on the current Telecom situation, asking the Chairman to confirm or correct what will be said, considering that Fogliati is and represents the Telecom Italia shareholders so Italian citizens who do not own shares of Tim Brazil or Telecom Argentina.

The results of the last four years are good but it is undeniable that the employees in Italy and the shareholders were treated the worst: when the current management began (1997-1998), there were 67,000 employees in Italy but there are now only 57,000 (we hope that many are employed elsewhere). The stock sold for little more than 2 Euros (the financial market in the meantime went haywire but we need to ask ourselves what happened in the

reference area) and the shareholders' equity dropped from 25.4 to 22.8 million Euros (due to the depreciations).

The 2011 financial statements have the following features: a loss with a positive industrial margin (post amortization) thanks to savings (for example, in terms of staff, a decrease in personnel by 1,800 people); significant financial management as well as fiscal management as well as significant depreciation; an economic structure composed of intangible and tangible assets that are trending downward, particularly in terms of investment and amortization, a very large net debt, a reduced shareholders' equity and reduced cash and cash equivalents at the end of the period and a reduced OFCF. He then asked why the dividends for the subsidiaries were decreased so significantly to 0.25 million Euros in 2011 compared to 2.4 in 2010 (including 2 just by TI International).

Regarding the Group level data, Fogliati cited the revenue, a 4.3 loss (which would be a 2.6 gain net of the depreciations); an EBITDA-amortization ratio for 12.2-6.1; staff costs for 3.9 including 3.1 in Italy; average employment in all: 78,369, of which 53,361 are in Italy (reduced in Italy by 3,526 units and increased abroad by 11,745 units); adjusted net debt 30.4; cash available 6.7; intangible assets 45.6; tangible 16; shareholders' equity 26.7-22.8.

Fogliati stated that the finances are sold and asked what resources are available in Italy: it is stated that they would be, for the parent company, 1.28 billion and the accounting documents specify that these amounts mirror the accounting situation and were approved by the control bodies. These are amounts that consider the starting point (at the end of 2007) and the decisions made by the Board of Directors and the management in the subsequent years.

Instead, there is no budget data for the parent company for 2012 and the subsequent years in the accounting documents while, on the group level, three amounts are provided for 2012: revenues, EBITDA and net debt. Other elements are provided during conference calls.

These circumstances led us to, once again, ask what is the role of the shareholders: are they in charge of indicating the guidelines and then controlling or just ratifying the work once the corporate bodies are elected and just appointing "directors," figuring out where they come from and what are their experience, habits and professionalism, leaving the Board of Directors to assign the proxies and appoint the committees that select the top management

and their remuneration? A shareholder, claimed Fogliati, should be able to indicate the policies to follow and so he asked for a "change in course:" a decision to continue down this road could lead Telecom, in the next 5 years, to a very precarious and complex position that would have unacceptable consequences for the entire country. The shareholders are available to direct the *management*: vision is development. Telecom needs to go back to being a national champion, contributing to the recovery of the Country following this recipe for success: 1) maintaining the work force in Italy by recreating a climate of steady participation, increasing services and rewarding employees; 2) increasing/anticipating investments to provide more services with greater quality; 3) doubling innovation and research activities; 4) not increasing debt. All this must be done by using the following instruments: an increase in the capital, emphasizing the network as well as improving the management of foreign subsidiaries: we must ask ourselves how they benefit Italy; if their listing increases the work and services provided; if the shares could be posted directly under the assets of Telecom SpA; what we can expect from them: if only dividends or cash and a part of the procurement; what risks exist, considering that BRIC countries could also suffer the impact of a large-scale recession and Monti has criticized Argentina for just that.

This view assumes an awareness also on the part of the government and authorities that govern the market: we can no longer tolerate unbalanced regulations just as we can no longer accept price structures that don't allow for the sustainability of the services, innovation/domestic research sector. The sector Telecom operates in has already given too much. It can't be the only one to "slow down" inflation. We need to increase domestic products (not buying Chinese devices or devices from other countries): in essence, the large and SME in Italy must be protected and we must support research and innovation by Italian researchers (industries, universities and private research centres), obviously with competition from other countries and awareness that the context is competitive and they have to be the best to win. Each co-financing initiative in the European and national context must be faced with courage and commitment, with the goal of being second to none. The Monti government must make coherent decisions if it wants the Country to recover and regain even more ground than that lost thus far: therefore, it is taking these steps in terms of innovation and research in the South.

Fogliati asked Chairman Bernabè his opinion on these proposals aimed at relaunching Italy and Telecom. Moreover, he asked if the current mid to long-term strategy has negative impacts on the Country. The company certainly has a wide-range of strategic opportunities, which the Board of Directors is aware of and does not need us to share but the shareholders would be more at peace if a statement were issued saying that, with all or some of these opportunities, Telecom will be saved and their jobs in particular.

Fogliati therefore reminded everyone that the government is planning actions for growth and Europe, for its part, is working to change the initiatives in this regard. In the field of innovation and research, for example, there is a favourable context in particular on the part of Minister Profumo and Confindustria to give new life to large industries and to the varied and important SME sector. Significant financial resources are expected for innovation and research: for example, the European Union, with Horizon2020, plans an investment of about 90 billion Euros over 7 years. Italy must focus on the goal of implementing initiatives to acquire twice the number of investments that it can obtain now (1.5-2 billion a year). The largest Italian companies are called to provide a greater investment, which cannot be ignored given how indispensable this is for their future; they must refocus their innovation and research activities on new bases, increasing them by finding and using the best human resources available. Telecom Italia is fully involved in this process. There are many domestic and European projects, current and future, that are potentially interesting: it must, however create incentives for this action internally and with the help of Telefonica that currently has an important role in the European context. A specific commitment is required from Chairman Bernabè that emphasizes innovation and research, which the Board of Directors must support even through its committee so that all the corporate sectors and individual departments are involved. Among other things, we cannot exclude the possible institutionalization of the figure and role of the industrial researcher, a role parallel to that of a university researcher (the recent initiative of the former Minister Gelmini can support this possibility).

Regarding the subjects linked to governance, Fogliati hopes that the shareholders present (excluding Telco, unless it has a change of heart) do not wish to continue a paradoxical and counter-productive situation such as that being voted on during the extraordinary session: voting on the gender equality regulation, inviolable but too weak, point 9.7 of the by-laws must be confirmed, according to which "the 4-5 shareholders to elect are taken from the

slate that obtains the majority of votes." Fogliati declared that it would be appropriate if, on this point, Telco did not vote and reminded everyone that last year the shareholder Findim did not join the Board of Directors: an absurd but correct result based on the company by-laws. In this regard, he asked the independent directors if, at the time the agenda was drafted regarding the changes to the by-laws, objections were raised or if they consented: in the latter case, he asked them to justify their position. Do they feel that a similar threshold is in line with European directives on the rights of shareholders? What can the 500,000 individual shareholders do? Finally, he asked what the representatives of the international funds present and Assogestioni thought about it.

In terms of compensation, the Board of Directors has a wide range of committees that oversee the Top management compensation policies, internal audit, governance and so forth; despite this, there is abnormal and inappropriate disparity among the levels of compensation for many reasons that are plain for everyone to see.

As for participation in the shareholders' meeting, Fogliati stated that with electronic voting the range of possibilities is increased and asked if it is enough to indicate this option in the convocation notice; disappointing results are expected, such as in years past with the mail-in vote and the vote last year "by proxy". To make direct or indirect participation in the shareholders' meetings useful and justifiable, other initiatives should be performed aimed at 500,000 individual shareholders, employee shareholders and the members of our club. He asked what had been done.

He concluded by asking the Chairman (i) to confirm that Telecom intends to protect ASSIDA: for several months the registered pensioners in particular have been very worried even though they have been asked to pay a higher annual contribution; (ii) to confirm that other shares will be assigned to employees (he cited the proxy of 880 million euros conferred by the shareholders' meeting). He provided an overview of his voting declarations: vote of abstention on the financial statements and vote against the other points of the agenda. He asked for convincing answers because the shareholders' meetings still have the feeling that we are discussing matters with the intent of building something, not destroying it.

The text from an excerpt of Fogliati's website is provided below, provided as an attachment to the speech report:

"Extract from the website of Alessandro Fogliati

(9/5/2012) First quarter results (compared to last year) in billions of Euros: net profit 0.6, +10.6%, Ebitda 2.9, +1.2%; EBIT 1.6,+7.6%, Free Operative Cash Flow 0.6 (1.07 last year); corrected end of year debt 30.12 (30.4 at the end of 2011). Revenues 7.4, +4.5% including 38% abroad; 4.5 domestic, -2.4% "Cash equivalents" 5.42 (6.67 at the end of 2011). 84,625 employees of which 56,919 in Italy. Industrial investments 0.954 (less in Italy, more abroad). Brazil (in the local currency, real/euro 2.318, ex. 2.28: revenues 4.47, +19%; EBITDA 1.17, +13.5%). Employees 10,734 (ex 9991). Mobile lines 67.2; market share 26.8% (ex. 25.1%). Argentina (in the local currency, peso/euro 5.6875, ex. 5.48989: revenues 5.13, 24%; EBITDA 1.64 (+16.6%). Employees 16,591.

The Board of Directors is selling La7 to reduce its debt (in 2011 it lost 83 million. In the press, the average value of TI is given as about 160 million...).

(4 May 2012) Plans are continuing for ASATI to have a large presence at the next Telecom Italia shareholders' meeting.

I will be there to once again explain how the needs of the minority shareholders must be truly represented in the governing bodies and that shareholder employees be given a very different role to the one they currently have. The company's results will certainly not be underrated, especially in an extremely difficult and uncertain economic setting. However the expectations of the shareholders and employees will certainly be considered. The former are extremely disappointed, disillusioned and embarrassed by the dividends that have continued to decrease from 2 Euros in 2007 to 1.08 in 2009 to 0.98 in 2010 and 0.83 at the end of 2011. Investors have suffered enormous losses, which have only partially been offset by the dividends paid out. On the other hand, it must be acknowledged that the company's net equity dropped to 20.5 billion (-5 billion) at the end of 2011 due to the writedowns that were necessary. There are currently fewer employees in Italy. Their compensation was reduced due to a "solidarity" agreement in place since November 2010 (which will last two years). These resources have a great deal of potential which can and should be used. I will ask the shareholders' meeting, for example, to increase the research activity, which is an indispensable factor to support the growth of our country. All the domestic and European opportunities that arise should be taken advantage of and used for large-scale financial investments. The European Union is about to kick off a new research support plan, Horizon2020, that will involve about 100 billion Euros.

(18 April 2012) Convocation of the Shareholders' Meeting: 15 May 2012 at 10 a.m. in Rozzano. You may vote electronically, by mail, by appointing a "Proxy" or another shareholder: I suggest Franco Lombardi, president of ASATI, an association with about 3,000 members.

This association should be supported so that it reaches a suitable size to allow the submission of a slate of candidates from which to appoint the Board of Auditors (the Shareholders' Meeting's agenda) and to be used to appoint the Board of Directors in 2014. The goal could be reached if individual shareholders, and there are more than 500,000, agreed to join ASATI. Unfortunately, the Italian Securities and Exchange Commission (CONSOB) doubled the number of shareholders necessary to submit the "slates" from 0.5% to 1%. This decision, which does not correspond to EU directives on shareholder rights, is very prejudicial to us since such a large number of shareholders will never be directly represented in the corporate bodies!

At Telecom, the rules to appoint the Board of Directors are confirmed, which required that 4-5 directors are taken from the slate of majority shareholders submitted, currently TELCOM (22.39% of the capital...): we have asked for the by-laws be amended to this end. The by-laws will be modified by the shareholders' meeting only in order to implement the regulations on "female quotas". We don't agree with this either, it starts with 1.5 and ends with 1.3 (for the Board of Directors in 2018...). The 1/3 quota will be applied immediately. I'll speak about other matters below. I will be at the shareholders' meeting just like in 1995. In 2004, as the ADAS Chairman, I wrote to the Italian Securities and Exchange Commission and the senior executives of the company stating that the conditions to "constructively" continue associative activities were not in place. For the reasons I have given above, those conditions are still not in place! Additional reasons to support the ASATI action with conviction.

(29 March 2012) The final accounts of the Board of Directors for 2011. (in billions of Euros). Provisional data confirmed on 24 February 2012. The news: a) a depreciation of the "intangible" assets totalling 7.3 billion at group level and 5.7 billion for TI SpA; b) evidence of a loss of 4.73 billion and 3.57 billion respectively; c) without these depreciations, the net result would have been 2.6 billion and 1.76 billion; d) EBIT of -0.603 (+6.76) and 5.15 (-0.182) respectively; e) free operative cash flow for the group: 5.767 billion; f) available reserves at the end of 2011; post loss of more than 7 billion so....

g) dividend proposal for 0.9 billion: 0.043 ordinary shares and 0.054 savings shares h) an incentive plan is proposed for management.

My comments: depreciations necessary (I have been asking for this for a long time at the shareholders' meetings), perplexity over the once again smaller dividend. What happened to the much desired second tranche of shares for "all" employees.

(24/2/2012) Preliminary Accounts of the Board of Directors for 2011. (in billions of Euros). TI spa dividend reduction: to 0.9 billion Euros (ex. 1.183); revenues 18.045 (-5%); EBITDA 9 billion Euros (-1%), adjusted net payables 34.883 Euros (-1.8%); investments 4.12 (including LTE frequencies 1.223); employees 47,801 (-1835). Net Profits: NA Purchase of saving shares: NA Domestic revenues: 19.033 (-5.2%) including fixed landlines 13.542 (-4.1%), mobile phones 7.114 (-7.5%).

Group: net profits NA.... (ex. 3.12); adjusted net payables 30.414 (-1.064 billion Euros); investments 6.095 including LTE frequencies 1.223; employees 84,154 including 56,878 in Italy (-1167); cash generated for 5.767 (-0.446); liquidity margin 14.7 billion Euros (including 7.7 cash); gross operating margin (EBITDA 12,246). +7,3% including (in %): domestic 63.6 (ex 72.8, Brazil 24.5 (ex 22.5), Argentina 10.7 (ex 2.9); revenues 29.958, +8.7% (+2.7% staff) including (in %): domestic 75.5 (ex 82.3), Brazil 16.3 (ex 15.8), Argentina 8.5 (ex 2.1).

Brazil: AES acquisition (Tim Fiber Rje and Tim Fiber SP). In billions of real (vs euro 2.32669). Revenues of 17.86 billion (+18.2), ARPU real 21.4 (-9.7%); EBITDA 4.631 (+10.2%). 64.1 million lines, 26.5% of market share. Employees 10539 (+425). Argentina: in peso (vs euro 5.74419). Revenues of 18.496 (+26.5%) including 71% from mobile phones (which is a 32% increase). EBITDA 5.947 (+24.1%); industrial investments 3.192 (+24.8%). Employees 16,350 (+700). Landlines NA... (ex. 4.1 million), market share NA.

Updated 2012-2014 Industrial Plan. Group: net payables corrected at the end of 2012 27.5 billion Euros (-2.9 billion at the end of 2011) end of 2013 25 billion: revenues and EBITDA 2012 in line with 2011: over the three-year period: cash generation of 22 billion: industrial investments 15 billion

Bernabè: the Group reached all its 2011 goals. The proposed dividend reduction " contributes to the debt reduction plan set forth in the previous plan. To reach this goal the shareholder compensation must start growing again."

(22/2/2012) *The government re-examines the issue of the 'delay' in the country concerning telecommunications networks and establishes the Digital Agenda, in compliance with EC 2020 objectives. Telecom Italia, during a hearing before the House of Representatives, responded that by 2014, they will be connected to 6 million properties, thanks to FTTC (Fiber-to-the-Cab) technology, i.e. to electrical substations, which will serve any customers within a 400 metre range. Telecom lacks the resources to do any further... alone. Therefore, they revive the idea of using a 'combination' (network... mobile) and of involving other 'players', for example the public. A greater commitment is asked of the company, through the provision of an ambitious business plan. It remains to be seen what will be decided on in the next Board of Directors Meetings (tomorrow and on 29th March): it shall be further discussed in the 15th May meeting. The unknown factor of how to reduce high debt remains a serious obstacle which makes the future uncertain. There is also a requirement to strengthen research and innovation activities, both individually and through a more incisive participation in European projects: Europe is in the process of defining a new plan for the development of the ICT sector, with a view to 2020 and with the aim of increasing resources, that in the past Italy has not known how to fully 'take advantage of'. I would also like to add that participation in said projects, in the role of coordinator, will entail for those in charge, a particular 'reward!' for example being 'awarded' with a status similar to a 'university professor' (see MIUR DM, November 2011)*

(25/1/2012) *According to press rumours, the value of Telecom Italia ordinary shares reduced by 6% (from 0.8175 to 0.769, saving shares from 0.708 to 0.648). The company stated that the decision on its dividends will be taken at the next meeting of shareholders on 15th May, in accordance with the proposals from the Board of Directors on 29th March. It is rightly reaffirmed however that, on the 19th of this month, the Board of Directors has expressed, 'to protect the company and its shareholders, its position to give absolute priority to the de-ranking and to the maintenance of the rating, even in light of the recent downgrading of the Italian state's credit rating'.*

A position which I have backed more than once, also in my participation at the shareholder's meeting last year. Indeed, I have asked for a different dividends policy which would be the allocation of shares rather than the granting of dividends: an expenditure of the estimated amount of cash (to the order of one billion Euro) is a decision definitely not advisable in the presence of a huge debt, a domestic market in distress and in a difficult

economic situation. To continue to reduce costs, also through the use of solidarity contracts for tens of thousands of employees should amongst other things appeal to the institute. For too many years, the company has had to pay high dividends, to relieve the shareholders who actually control the company. Even today, the shareholder Telco would require high dividends due to the high amount of borrowing that must be supplied. It is a requirement that up to now has been satisfied through clearly defined results and that today could make the company 'vulnerable'.

The stock market responds with irrational and unreasonable behaviour: Compare the yield obtained from Telecom shareholders in the last few years to the returns provided by other instruments such as bonds etc. I would also like to mention that for a long time the associations of the company shareholders have noticed and expressed the fundamental requirement for an increase in capital: A drastic fall in stock prices (the very thing that is happening) has always been feared. The real reason is in the shareholder make-up of the company: a shareholder Telco, with 22.4% to be exact, holds control of the board.

(thanks to a statute that for a long time has needed to be amended). Is Telco sailing in stormy waters? Its shareholders: Telefónica, Mediobanca, Intesa, are they in trouble? They should rethink why they paid off 'the previous management with a high fee.' Us small shareholders are certain to have suffered the greater 'losses', as have the employees that have suffered from the drastic reshuffling that the new hierarchy forced into being.

(12/11/2011) Results from the first nine months of 2011, for the Group: considering the devaluation of the intangible fixed assets of 3.18 billion euro, the loss for the shareholders is 1.2 billion euro (a similar value to income taxes) ; net equity reduced by 2.55 billion euro (from 32.5 billion euro to 29.8 billion euro). Ebitda from 9,175 million euro +8.3%: peso %, domestic 76.2, Brazil 15.7%, Argentina 8.3, Ebit 1,847 million euro (-2,457million euro), operating Free Cash Flow 4,524 million euro, +1,073; adjusted net financial position 29.9 million euro -1.52 at the end of 2010. Revenues 22 million euro, +10.9%, 35% foreign of which 24.5% is Brazil and 10.5% is Argentina; domestic incidence falls from 75.5% to 63.9%. 85,126 employees of which 10,200 are in Brazil and 16,000 are in Argentina. Industrial investments 3,190 million euro, +252 million (Brazil 807 million euro, Argentina 331 million euro). Brazil (figures in local currency, real/euro 2.29395): revenues 12,375million, +17.5%; Ebitda 3313million (+10.5%), Ebit 1576 (+789million). Mobile phone lines 59.2 million, +26%, market share 26%. Argentina (figures in local

currency, peso/euro 5.74763): revenues 13,357 million, + 2,872: Ebitda 4,363 (+23.8%). Fixed lines: 4.1million (until the end of 2010). Broadband customers 1.5 million, access to mobile lines 17.8 million, + 1,453 million (Paraguay 2.08 million connected, +11%).

Satisfactory results. Confirmation of targets, including dividend distribution (drawing on reserves.....). The press release does not mention Telecom Italia S.p.A. I believe that the analysis should further investigate the domestic side, as well as Brazil and Argentina: for example, some indicators are missing, e.g. relative and total productivity indicators, as well as profitability indicators, that take into account inflation, price variations, exchange rates and other external variables such as increases in interest rates.

(14/9/2011) I had the opportunity to examine the financial position of Telecom Italia S.p.A. up to 30/6/2011: from this are the figures to which we shareholders refer to, particularly in assembly, and these are the figures from which we are 'remunerated' through the dividend, calling upon 'available reserves' if necessary. These are the figures to which domestic business refers to. Therefore, importance should be given to the 'results' of the Group. However, equally relevant are the components of said figures! I bring the following figures to your attention. The figures are in billions of Euro. 'Non-current' assets: 66 billion with 42.5 for 'intangible' assets*: reduced item but still critical! Liabilities: net equity 24.3 billion with 10.2 which are 'distributable reserves without tax burdens'; 'non-current' liabilities 35.4 billion. The balance sheet total is 74.6 billion. In total, financial liabilities amount to 40.7 billion. Their maturity is spread out over future years: 6.4 in 2012, 4.3 the following year... etc. Interest rates vary between 2.5% and 10%: 19 billion fall into the band greater than 5%. The net financial debt is 35.74 billion Cash and cash equivalents are equal to 1.08 billion: cash flow generated from operating activities: 3.34 billion was absorbed by 1.4 from investments and 2.96 from financing activities (of which 1.2 was for dividends paid). The income statement: revenue 8.9 billion (3.4 traffic, 3.8 charges etc.); ebitda 4.43 billion, ebit 1.2 billion; profits before tax 0.29 billion; income tax 0.557 billion. Losses in the period: 0.265 billion Employees in service (to the end of June) 49,298 personnel, with 772 managers and 3,319 middle managers. Personnel costs: 1.355 billion, decrease due to solidarity contracts and the transfer of business units to the subsidiary Shared Service Centre. The Board of Directors has not implemented the decision made at the meeting on 8/4/2009: increase in share capital (1.6 billion shares) I have not found

updates regarding the authorisation of the buy-back of company savings shares (max 800 million Euro), from the meeting of 12/4/2011.

(9/9/2011) The following day in light of my considerations and suggestions, that you can see below, Moody downgraded Telecom. Mr Bernabè responds that the company is paying the effect of the country's political and economic crisis (a declaration I read from one of his interviews): he also said that Telecom is fully committed to all its medium and long term targets. Despite the burden of the frequency tender, the debt will be reduced in the long term (therefore it will increase in the medium term..). I have informed Mr Bernabè about my proposals which can be read below: I will keep you informed.

(7/9/2011) As already stated, the 'world' crisis also decreased the value of our shares. It is a fundamental truth, but we must not hide behind this 'initial cause' of the drastic drop in value of our savings. We must react, because the 'national' deficit could also damage us in terms of turnover and therefore on industrial results. Other savings on the expenditure side can be made: a 'solidarity sacrifice' is under way on behalf of all staff, however the management does not seem to be consistently involved. A lot of capital expenditure can be adjusted. Everybody should contribute, from our own management, through to consultants (an entry to remove) and through corporate body fees, albeit at the discretion of the assembly. The organisation should be further refined, the 'key' players are not irremovable, their 'cost' should be compared to their results, but they should not be outside of the category of fair/good/acceptable (benefits should be reduced, starting with company cars).

Everybody should fully understand that our debt is huge and should be reduced by all means, and also through the assistance of our shareholders. It is never too late, the situation can be rectified!

Here is my proposal. Increase capital for payment (with a fair 'chip' compared to the par value of 0.55 Euro) and with free assignment of shares (e.g. 1/4 of the shares subscribed for cash) to be drawn on available reserves. Contextual conversion of savings shares: 1 ordinary share, to every 1 saving share, to meet the conditions that will attribute to the above mentioned increased capital. The holders of Telecom Media shares will also be able to benefit from the increase (shares will therefore be removed from the list). You could also examine a means of involving shareholders from foreign subsidiaries (Brazil and Argentina). The operation should aim at collecting valuable resources to allocate for the

contextual reduction of debt and consequently a reduction of relevant financial charges. Employees will be involved, with a precise objective: that at the end of the operation they possess at least 3% of the share capital.

(23/8/2011) A new violent financial crisis is having an affect on savers and shareholders. Share prices are plummeting. The distrust is by now widespread and there does not seem to be a way out. Will our small shareholders be able to keep their nerve? The only positives are the accounts for the first half of the year for the following reasons: 1) a (first?) devaluation of the 'intangible' fixed assets (we already had to do it previously) is proceeded 2) the revenues that the group 'hold' 3) notwithstanding the 'loss' of the financial statement, the company announces dividends! 3) the 2011 outlook is unchanged.

Comment: The company should pursue a different financial statement policy, changing priority to the reduction of debt (therefore less financial expenses). Tax leverage should be fully utilised without having the hassle of paying dividends. Results must be received at group level, however maximum attention must be placed on the 'financial statements' of Telecom Italia, I still have not seen it appear! I would also like to be able to examine the financial statements of Telecom International. For 2011 dividends, it is being considered delving into, wrongly in my opinion, available reserves, which amounted to 10.2 billion at the end of June. The net worth per share has already been reduced (due to the above mentioned devaluation), it will be reduced even further due to the dividends. The devaluation has no affect on cash flow, however dividends do! We 'must' turn down a capital increase, as there has been no move towards the conversion of savings: what was obviously feared, was the negative impact on share prices but overall Telco's share would be 'reduced' percentage-wise. There are distortions that we pay reluctantly!

Let's look at the first half year results for the Group: shareholder loss is 2,013 million euro (on a loss of 1,009 million they indicate taxes for 777 million); the net equity is reduced by 3,256 million (devaluation of the above), from 32,610 million to 29,354 million). Ebitda 5,977 million +4.3% of which 10.6% Brazil, Ebit -51 million, operating Free Cash Flow 2,512 million, +360; adjusted net financial position 31,119 million -349 at the end of 2010. Revenues 14,543, +1% organic, 34% foreign, of which 24% is Brazil and 10.4% is Argentina; domestic incidence falls from 76.3% to 64.3%. 84,335 employees of which 10,000 are in Brazil and 16,000 are in Argentina. Industrial investments 2,037 million (domestic 66.7%, Brazil 21%, Argentina 10%). Brazil (figures in local currency, real/euro

2.28778): revenues 8,004m, + 16.8%; Ebitda 2,169m (+10.6%), Ebit 1007 (+614m). Mobile phone lines 55.5 million, 25%, market share 25.5%. Argentina (figures in local currency, peso/euro 5.67941): revenues 8,533 million, + 1,866: Ebitda 1,409 (-7%). Fixed lines: 4.1 million (until the end of 2010). broadband customers 1,457 million with access (+6% to the end of 2010). Mobile lines 17.4 million, + 1,059 million (Paraguay 1.98 million connections, +6%).

Telecom Italia Sva and Telecom International lack financial statement data

(7/5/2011) First quarter results (compared to last year): reduction in net profit (549 million, -52), growth in MOL/Ebitda (2,929 million, +3.6% of which 15.4% Brazil, previously 13.5%), growth in MON/Ebit (1,499 million, +6.5%), large growth in operating Free Cash Flow (1,076 million, +322); adjusted net financial position (-2,640 million, 30,622 in total; -846 at the end of 2010). Revenues (7,073 million, of which 1,646 Brazil, 23.3%, previously 20.6%), for 'domestic' 4,596 million, -7.6%. Employees 84,144 personnel of which 58,026 (previously 60,801) are in Italy. Industrial investment 901 (of which Italy, -89; Brazil, -147; Argentina, +91). Brazil (figures in local currency, real/euro 2.28): revenues 3,752 million, + 13.8%; MOL/Ebitda 1,031, (+8.6%), MON/Ebit 418 (+256 million). Employment 9,991 (previously 9,517). Mobile lines 52.8 million, + 24.7%, market share 25.1% (previously 23.6%). Argentina (figures in Peso/Euro - 5.48989) revenues 4,134 million, +883; by mobile 70%; MOL/Ebitda 1,410 (+22.6%), MON/Ebit 684 (-9.5%), for increased depreciation. Employment Fixed lines: 4.1million (until the end of 2010).

Broadband customers 1.4 million with access (+2%, at the end of 2010). Mobile lines 16.9 million, + 549 thousand (Paraguay 1.9 million).

Mr Bernabè: the generation of operating cash flow (assisting in the reduction of debt) is being strengthened, revenues are growing in Latin America.

Comment: organic revenues are similar to those of a year ago: domestic -7.4%, Brazil +13.8% (and not 20.4%), Argentina +27.2%. Ebitda reduced by 3.6%: domestic -7.6%, Brazil +8.6 (and not +18.6%), Argentina +22.5%. I believe that it is more prudent to clarify the effects of variations of exchange rates. It would also be appropriate to highlight 'productivity', prices and exchange rates being equal, per employee and per customer.

We hope that Mr Bernabè meets, as soon as possible, representatives of the two shareholder associations: the resumption of regular meetings could not fail to produce an overall improvement in confidence in the current climate.

(12/4/2011) Telecom Italia shareholder meeting: shareholder Alessandro Fogliati speaking, alongside delegates representing a total of over 500,000 shares. He approves the financial statements at the end of 2010, the purchase of savings shares and the changes to meeting regulations and to the articles of association, the management incentive plan is abstained (as he believes that the benchmarks are misdirected and even inappropriate within the current climate, in the presence of redundancies and of sacrifices being asked of staff) and he votes in favour for the list of proposed board members from Telco (where among others are Mr Bernabè, Mr Patuano e Mr Sentinelli). He is present and voting for 50% of share capital: an event that has not taken place for a long time. The voting on the Board of Directors has created an unforeseen situation: The shareholder Findim (5%) that was represented on the Board of Directors by two members has not even received sufficient approval for a single member. The three directors in the minority were then removed from the slate presented by a group of Investment Funds. It is an absurd result originating from statutory regulations that for a long time now I have asked to be changed so as to provide more representation from within the shareholder structure. To date there are 600,000 individual shareholders represented (with over 20% of the capital). I have asked Dr. Galateri, President of Generali (Telco shareholder) and Telco director (Telecom shareholder representative) to convey this justifiable request for statutory change. The negative results from the introduction of the 'common representative' are recorded: in fact there has not been one delegate coming forward. As it stands the vote by correspondence proved once more to be ineffective. These are facts that need to be detailed so that the most appropriate steps are taken. I would not wish that this would lead us to think that individual shareholders are not yet "mature" when it comes to considering internet voting.

(9/3/2011) Alessandro Fogliati, summoned the 20,000 employee shareholders and those 'formerly' of Telecom Italia Group, so that they are present and vote in the 12th April meeting. The invitation to take to the floor is publicly released today. It was a shameful attack by TGI last night on the company's Managing Director, Mr Franco Bernabè. The aim is to condition TELCO, the shareholder that with 22.5% of the ordinary share capital, could indicate 12 out of 15 Board of Directors members and nullify the action undertaken

by Mr Bernabè in 2008. This is 'shameful'. Such power being in the hands of a 'few' demonstrates the enduring regulative vacuum, bereft of the presence of European directives on shareholder rights. Have we already forgotten the enormous damage caused to the Stet-Telecom Group through the lethal combination of politics and finance? All the individual shareholders take to the floor, there are more than 400,000. The five "trade union" associations of Telecom shareholders come once more to the fore. ASATI works tirelessly. ADAS is still alive!

Mr Gorella, presenting himself as a former Telecom Italia employee, now retired and a member of ASATI, explained that through the course of two acquisitions over the past years, the company has been, so to speak, subject to a kidnapping with the intention then of obtaining a ransom. Following the acquisitions, it has in fact become hostage to the banks, having to use the cash flow produced, to repay debts. He believes that this is not right, and invited the directors to consider this issue.

Mr Fragapane, expressed his own satisfaction with the progress of the Company, that has reduced debt and continues to pay dividends. He then expressed his own confidence in the directors, again underlining the importance of securing a dividend for shareholders, even if it is a reduced one. With regards to several actions proposed by Group staff, the shareholder noted how, if there were excess personnel, this could be used to open some counters to facilitate contact with customers. Finally he declared to rely on the expertise and knowledge of the directors to decide on the best path for Telecom Italia Media to take.

Mr Francolino, discussed the criticism he came under for how the associations, ASSILT and CRALT were managed. Indeed, these associations no longer play the productive role for which they were designed. The shareholder believes, that they are now only an expense for the company, and do not provide any useful service. In relation to cost savings to which the Chairman was referring during his opening speech, the shareholder hopes that such savings are not then directed towards increasing the managers pay, but that they are directed towards expanding the business and therefore employment, so as to also meet social equity objectives.

Mr Mancuso, firstly complained about not having received the minutes of the previous meeting. He mentioned then that as a rule CONSOB does not dwell on the reading of company financial statements, despite the large workforce that it has at its disposal and despite the relatively high costs: in the case of the current meeting, he has instead sent a

request for clarification. On this point, he asked if the Board of Directors of 9th May had got sight of the the request from the Supervisory Authority, and if the answers provided in the meeting are therefore the result of a collective decision - and in such case he asked who were the directors present - or were instead prepared only by the Chairman and the CEO.

Continuing, he asked for the number and the cost of external consultants and a comparison with the previous year, the number of employees and that of managers, and the amount of tax disputes. Regarding the proposed dividends, he went on to point out how in comparison, France Telecom, British Telecom and Deutsche Telekom offer a yield compared to valuation of around 8% compared to around 5% for Telecom Italia. Finally he asked if there was any intention to issue notes to small savers, and how much was spent on security for the Chairman.

Mr Rimbotti, after mentioning that he had delivered his own address in advance, noted that on arrival at the meeting many of the seats were reserved for ASATI: Stigmatising the situation, wondering how it could be possible that there are upper tier shareholders and lower tier shareholders. He then asked for information on the directors present (that was immediately provided to him), and then he focused on the cost of external auditors, asking in particular for confirmation that, on average, the cost is 300 euro per hour. Still, he remarked how the net equity of the parent company has gone from 25 billion euro to 22.7 billion euro, while the proportion of equity attributable to the minorities has increased: he asked for further information on this. He asked if the goodwill losses could be regained in the future: in fact, all things considered, from the financial statements there seems to be a loss of €1,964million euro. He concluded his own speech by asking that in the future shareholders can have better access to meeting documentation.

Mr Gola, recalled being a former shareholder, used to strongly expressing his own views in meetings. The shareholders, he continued, were gathered today in the assembly to approve the financial statements, showing a loss for the parent company of 3,571 million euro and for the group of 3,726 million euro. Such result, apparently very negative, was recorded taking into account the devaluation of goodwill by 6,960 million euro, and of other assets for an overall total of 7,358 million euro. The board had therefore received the solicitations of Professor Zingales, who on several occasions in his board addresses last year had urged the adoption of such measures, considering that the carrying amounts of the goodwill in the financial statements was off-market by around 44 million euro. The

shareholder then asked the Chairman to express his own opinion about the residual extent of such an item in the financial statement for 36,957 million euro, asking if in his opinion these amounts were correct or if in the future he would request further writedowns. It is a question, he stressed, which must be answered.

In relation then to the different business sectors and operational areas, he sought clarification on the following: why in Argentina, with a turnover of 3,220 million euro, are there 16,350 people employed, while in Brazil there are 10,539 employees, with a turnover of 7,343 million euro? In relation to the news that appeared in the press that the recorded profit in Argentina was cashed by the local authority (that controls Telecom Argentina) therefore remaining in that country, is this a temporary measure or does the local government intend to adopt such policies again in the future?

As for Telecom Italia Media, continued the shareholder, it is still an organisation with negative results, but constantly improving, that at this moment broadcasts the best political information programmes found on the market; La7 is followed by an qualified audience and the increase in advertising revenue is evidence of this, in the first quarter of 2012 they registered an increase of over 30%. After explaining that he would not be absolutely opposed to a possible sale, he added that in his opinion a sale at current market prices would be a mistake. He asked for information around the intentions of the company on the future on such proceedings and, in the case of a sale, if the existing multi-year advertising agreement with Cairo Communications would be reviewed.

He also asked for an update on the dividends policy that the company is intending to adopt in the future and in particular if there are grounds for an increase of the same - that certainly would lead to an immediate raising of the stock exchange listing - or if the remaining consistent debt does not allow it. Finally, he labelled 'horrible and repetitive' the advertising campaign featuring the figure of Garibaldi and his army and asked how much it was costing and what was the return. He concluded by recognising the commitment and the results attained by the current Board and declared his vote in favour of the financial statements.

Mr Ronci, claimed to speak in three capacities: as a shareholder, as an employee and as a member of the ASATI association and to intend to briefly explain his thoughts regarding the Telecom Italia company, number one in Italy in telecommunications, characterised by significant revenue growth in Brazil and Argentina, but with a continuing decrease of the

same in Italy, due to the European economic situation and the global recession. In order to allow the relaunching of industrial and economical programmes for broadband, reminding the meeting that there are still areas not covered by the ADSL base, what is needed is cost reduction and the trimming of all such little waste that, when added up throughout Italy, would lead to a considerable amount, with consequent tight profits and limited dividends for shareholders. An example of such waste, the shareholder believes, is the decision to move middle managers and managers in locations which are at a considerable distance from where they live, resulting in expenses for rent, hotels, transfer incentives, energy waste and so on. Moreover, it would be appropriate to limit the rise of more substantial salaries, by applying a Monti government proposal for public companies, that would also be suitable to Telecom Italia, which in turn, is a company in crisis and with a very high debt.

The reward system could equally be reviewed, in so that it benefits those who actually achieve excellent results. The voluntary mobility policies are acceptable, but it should be remembered that, in economic terms, redundancies have a lower impact than a more restrictive economic management. Also acceptable in his opinion is the widely held plan of the shareholders, which proved quite successful; remarking, in this regard, that notes should be extended to the retail market and to employees, as well as to institutional investors. Finally, he noted that the Organizational Model 231 and the SA 8000 regulation seemed not always to be applied in a transparent and resolute manner, particularly as regards the agreed sanctions against people who have committed violations of prescribed regulations; moreover, in his opinion there are some internal control recommendations in place which are not being considered and which are not being followed. He concluded by calling for the continuation of business activities so as to achieve objectives beneficial to all stakeholders.

Rencurosi, recalled that in 2007, the year of the arrival of Doctor Bernabè in Telecom Italia, an ordinary share was valued at 1.40 euro and 1.20 euro for a savings share; although in 2011 revenue amounted to 29.958 billion euro (an increase of 8.7% on 2010) compared to 2007 there was a share devaluation of around 50%. In 2010, the shareholder recalled, the Chairman declared that the shareholders would be remunerated adequately; on 24th February 2012, in the presence of analysts, he declared that the company intended to return to a remuneration which would be progressive and appropriate to that specific time

and, with the objective of maintaining the Telecom Italia credit market, he thus decided to scrap the 2012 dividend. He asked if the dividend policy could start to grow and when, as well as what were the objectives to be achieved for this to happen; the 'when' and the 'how' are in fact very important variables for the stakeholders. From 2010 to 2011 the dividend decreased by 23% and, in a moment of crisis like the current one, while many companies have decided to lower the variable compensation of their own managers, in some cases even by 30%, Telecom Italia instead launched an incentive programme worth 15 million euro aimed at top managers. He consequently announced to vote against the incentive plan, due to his own warning that sacrifices always seem to fall on the same people.

He underlined, again, that the remuneration of managers must be within the boundaries of objectives linked to share value. The results obtained, in this respect were unsatisfactory in his opinion, despite expectations: on 11th May 2012, Telefónica had devalued their stake in Telecom Italia valuing it at 1.05 euro against the 2.92 euro of 2007, and devaluations of Telecom Italia shares were also made by Generali, Mediobanca and Intesa Sanpaolo. The risk, he concluded, is that today - as happened in the past for other companies - after having sacrificed the long term valuation of the shares and the dividend in order to service the reduction of debt, anybody from the outside could arrive and perform - according to the shareholder - 'the usual trick', to the detriment of the small shareholders.

Mr Romano, believed that within the overall picture of the international economic situation, the management should be considered positive, especially when compared to that of four years ago. It is a management that goes forward in steps, which is the style of Mr. Bernabè, which therefore should be applauded. He then expressed his appreciation for La7, pointing out that in the case that a sale does not come about, he could find some way of enhancing its value or find somebody available to bring in some capital. He asked, on this point, whether the declarations made by Mr De Benedetti had any foundation.

He shared the agreed focus on the reduction of debt, as well as the views of Mr. Patuano on enhancing the value of human resources. Finally, he asked if there were concerns about the political situations of the South American countries in which they are present.

Ms Ferrari, announced that she is a Telecom Italia employee and shareholder and that the objective of her speech is to ensure that the voice of the people who work each day in Telecom is present at the meeting. What is happening inside the company is closely connected to the situation that can be found across the country and, in particular, there are

three basic issues on which to concentrate: market trends (the telecommunications sector is also affected by the crisis, with a drop in revenues and profit margins in the sector) the recent reform of the pension system, that has also redefined the suitability requirements for a pension, consequently prolonging working lives; the law passed by the Chamber regarding the disaggregation of line rental costs from that of ancillary costs. Regarding the first issue, the shareholder continued, the Telecom Italia 2011 financial statements closed with a net loss, which underlined the accountable effect of the devaluation of goodwill, a strong growth compared to what was already expected in the half year and generated by domestic assets as a result of the streamlining of the corporate chain that involved Olivetti, Telecom and Tim in the early years of 2000. This means that, as a result of the financial transactions of the acquisition and the subsequent merger initiated by Mr. Colaninno and continued by Mr. Tronchetti Provera, debts and goodwill of almost equal amounts are recorded in the company financial statements, and they appear exaggerated compared to the real value of the acquired companies. Therefore the 2011 loss is actually, the shareholder recalled, an accountable 'adjustment' and is not caused by management problems: so much so that, without such devaluation, the accounts would close with a net profit.

In particular, she continued, the cost of labour has suffered a decrease of 483 million euro, a proof that workers have already contributed to the improvement of the company. Meanwhile, shareholders will still be remunerated with dividends taken from available reserves.

Regarding pension reforms, she underlined that as the agreement between the company and the trade unions involved the so called "gentle" exit of a large number of employees, of those who met the requirements to receive a pension; such a facility will no longer be compatible with previous methods. It needs to be remembered that many mobile workers today see their path towards a pension as economically uncertain; therefore it should be considered that the company must manage production processes, re-internalising processes, involving all available workers and creating a strong link between the job and the worker, to the end of reducing business costs. In fact it would be paradoxical, underlined the shareholder, to have internal personnel available and to continue to manage activities through outsourcing work. Today it is not possible to guide senior (which does

not always correspond to those less productive) staff towards their pension; it is necessary to consider the workers as an asset and not merely a cost.

Finally, the shareholder pointed out that in recent months, following the news regarding the disintegration of line rental and ancillary costs, the break up of access networks from the Telecom Italia perimeter is being talked about again. On this issue, workers need to be informed and have sight of clear company objectives; Workers ask not to give up the wealth of knowledge, professionalism and strong foundations in place that is so evident in the area, which represents an added value exclusive to Telecom Italia in regards to the telecommunications sector. Therefore she called for Dr. Bernabè to clarify the position of the Board.

For his part, along with colleagues, he declared himself available to take up the challenge of ensuring that the company overcomes such a difficult time for the whole nation. He remembers that more than 29,000 employees support the company through solidarity contracts that provide a reduction of salaries; these employees therefore will turn to one of the largest companies in the country, who in turn, will provide a strong and suitable response with a positive and constructive attitude towards its workers and Italy as a whole. He again reaffirmed his invitation to invest in Telecom Italia this year too: The shareholder must not just attend to their own economic capital (the well-known dividend), they must be aware that their own investment will support the work of people whose professionalism and expertise are unique and indispensable to the development of the sector. He continued with the intention of providing some food for thought and suggestions for the company hierarchy:

- (i) Improve communication across all levels. Communication is in fact the main tool for making all staff aware of corporate decisions; therefore it must be clear, effective, timely and above all it must indicate clearly the objectives of corporate decisions;
- (ii) Improve the processes of professional reconversion. Professional reconversion is provided by the agreement with the trade unions signed on 4th August 2010, but there has been cases in which line managers have prevented relocation of their staff, generating a lack of trust within their chain of command. Also in these cases, communications between the parties involved must be improved;
- (iii) Guarantee a more ethical and transparent management method in relation to the exit from Telecom of managers who through their own conduct have damaged the company, at

the same time causing damage to the company's image within the market; in any case, there must be a guarantee of a process that results in lower exit costs;

(iv) Move the policy of containing costs in another direction, avoiding damaging outsourcing and externalisation, reducing the use of various professional services and external consultants, and incentivising the participation of workers through results based bonuses, rather than through personalised merit tools.

(v) Better develop the labour relations system, so as to reduce huge legal costs that have been generated through the years due to reorganisation processes that were not shared with all parties;

(vi) Improve and integrate business processes and information systems in order to enable all employees to work efficiently and without interruptions or downtime, avoiding hiccups with internal and external customers; therefore an update of the entire information network is required so as to allow workers to provide any information requested of them, even from senior executives, in a timely manner that is in line with the ever existing need within the market for speed and accuracy.

(vii) Re-launching of computer processing within the Group: it is a strategic asset that must be totally re-evaluated;

(viii) Business processes must also protect and assist workers and the company to operate in compliance with applicable legislation and the company ethics code;

(ix) Improve customer service; from the commercial point of view, the new configuration of customers, partly managed by call centre *outsourcing* and by *senior accounts* external to Telecom, creates problems that are often solved through the passing on of customers to other operators. Employees frequently find themselves facing unclear commercial contracts, stipulated by external personnel, that do not satisfy the customers and that involve a difficult and depersonalised management method. The customer also complains about the absence of a point of contact within the territory, that is easily identifiable and able to resolve commercial and administrative problems. It is more unfortunate than ever, stated the shareholder, that the closure of some peripheral branches is just at the time when it seems that it is essential to create a direct relationship between the customer and the personnel at Telecom. From a technical point of view, *open access* workers today are the only staff currently detailed in territories and in contact with customers; It is necessary, therefore, that the relevant tools and equipment for their work are evenly distributed to

each territory; also the governance processes that organise and support the technicians, should be more consistently applied.

The shareholder reaffirmed that all Telecom Italia employees have the right to know what will happen after the two year solidarity period matures and to clearly know the direction of the new industrial plan; the wish of the staff within Telecom Italia is that the company does not operate in a manner where it makes choices based solely on reducing staff costs which means that it is the workers of Telecom Italia who have to pay in the end.

Mr Tronconi, asked if there is no sense of embarrassment in proposing a further reduction in the dividend after the Chairman had promised, with his re-election in mind, that the dividend would not be reduced below the 5 cents distributed in 2009. Given such a precedent, stated the shareholder, the new promise made by the Chairman towards the assembly today, can not be considered as credible. The shareholder again complained that against a reduction in the dividend, nothing has in fact been done instead to reduce the director's compensation, which he considers excessive and unmerited, and which in the current climate, everyone in Italy feels is unacceptable.

Mr De Septis, read the intervention report, which was then submitted to the Chairman's table and which is recorded here below.

First of all he expressed profound gratitude to the Milan Public Prosecutor's Office, in particular to Prosecutor Alfredo Robledo and to the men of the Nucleo di Polizia Tributaria della Guardia di Finanza, for the tenacity with which they are carrying out investigations against some Telecom Italia managers amongst difficulties and obstacles of many kinds. They deserve gratitude for what they are doing each day because "*The greatest despair for many of us is the doubt that living honestly is futile*" (C. Alvaro).

He revealed that he wanted to resume his own proceedings from where they had left off last year and that he would also talk about the Teleleasing scandal and about the "smart phone booth", so smart that inside the tangle of boxes, they remain behind Ubi Connected S.p.A., the company that Telecom Italia had entrusted the implementation of the prototype to, there are people currently being investigated. He revealed that he didn't want to dwell on the vile threats that he received and that were addressed to his two children, types of pressure that he is being subjected to perhaps with the intention of forcing him to change the deposition spontaneously released in the Public Prosecutor's Office, making him as such an unreliable witness.

He then remembers to have spoken, last year, of the problem relating to Sim Cards, related processes and of investigations by various Public Prosecution's Offices from which clearly

emerged elements of "*culpa in vigilando*", "fault on which, in truth there seems to be no room for doubt" (VGdf063 - Page. 15/24) He remembers listing the personnel, not all of them, to whom he had expressed what he had defined as "procedural concerns".

He then cited, with reference to the Sim Card affair, the following excerpt from an article in Sole 24 Ore with the title "*Sim investigation, here comes Brazil*": '*Luca Luciani in Brazil are using the same methods that were placed under investigation by the Italian authorities*'. In light of this, he posed the same question from last year and as it stands: has the company thought of initiating an audit in Brazil?

Continuing, to the resigning Mr. Luciani, for whom at a personal level he declared to have a certain amount of sympathy, he wished him a satisfactory future, perhaps in some important financial institution or even better in some Foundation.

As for the Sim affair, he made the following requests clearly: In so far as the Sim Nord-Est affair is under investigation by the Nucleo di Polizia Tributaria di Vicenza, to what extent are the administration sanctions imposed on Telecom Italia for the breach of the Right to the Protection of Personal Data articles 13 and 161 (Leg. Dec. n. 196 of 30th June 2003); Considering that the damage for the Nord-Est affair alone was equal to, hypothetically, 1.14 million euro and considering that Telecom seems to have adopted the same '*modus operandi*' in all their national territories, it would amount to a total administrative penalty against the company of somewhere between 30 and 70 million euro; how much damage will amount from Sim Brazil, where it seems that management has "given its best".

He continued, declaring to find himself currently close to the "punitive centre" of Feronia, who ironically was the goddess of Rome celebrated by slaves who managed to attain freedom. The centre, located near to the Roman prison of Rebibbia has smaller windows than the prison, on the other hand it has the problem of overcrowding. He stated that he found himself in this place the day after using the "whistle blowing procedure" to the control manager, although the company claims that it is a "normal case" and that there is no cause and effect relationship between the whistle blowing (the last being on 25th June 2009) and the "deportation" (it "casually" happened the next day, 26th June 2009). Since within the centre, there plenty of time to think, continued De Septis, he had asked himself several times what had he done wrong to be getting treated like this, without managing to find an answer; this continued until someone finally help him to understand. This is an employee shareholder, today "casually" a former employee, linked to those salesmen that

were recently dismissed by the company for the "Teleleasing scandal" and who in this very assembly in 2010 had also reported irregularities. He then cited the following shortened version of that speech:

"What seemed to me to be even more absurd was facing the question: Why would a customer, in that same day, sign with Telecom Italia 5 leasing agreements, valued at around 40,000 euro each, instead of making a single one for less than 200,000 that [...], that would have represented for him a saving of thousands of euro? And why, within a few days, a company totally unknown to us, was appointed and paid as a temporary supplier? And there must be a relationship between these aspects and the fact that the customer, after TELECOM had paid everyone, including his friendly supplier, is bankrupt before beginning to honour the debt? No interest! Only once was there good natured advice: forget it, Telecom has a lot of lawyers! [...]".

Mr De Septis then asked why, faced with the report made in this assembly in 2010, the company did not intervene immediately to avoid another scandal; why a leasing contract signed on the on 30th June 2009 (Cn. XXX170X) became for Telecom Italia "just cause for dismissal" after only 3 years, in 2012; perhaps due to statement presented on 26th December 2011 by someone from a defrauded company?

Again, he cited the following excerpt from an article (giornale.sm) "*[...] the Guardia di Finanza Italiana (The Italian Finance Police) has discovered a number of fraudulent invoices [...]. [...] The tax fraud was based on a number of fraudulent leasing contracts for computer equipment, (Mr De Septis added: even for kitchen equipment, microwave ovens, televisions, etc.) signed by Teleleasing with companies already in tough financial crisis that therefore were not able to honour the debt"*, the article concluded that "*the fraud involved a manager in the Milan branch and 14 Telecom Italia salesmen from the Torino and Genoa branches, who on 6th April were dismissed with "just cause"*".

Then, Mr De Septis noted, the "story" in which a group of employees without the knowledge of their superiors organised and started a private business does not hold together; it is a plot similar to the one we saw for the Sim affair, where instead, as it is emerging from the investigations, it was clear that this scandal involved players from a much higher management level.

Referring then to the Teleleasing scandal, he asked who had authorised the leasing: how it is possible that the "*disciplinari interni*" ("internal procedures" as the Telecom procedures

were defined in the minutes of the Guardia di Finanza), very detailed in defining the various levels of responsibility, was completely disregarded and nobody noticed it; if those, in pre-contract phase, in charge of assessing which suppliers were in possession of the economic-financial characteristics so as to enable registration in the list of suppliers, were perhaps distracted; and finally what is the amount of damage, in millions of euro, that the shareholders must bear for the Teleleasing affair?

Finally to the scandal of the "smart booth": to revitalise the public telephone sector Telecom Italia invented the "smart phone booth", that in addition to traditional phone services provides numerous multi media services. The first of these booths were launched on the 2nd April last year in Turin and there were already plans in place for installation in other cities. But after the launch in Turin, the project vanished into thin air. Why was the project cancelled? Perhaps the booth presented infiltration problems (obviously not water infiltration)? Moving up the corporate chain there are some people being investigated. For what crimes are they being investigated?

Mr De Septis concluded: at the source of the Sim Card scandals (in all its aspects), Teleleasing (still in its infancy), Sparkle (which costed Telecom around 500 million euro), Smart Booths and so on, at page 445 of the financial statements reads as follows "*The Internal Control System is a set of rules; procedures and organisational structures to allow, through an adequate process of identification, measurement, management and monitoring of major risks, the management of a healthy and proper company*". He asked if it was not the case of acting to radically reorganise the Internal Control System so as to make it once and for all efficient.

Mr Ferrante, referring first of all to Fogliati's speech, noted that the country's economic situation requires all to put into practice, actions designed to promote the resumption of the growth of GDP and, in particular, actions targeting employment growth and recovery. From this viewpoint the question naturally arises as to what are his intentions in order to lead Telecom Italia in this direction. Given that the recession which telecommunications have been suffering for several years in Italy does not allow for growth in the employment sector, the question that comes to mind is what does Telecom Italia intend to do, as the leader in the field and therefore the reference point even for rival companies, to try at least to maintain the current levels of employment? More specifically, it is noted that on 30th September 2012 the solidarity agreement signed in 2010 expires, between the company

and the trade unions and therefore the question arises how the company intends to make the maintenance of the level of employment compatible with the need to not raise business costs. Even more interesting, observed the stakeholder, will be the knowledge of what Telecom Italia intends to do, with regard to the market that depends on it, in particular when you consider its two main provisions: technology manufacturers and installers. A brief summary of what has happened in the last period helps to quickly understand how much the situation has deteriorated:

- with regard to technology producers, up to a few years ago they were almost exclusively western companies (Nokia, Siemens, Alcatel, Ericsson, Italtel, Marconi, Cisco, and so on), which, being strongly rooted on the territory, had set up research laboratories and production facilities in Italy and furthermore took the responsibility themselves to install their own products, in most cases subcontracting the installers. Then, rightly so, Telecom Italia, in order to reduce the product costs, engaged in disintermediation, i.e. resorting directly to the subcontractors. However, a few years ago, increasing competition from eastern companies began to be felt. These companies can offer very challenging rates, having only technical and trade offices in Italy, while research and production are carried out only in the countries of origin; as a reaction to this phenomenon western producers initially looked for forms of aggregation between them (this gave rise to the mergers Nokia-Siemens, Alcatel-Lucent and so on), but this was not enough as tenders are given to the lowest bidder. Therefore the consequences of this course of action were: In 2008 Nokia-Siemens declared 500 redundancies and put up for sale two facilities with 700 workers located in Cassina De' Pecchi' and Bergamo, and the two facilities were purchased by Jabil, which in September 2011 finalised their closure; the facility of Marcianise is being reorganised and of the 3,500 workers employed in 2005 there are now 1,100. A few days ago the company communicated the fact that it foresees an additional 580 redundancies; in February 2012 Alcatel-Lucent declared 700 redundancies, of which 360 employees were engaged in research and development activities and 140 were engaged in commercial and administrative activities, as well as another 200 employees at the Trieste facility engaged in high quality manufacturing; Italtel (in which Telecom Italia has a holding) suffered an extremely serious economic and financial crisis and a sharp market contraction, and carried out a first downsizing of 300 workers in 2011 and is preparing to

make a second downsizing of 200 workers in 2012, having also signed a solidarity agreement currently offered to 1,078 workers;

- with regard to the installers, the cost incurred by Telecom Italia over the last ten years was reduced by approximately 4% in absolute terms; this meant that the companies that Telecom used (especially the larger ones) found themselves in difficulty in managing their central components, which are rather substantial and therefore they had to start reducing staff. The staff was reduced mainly at territorial level, closing various work sites, through the subcontracting of work to smaller firms to maintain the turnover levels. These firms constitute the non-visible aspect of the situation, although they provide work for more than 10 thousand people. The situation is not improving, because big companies exposed to the banks tend to pay the latter first and thus the small businesses, to whom work is subcontracted, also experience major delays in payments and are in turn gradually entering in crisis.

He concluded by asking how Telecom Italia intends to do something for Italy, in view of a situation like the one illustrated above.

Mr. Marino, referring to the Luciani affair, asked whether or not there is a risk that the same mistakes made in Italy could be replicated abroad as well. Therefore it appears highly appropriate to strengthen the internal checks, which in the past proved to be inadequate perhaps because they were entrusted to professionals who were not competent. However, with regard to Telecom Italia Media, he noted that the administrators are now probably powerless with respect to the ongoing losses: therefore, there is no rationality in the shareholders' choice to continue to invest in that reality.

Continuing, the shareholder asked for information on the prepaid cards affair: there was the news of the closure of the investigation, and he therefore asked whether this was the prelude to a committal for trial against the Company pursuant to Legislative Decree No. 231. He also questioned if it was true that Telecom Italia intended to constitute itself as the injured party in this proceeding, especially, he reiterated, in light of the possible indictment for liability. With regard to the liability proceedings against the former directors, he recalled that he learned of the existence of two opinions: one suggested promoting the legal action, the other favoured an opposite position: he asked why this second opinion was chosen, and stressed how important it would be to know its content.

He then went back to discussing Telecom Italia Media, to point out how, in his view, the choice to sell is now too late, considering the accumulated losses: in any case he asked what stage the negotiations were at. He further questioned how much the tax liabilities of the Group were and the reasons why Director Mr. Zingales declared himself in favour of promoting the liability proceedings against the former directors.

Mr. D'Atri asked for further information on the operation of the ethnic channel, and on the reasons for the measures taken against Dr. Luciani. With regard to the liability proceedings proposed during the shareholders' meeting, he asked the legal reasons on the basis of which they were considered admissible. He also asked to know the time-frame within which the Board of Directors and the Board of Auditors would speak with regard to the promotion of actions within their competence.

Continuing, the shareholder recalled that even recently the Corte di Cassazione (Supreme Court) considered there was just cause for withdrawal in the case of a failure in the ability to manage, and asked if the current Board of Directors considered itself to be in such a situation. He then observed how a wealth of documentation was distributed during the Shareholders' Meeting, however the documentation was distributed late: there is therefore a need to reflect if a similar works management and transmission of information leads to a hypothesis that the shareholders are prevented from exercising their control: he asked, in this regard, if the Board of Auditors had any comments to make. He also believed that the Chairman should offer more detailed explanations on the liability proceedings, without letting the petitioner shareholder direct the relative procedure: the shareholders, he stressed, do not know if the aforementioned actions will be voted on together or separately, just as, for example, it is not clear if the current Minister Francesco Profumo is also one of the recipients of liability proceedings. Moreover the situation would be serious, and it would be a serious matter therefore to allow such a vote to take place without adequate reflection.

The shareholder, inviting the Board of Directors to pay attention to its own guidelines, asked to be able to vote separately for the financial statements and distribution of profits, and asked what were the reasons that led the Board of Directors to make a different decision, with regard to the goodwill, to that made last year, and asked for information on a comparison between the 2011 salaries and those contemplated in the report, as well as on the compensation and non-monetary benefits of Directors and Auditors, such as the

reimbursement of expenses, ancillary services, travel, etc. He also asked the cost of company cars for the Directors, Auditors and senior management, and whether D&O insurance policies have been resolved, and the amount of remunerations paid to the first five presenters of La7. Finally, he asked how much time, with respect to university obligations, the teacher candidate to be confirmed as Chief Executive Officer, intends to dedicate to the Company.

Mr. Maffezzoni read the speech report which was then delivered to the Chairman's table and is reported below.

Mr. Maffezzoni declared that he first of all wanted to refer to the Income Statement of Telecom Italia, and in particular to the item Purchases of Raw Materials and Services amounting to 6,324 million Euros; it is reasonable to assume that 70% of the aforementioned purchases, equal to 4,327 million Euros, were made and processed by the Purchasing Department: as a rule purchases must be made by the respective company department and any exceptions must be contained and justified. From the annual financial report in the chapter Suppliers, on page 112, it is noted that *"the process of selecting, evaluating and monitoring the Suppliers of the Telecom Italia Group is constituted by a pre-contractual qualification phase to assess the economic-financial and technical-organisational characteristics"* and asked how many resources were dedicated to scouting, how many new suppliers were evaluated and how many were included in the respective Suppliers List. Given that the companies registered in the Suppliers List that have received purchase orders are normally subjected to monitoring in the course of the supply process, he asked how many inspections had been carried out and with what outcomes, and how many suppliers had been removed from the respective Suppliers List. Furthermore, he asked how the Savings generated by the Purchasing Department were evaluated and which KPI (Key Performance Indicators) were identified to assess both the efficiency and the effectiveness of the department and what objectives for improvement the department had set for itself in the short, medium and long term.

Again, he noted that in the satisfaction survey of the Purchasing department, and more specifically on Telecom Italia, the percentage went from 32% in 2009 to 48.7% in 2010, to 48% in 2011 with an assessment of 73%; however, he pointed out that more than half did not express an opinion: if a supplier cannot be persuaded to fill out an online questionnaire

containing 27 questions, it will be very difficult for it to become a partner that shares the strategic objectives of its client.

He also asked if the Purchasing Department participated in the budgeting process in the estimation of savings in advance or exclusively ex post.

As regards training (referred to in the table on page 130 of the Report) he asked how much had been spent, itemised by Directors, junior executives and office staff, as well as by functional areas, with particular reference to the Purchasing Department, which must become increasingly strategic and requires appropriate and massive training interventions.

Mr. Orsini recalled the period of the Colaninno IPO, which he had to censor with force. Whereas he recalled the support that he always ensured Dr. Bernabè, and expressed his approval for the liability proceedings against Dr. Tronchetti Provera.

After the conclusion of the shareholders' remarks, the **Chairman** proceeded to give the answers that follow.

First of all, with reference to the only question received before the proceedings of the meeting reported in the ordinary part of the agenda, he clarified that no capital increase in favour of the creditor banks of the Company was planned at the moment.

On the other hand, as for the questions raised during the meeting, the Chairman gave the clarifications set out below.

The rating agencies expressed their assessments on the credit ratings of the companies on the basis of many aspects and parameters: thus one cannot determine the contribution of a single factor for the maintenance or otherwise of the current rating, even if the growth in activity recorded in South America certainly represents a positive factor also from this point of view. With regard to out of service public equipment, it must be remembered that the consumption habits of Italians show a growing interest in mobile telephony, leaving an increasingly restricted role to public telephony. In spite of this, the company is developing a plan for upgrading the network of phone booths also through innovative solutions, with the goal of fulfilling the universal service obligations and ensuring the economic sustainability of the business. In any case, on the basis of the AGCom resolution, the deadline for faulty telephones to be put back into operation is 15 days, and this deadline is in fact being observed.

The Board of Directors of Telecom Italia, continued Dr. Bernabè, has already decided to launch the process of divestment of the activities in the media sectors. With regard to the loss per share, it should be borne in mind that it reflects the trend of the net profit attributable to the Parent Company, which was a loss of over 4.6 billion, mainly due to the devaluation of the start-up of the domestic business unit.

With reference to the reduction of staff at local level, one should recall that the action of staff downsizing always considers the specific territorial demands, with rigorous attention to the correct number of staff for each location, and the requirements of the various organisational units. With regard to achieving the debt target, with the recent presentation of the results at the end March 2012, the operational guidance contained in the three-year plan 2012-2014 was confirmed, which is precisely the prerequisite for the achievement of the debt objectives.

With reference to some remarks made by Mr. Lombardi, he also stated that for the 119 and 187 lines Telecom Italia uses the external companies of the Company in a targeted and selective manner, to ensure *caring* and support services in line with the client needs and efficiency objectives: in particular approximately 2,000 people work in *customer operations* in the mobile sector, performing about 30% of the *caring* activity. In fixed telephony *customer operations* 3,500 people carry out approximately 70% of the *caring* activity. With regard to the hypothesis of cutting personnel costs by setting up a newco of the access network held through a majority shareholding by Telecom Italia with the participation of the Cassa Depositi e Prestiti, he recalled that the Company considers the access network as a key asset. The Company therefore does not intend to lose control over it. The functional separation achieved with *open access* contributed to improve performance in terms of the efficiency and quality of service, while at the same time guaranteeing a high level of transparency recognised by the national and community regulatory authorities. Telecom Italia carefully considers all possible opportunities for further enhancement of this asset in the interest of the Company and all the shareholders, while, however, maintaining control. Any increased autonomy of the access network has no direct impact on personnel costs that remain linked to activity volumes, the greater automation of processes inherent in the technological evolution of the networks, and the improvement of productivity and efficiency levels. With regard to the companies utilised in contracts or subcontracts, it should be specified that Telecom Italia has direct contracts

exclusively with Italian partners. Some of them also utilise some of their foreign subsidiaries to better manage the traffic they receive in peak situations during holidays, but this accounts for very small amounts and in any case less than 3%. With regard to the free cash flow trend, it should be noted that the cash flow in the first quarter of 2012 was affected by both the seasonal disbursements relative to the payable turnover of the last quarter of the previous year, as well as by the negative effects after the payment of taxes related to telecommunications activities in Latin America, the payment of which is made in a single transaction by the end of March each year. As for the damages claimed from the Pirelli group, it should be pointed out that the criteria for determining the request to Pirelli, similarly to the initiatives already taken, have already been described in the reply given to the request for information made by Consob. With regard to any new findings relating to civil cases involving spying activities on celebrities, it should be noted that none of the civil cases cited has resulted in a judgement: the requests for compensation pending in court amount to a nominal amount of over 35 million euros, and the relative risk of a negative outcome is shown in Note 24 of the annual financial report 2011.

Again, with regard to the costs incurred due to the illegal spying activities, the Chairman observes and recalls that the costs incurred by the Company in relation to the Security issue and the related actions taken for their recovery were described in the reply already provided to Consob. Regarding the Magnum project, which was carried out on the basis of evaluations of primary sector experts in 2005 and 2006, he pointed out that the leases guarantee operating and economic flexibility with respect to an evolving technological scenario, providing the possibility to renew the lease with the option to release the properties, starting from the first contract renewal.

The President continued with the answers to the questions raised by noting that the second phase of the broad-based share ownership plan ended on 2 August 2011, with the assignment of one free share for every 3 discount shares to all the subscribers that at the expiration of 12 months from the allocation of the discount shares subscribed have maintained the shares and were still in service: of the approximately 9,500 plan subscribers, 98% have gained the right to receive the Bonus Shares. He noted that this initiative, as a whole, is considered to be very positive: however, considering the trend of the stock market in recent months and the cost to the Company, it was not considered appropriate to repeat the initiative with the launch of a new cycle in 2012. As regards the

intentions of the Company with respect to Dr. Luciani, he recalled that the information had already been provided in the replies given to Consob.

Focusing on the Deloitte report, he noted that Article 114 of the Criminal Code prohibits the publication of acts and court documents, even if they are no longer covered by confidentiality, at least until the trial hearing. The Deloitte report, once acquired by the Public Prosecutor's Office, is a court document and its publication is therefore prohibited. As regards the possible sale of La7, he noted that the objectives consist of the desire to focus on the core business, focusing more attention on the ambitious programme that was shown, especially concerning the development of the new generation networks, both fixed and mobile. As regards the benefits that can be produced from the aforementioned sale, of course it will be necessary to verify the outcome of the negotiations with the counterparts with whom the negotiations will take place.

Continuing to answer the questions raised during the debate, Dr. Bernabè further pointed out the following. The amount of remuneration that Dr. Luciani receives is aligned with market practices in Brazil for a company with comparable dimensions and performance: the amount is furthermore fully consistent with the ordinary provisions in the collective agreement of the Directors of industrial companies, and is indeed less than what he would have received on the basis of these latest provisions. On the business meritocracy policy for employees, he pointed out that the reorganisation of all of the corporate remuneration instruments was started this year with the redefinition of the operational perimeter of the MBO, from 2,200 to 1,100 recipients, and the simultaneous introduction of a system of incentives intended for high intensity professional roles. The meritocratic policy of the Company is being reorganised in accordance with the envisaged review of the significant indicators for the measurement of the business outcome which will be the subject of a meeting with the union counterparts. Telecom Italia, on the other hand, is one of the few companies that have ongoing full-scale evaluations, i.e. it provides for the assessment of management by employees, colleagues, and superiors, and this is true for the entire first-line management; this process has subsequently affected specific areas and is in the implementation phase in response to specific needs, due to organisational reorganisation interventions.

After having recalled that the transfers of Company shareholdings between shareholders are events beyond the competencies of the management and the Board of Directors, he

emphasised how the area of the relationships between shareholders and the Company today appears to be already adequately covered.

Continuing with the answers, he stated that the savings the Company is able to achieve are transferred to a large extent to customers as a reduction in prices, and are then channelled, of course, to finance the investments of the group.

Returning to the themes of the access network, he reiterated that the functional separation made with *open access* contributed to improve performances in terms of the efficiency and quality of service, while at the same time guaranteeing a high level of transparency that has been recognised by the national and community regulatory authorities. As regards the fiduciary relationship between the Company and employees pertaining to outsourcing, he recalled that the assignment of the business unit of Telecom Italia to SSC did not really constitute outsourcing in consideration of the 100% affiliation of the company to Telecom Italia. The operation made it possible to provide a positive strategic alternative to a sales procedure that would otherwise have been necessary.

Recalling the considerations made at the start of the proceedings by Dr. Patuano on the objectives and investments on the Italian market, the Chairman observed that during the course of the shareholders' meetings and the presentation of the plans, a detailed indication of the debt reduction programmes was provided. In reply to a question raised during the debate, he then stated that the shareholders of Telco are now Mediobanca, with a holding of 11.6%, Intesa San Paolo with an equal holding of 11.6%, several companies of the Generali Group with a total holding of 30.58%, and finally Telefónica with a holding of 46.18%. In today's Meeting, Telco is present with its own delegated representative.

Continuing, he stated that Assida is an association that is not legally recognised distinct from Telecom Italia, and it operates as a defined contribution fund. It is therefore able to safeguard its economic balance, remodulating its performance or requesting a greater contribution from its members. The association ensures performance standards of excellence with respect to the reference market.

Turning to remarks raised with regard to the problems of goodwill, the Chairman recalled that goodwill in accordance with IAS 36 is not subject to depreciation, but to an annual verification for the reduction in value, or more frequently if there are any specific events or circumstances that may suggest a reduction in value. A loss due to the reduction of goodwill shown in the financial statements cannot be deleted in the financial statements of

a subsequent year. As evidenced by the interim report dated 31 March 2012, there were no events, circumstances or changes in the key variables that would have required an update on the verification of recoverability of the goodwill value shown in the consolidated financial statements of Telecom Italia Group as of 31 December 2011.

Again, the Chairman observed that in Argentina, with a turnover of 3 billion and 220 million, there are 16,000 employees, while in Brazil, with a turnover of 7 billion, there are only 10,000 employees. The differences relate to the presence in the Argentinian context of activities concerning the operation and management of the traditional fixed network, which involve the majority of the employees with respect to the mobile activities, which, on the other hand, represent almost all of the turnover of the Brazil *business unit*.

At this point he continued to answer the questions raised by the **Chief Executive Officer Dr. Marco Patuano**, who, in the first place, noted how advertising involving the figure of Garibaldi is part of a new communication format of TIM. The episodes are centred on the figure of Garibaldi, but in reality they follow other famous Italian figures such as Leonardo Da Vinci, Christopher Columbus, Julius Caesar, and others will follow. The results obtained show an extraordinary improvement of public acceptance, which has reached peaks of 92%. The production of the Garibaldi series in all of its episodes has incurred costs in line with the market value for productions of comparable quality, of around 3 million euros for the entire series, including the payment of the *endorsers*.

With regard to the organisational model 231, he stated that it was constantly updated and monitored. As far as reports to the Manager are concerned, they are all analysed and an answer is given to all of them, except those that are clearly inconsistent. In the specific case of the employee Mr. Ronci, Dr. Patuano recalled how this employee sent, especially during the period July - September 2009, more than 100 emails pertaining to five topics, all of which were considered to be blatantly inconsistent.

He then focused, again with respect to comments made during the speeches, on some staff management profiles, and recalled, in this regard, that the trend of the reduction of staff and structural simplification required particular attention to the reduction of structural costs. For example, the number of Managers was reduced from 949 at the end of 2008 to 739 in 2011, with the consequent reduction of widespread territorial presence. He then reiterated that there are currently no new plans for broad-based share ownership plans, nor an increase in the existing plans. As for the need to reduce a series of wastages such as

energy, he recalled how many efficiency initiatives developed in Telecom Italia use possible levers of expenditure improvement, such as improving the effectiveness of purchasing processes, the definition of efficient logistics processes, the best use of property resources affected by reorganisation plans and the reduction of related costs, and so on; these measures also include the optimisation of *facilities* services and numerous improvement activities related to cost and energy consumption, even through the use of renewable energy sources. These and all other interventions aimed at increasing efficiency contribute to free up resources required to finance the investment plans for development.

The Chief Executive Officer then referred to the comments on the LTI programme, and stressed that the latter is conditioned by the achievement of the objectives of share performance measured by the Total Shareholder Return, and of industrial performance measured by the free cash flow accumulated from 2012 to 2014. The aim is thus to support the achievement of the objectives envisaged in the 2012/2014 industrial plan. As regards dividends, he specified that upon the attainment of the net debt objectives, which amounted to 27.5 billion for 2012 and 25 billion Euros for 2013, the dividend amount will be able to start increasing again.

Continuing with his answers, he stated that South America represents an important growth engine for the Group, as demonstrated by the economic/financial results of the subsidiaries in that region. At the moment there are no elements of political dispute that cause specific concern; he remained convinced of the excellent prospects of profitability and growth of TIM in Brazil and Telecom Argentina. More specifically, as regards the presence in Argentina, Telecom Italia, as is known, has experienced moments of difficulty in recent years, which then were resolved in the best way and have led to the creation of transparent and positive relations with the local authorities. He then discussed the press rumours and some of the statements which appeared concerning the sale of La7, recalling that in fact Telecom Italia is not in the habit of making declarations on comments made by third parties. However, the Company is open to any option of value enhancement for La7, and to enter in dealings with anyone that has concrete projects.

On the remarks of a more ethical management raised by a speaker, Dr. Patuano emphasised how the Company has correctly deployed the criteria set out in the Group's code of ethics in all cases where the activity of a Manager has damaged the corporate image. As regards the relaunching of the Group information technology, he assured the meeting that the

company is engaged in the significant modernisation of computer applications, gradually increasing over time the proportion of expenditure dedicated to the transformation and renewal of applications to support the business, and at the same time reducing the expenditure related to the current operation of information technology. As regards the commitment in recent years, there has been an improvement of the quality, both in terms of the availability of the systems and fewer software defects released in operation.

Again, he recalled that the meeting with the business trade unions will define the framework for the use of welfare support measures after the planned deadlines, i.e. after the two year solidarity period. On the demerger of the network and the fate of its employees, Dr. Patuano clarified that, with regard to the consolidation of the new regulatory framework and its effects on business activities, the organisational needs and the consequent staff downsizing interventions that may prove necessary will be assessed. He then focused on the regulatory changes of the social security system which involves the impossibility of using agreements for the soft exit of the workers, and declared on this point that the Company is carefully monitoring the progress of the meetings between the Government and the social partners for the definition of the perimeter of effectiveness of welfare support measures required by the intervening reform of the retirement age limits. Also in this case the meetings with the unions will determine the choices in this area.

Again as regards future strategies related to the current level of employment, he then noted how the regulatory framework emerging from pension reforms, and in particular the effect of the extension of working life, will surely require shifting from an hypothesis of intervention on the quantity of employable persons to a reflection of the various types of expertise available on the market, in order to allow internalisation interventions in the context of the agreements with the sector unions. As regards the activities induced by the telecommunications market consisting of installers and technology manufacturers, he recalled that each year at domestic level Telecom Italia purchases approximately 7 billion Euros of materials, work and services on the external market. Of these purchases about 88%, or around 6 billion Euros, are made with suppliers having Italian production units or VAT numbers. Even if the multinational companies that provide employment in Italy are not taken into account, the remaining percentage amounts to 65%, or about 4.5 billion Euros. Within the network companies and technology manufacturers division, for the last three years Telecom Italia has been developing relationships that are longer than one year

in order to enable the provider to guide its development plans to provide the best technological options and the most effective performances.

As requested by Consob, after having confirmed that the answers provided by the Chairman to the letter from Consob dated 9 May will form an integral part of the shareholders' meeting report, he clarified that in the 2011 financial statements of Telecom Italia, the consultancy costs amounted to 10 million Euros. These costs mainly relate to support requests to organisations and external professionals on matters complementary to ordinary business management. The number of consultants and professional offices the Company utilises is about 60. He also recalled that as of 31 December 2011, there were 47,801 employees, of which 739 were Managers. On tax liability disputes, he recalled Note 24 to the consolidated financial statements, under the heading "Significant disputes and pending legal action" (page 245 of the financial statements volume). On the other hand, as regards the costs for the security of the Chairman, he clarified that it is not actually possible to extrapolate a security expenditure specific to the Chairman from the general *security* costs. His security derives from a group of activities, such as armed surveillance at the Telecom headquarters, technological updating and access control, protection during travel, training and refresher courses for drivers, and the exchange of information with institutional bodies responsible for security. There is nothing to comment on with regards to the attack on the Chief Executive Officer of Ansaldo in Genoa.

Again, Dr. Patuano provided the following additional responses. If the financial market conditions permit, new notes with an opportunistic approach may be evaluated. On the reserved seats at the meeting in Asati, he clarified that it was not an initiative of the Company, which makes no preference between the shareholders. On the compensation to the auditing firm, he recalled that the average hourly rate applied by PricewaterhouseCoopers and the relative net amount depend on the type of activity performed. In particular, the average hourly cost for the audit of the separate financial statements of Telecom Italia for 2011 was 59 euros, while the average hourly cost for the audit of the consolidated financial statements for 2011 was 83 euros: the indication made by a speaker of an average hourly cost of 300 euros was therefore incorrect. The documentation for today's meeting, he continued, was made available at the registered office and on the website according to the terms of law, and it was made available to the shareholders who requested it. The Chief Executive Officer then referred to some

comments expressed in particular by shareholder Mr. Rimbotti on some differences found in the consolidated financial statements and in the separate financial statements, and specified that the data mentioned pertains to the separate financial statements of Telecom Italia: the difference mentioned refers to the lower dividends received by Telecom Italia International, a subsidiary wholly owned by the Parent Company; this difference, however, is not reflected on the consolidated data.

Dr. Patuano then referred to the trend of dividends in recent years, especially in relation to the forecasts that were made on them. He stated that the proposed reduction for the dividend payment in 2012 took into account the sharp deterioration of the economic scenario in 2011 and in the first part of 2012, and the deterioration of the creditworthiness of some of the main European economies, Italy included. These developments could not have been predicted in any way, not in 2009 nor in 2010: the choice was to prioritize strengthening the financial position of the Company in order to prevent a reduction in value. He further recalled that in financial year 2009, the Company paid 5 euro cents and 6.1 euro cents, respectively, for the ordinary and shavings shares, while in financial year 2010, the company paid 5.8 euro cents and 6.9 euro cents, respectively, for the two classes of shares. The growth path of the shareholders' remuneration, he reiterated, may be resumed upon achievement of the debt target indicated in the industrial plan.

As regards the determination of the remuneration of Executive Directors, he recalled that it was established by the Board of Directors on a proposal of the nomination and remuneration committee, which also closely monitors the remuneration policies applied to the management. In the determination of compensation, an analysis of the salaries corresponding to a benchmark of Italian and European companies comparable to Telecom Italia, is taken into account. The remuneration report presented to the shareholders meeting gives an extensive *disclosure* of wage policies applied by the Company, policies that are inspired by targets to reduce the remuneration.

The Managing Director then reported on the *purchasing* sector, pointing out that each purchasing segment – network, market and IT, infrastructural, corporate – has a purchasing marketing sector that on average is formed of four or five resources, who also perform *scouting* activities in collaboration with the technical and commercial departments. With regard to training expenditure, he recalled that the cost in 2011 was around 18 million euros: 0.6 can be referred to the training of managers, 1.6 to middle managers, 15.8 to

office staff and workers. Distinguishing by functional areas, 3.9 million relate to commercial departments, 3.8 to technology & operations, and 10.3 to all the rest which includes the staff areas and cross-department projects.

Again with reference to *scouting* activities concerning suppliers, the Managing Director specified that 541 qualification procedures were completed in relation to 234 suppliers, of which 99 had a negative outcome. Adding that 278 suppliers had been included in the supplier list and 32 had been taken off it: overall there are currently over 12,000 active suppliers in the suppliers database. The *purchasing* department, he continued, is involved in drawing up the budget for all areas with direct responsibility: it is involved first of all ex-ante and then ex-post in order to ascertain the objectives are achieved. The participation percentage in the 2011 suppliers survey, he specified in reference to another question, was the highest out of the 4 years the survey has been in existence. The level of satisfaction is 73%: considering the high number of suppliers invited to take part in the survey, the participation result of around 50% should be considered significant.

Next the **Chairman of the Board of Auditors, Mr Bignami**, took the floor, who spoke also adding to what had already been stated during the Shareholders' Meeting. He first specified that the time-limit for bringing a liability action against Mr Ruggiero and Mr Buora is 3 December 2012. Continuing, he recalled that the report on the Greenfield project is filed in the Company records and is available to the Judiciary and Consob. This had already been explained by the directors in the report on corporate governance and share ownership for the financial year 2010, and by the Board of Auditors in its report on the 2010 financial statements, as well as the updates contained in the reports on the 2011 financial statements. As regards the Board's knowledge of invoices relating to "operation K", Mr Bignami acknowledged that Mr Lombardi delivered an undated statement of costs apparently related to operation K, and a summary list of invoices relating to 2003 and 2004. The Board of Auditors will verify the nature of the document and the material it refers to, as well as their relevance in relation to the matter and their possible significance on the issue of liability.

Still continuing to answer the questions specifically addressed to the Board of Auditors, he pointed out that at present there are no problems concerning shareholders' actual knowledge of the documents made available during the shareholders' meeting. In any case, and as far as necessary, he recalled that in its report the Board had taken into account the

complaints pursuant to Article 2408 of the Italian Civil Code received during the year, and had provided the shareholders' meeting with the information required by Consob, similarly to what the directors had done.

The **Managing Director, Mr Patuano**, took the floor again who, after having recalled the information given by the Chairman at the start of the proceedings with regard to the SIM card affair, specified, with specific reference to the events relating to the SIMs in the North-East, that the administrative fine inflicted to the Company amounted to 1,141,000 euros, and was connected to pending proceedings at the Prosecutor's Office of Vicenza. This individual proceeding, as the reference accounting principles, cannot represent the basis for extrapolations on other proceedings still in progress and/or under investigation. The Company is the injured party, to the extent known to all, and shall in any case make all the appropriate choices to protect its interests, even financial. As for the damages that can arise from the Brazil SIM affair, Mr Patuano stressed that, to date, the investigation carried out by the Prosecutor's Office of Milan on the irregular registrations of the SIMs has not had any impact on the Brazilian subsidiary company. With respect to the audit activities and the actions taken at TIM Brasil he once more referred to the reply given in response to Consob's requests for information.

Moving on to other issues, Mr Patuano pointed out that the tests concerning the “Smart Telephone Box” project had been suspended because the first technical results highlighted the need to reconsider the project. The level of reliability of the partnerships set up for the purposes of these tests was also deemed inadequate. Whereas with regard to the Teleleasing affair, he recalled how the pending proceedings at the Prosecutor's Office of Monza are still under investigation: therefore the Company does not have all the elements to be able to make a full assessment of the impact of this issue. More generally, added Mr Patuano, it is in any case necessary to emphasize how Telecom Italia's internal control system, while achieving recognized standards of excellence, is subject to systematic monitoring aimed at constant improvement in order to ensure it continues to comply with new requirements on control and *risk governance*.

Again on the topic of the Teleleasing affair, Mr Patuano added that since 2007 the Audit Department had dealt with commercialization through leasing. With respect to the weaknesses that emerged, Telecom Italia introduced further controls and safeguards into the procedural framework, in particular with regard to the validation of credit and the

guarantees to be obtained from customers. During 2011, 4 audits were performed on commercialization in leasing, which can mainly be referred to the period 2006-2008; in particular, as regards the commercialisations covered by the investigation of the Prosecutor's Office of Monza, transactions to 35 customers were examined. The results of the 2011 audit and the facts uncovered by the Prosecutor's Office of Monza, and previously unknown to the Company, also led to disciplinary proceedings against some employees of Telecom Italia.

With reference to the question of whether the facts concerning Mr Luciani in Italy could also be replicated in Brazil, he stressed, as specified in reply to the request for information from Consob, that the regulatory context is fundamentally different in Italy and in Brazil; to date the audit results have not highlighted similar situations to those found in Italy.

The valuation process of Telecom Italia Media, he continued, has just begun. In accordance with Group policy, statements are not issued on processes that are in progress. After having recalled the financial statements data (which can be found on page 245) concerning the group's outstanding tax debts, Dr Patuano, with regard to questions on Prof. Zingales' reasons for voting in the Board for the liability action against the former Chairman, observed that naturally in the Board each director votes according to their own personal judgement.

He then returned to the issue of the false SIMs, pointing out that the Company had been served notice of the conclusion of the investigations which showed it had been investigated pursuant to Legislative Decree 231: the subsequent stage of the proceedings will be the preliminary hearing, at the outcome of which it will be possible to understand whether the Company's position will be dismissed or not. In this phase of the proceedings Telecom Italia will implement all the measures for its protection in order to assert its position as the injured party, and, during the legal proceedings, if necessary, it will likewise have its rights asserted.

Also returning to the legal opinions issued for the Greenfield project, the Managing Director again recalled that the legal assessments provided by the Company's consultants and subjected to close examination by the Board of Directors on 16 December 2010 have already been subject to *disclosure*, insofar as their essential elements were included in the report on the corporate governance and share ownership of Telecom Italia for the year 2010.

Concluding the answers to the questions raised, the Managing Director, with reference to the management of the ethnic channel pointed out that, from what emerged in the accusatory hypothesis even with regard to the recent notice of the conclusion of investigations that saw Telecom Italia investigated pursuant to Legislative Decree 231, the irregular registrations of the SIMs could also be attributed to the fact that the *segregation of duties* was missing, insofar as the controls were conducted within the same ethnic channel. Appropriate corrective actions were implemented, also from an organizational point of view; in any case the Company is also the injured party in this matter. Finally, with regard to the liability action against Mr Ruggiero, he referred to the information provided in reply to the questions raised by Consob. The liability actions proposed by Mr Lombardi – Chairman of Asati, he concluded, will be voted on individually.

At this point the **Chairman** stated that further replies would then be given to the shareholders.

Borlenghi, reiterated that in his experience, in fact, it is not the case that broken telephones are repaired within 15 days. He also suggested once more installing a telephone box in front of the Pinacoteca di Brera (Brera Art Gallery), given the number of visitors it has.

Antolini, first of all complained about the fact that the shareholders' meeting of Telecom Italia Media was held in the afternoon, and this had prevented him participating in it due to the attendant presence of other shareholders' meetings. He also reaffirmed his deepest disappointment over how that associated company had been managed: moreover he is also shareholder of the main shareholders of Telco , and therefore the losses that reverberated from Telecom Italia Media onto Telecom Italia had a further negative effect on him. He also found it unacceptable that in the TV channels of the Group politics is made without asking any payment from those who wish to speak, as this way, in fact, politics ends up being made with the money of the small savers.

Marino, believed it was not right, especially with reference to Telecom Italia Media, to instil new hope in the shareholders. In his opinion, this is rather the moment to disinvest: when things continue to go badly, stated the shareholder, at the start it may even be the fault of the Board of Directors, but then the blame is on those who have invested and continue to invest despite evidence of negative results.

He renewed the request to know the reasons that led Prof. Zingales to disagree with the decision of the Board of Directors not to propose a liability action against the former directors.

Zarrillo, asked which 360 degree evaluation system the Chairman made reference to in his answers. The only survey conducted, in his opinion, was the survey of the corporate climate of 2012 which however is not correlated to corporate organization and in any case is carried out twice a year. He specified, furthermore, that in his speech he did not so much want to discuss the effectiveness of the 231 model, but rather he wanted to point out that a corporate climate characterized by a troubled fiduciary relationship may influence an employee's decision to make reports. Like Asati, in any case, he is always willing to examine the issue with the corporate departments in charge, in order to identify together the best solutions for a Company of which even the employees are an active part.

Lombardi, the Chairman of ASATI, formulated and commented on the response which was then delivered directly to the Chairman and is reported below at his request.

Referring to the many questions of the numerous shareholders present, and of the same Mr Lombardi, Chairman of ASATI (small shareholders' association), on the publication of the Deloitte report to the market and the shareholders, above all after the dissemination of the report itself on the site of *l'Espresso* on 14 May 2012, Mr Bernabè reported that as the report had been acquired by the Judiciary, the same report cannot be disseminated. On this point Mr Lombardi replied that both Consob and the Prosecutor's Office of Milan had stated that the Deloitte report had been acquired and not seized or requisitioned: therefore, the decision not to make it public was a decision made by the Company alone, and Mr Lombardi therefore asked if Telecom Italia intended to bring an action against the party responsible for disseminating both the Deloitte report and the minutes of the Board of Directors of December 2010.

Moving on to the voting declarations, primarily with regard to the financial statements he stated that the Company does not have the money to make a plan of distribution to the employees, it has reduced dividends by 40% compared to that planned in 2011, and nevertheless has the resources for the long-term incentive plan and MBO. Therefore, he asked if this is the Company's answer to the 80,000 employees who on average do not earn more than 1,400 euros per month. Given the above, a vote against will be expressed also on account of the other reasons already stated.

As for the report on remuneration, for the reasons already stated during the speech, and in relation to the considerable reduction of the dividends that has penalized small shareholders, the performance of the shares on the stock market, problems with personnel, solidarity, outsourcing, the reduction of the production bonus and concentrations of *customer care* offices, ASATI will also vote against.

As for the appointment of two directors, while welcoming the arrival of Lucia Calvosa in the Board of Directors, ASATI will vote against, deeming it a scandal that the Telco shareholder with only 22.2% of the capital has 4/5 of the Directors in the Board of Directors.

Then as regards the appointment of the Board of Auditors, considering that none of the auditors in the Telco slate or the Assogestioni slate has ever seen anything of the very serious facts that have emerged, there is a desire to give precedence to the youngest member of the Board, namely Mr Pozza, and therefore ASATI will vote for him. Then referring to the code of ethics, he pointed out how notable it was that Telco, while being aware that Mr Superti Furga had been sentenced to two years and a half in the HDC affair, had included him in the slate and that there is no mention of this fact in his curriculum. He wondered therefore whether the information was incomplete.

Finally, with regard to the long-term incentive plan ASATI considers it a scandal, in the current situation of the Company, the shareholders and the personnel, to launch this plan and therefore it urged all the shareholders to vote against.

Mancuso, specified that he had asked for a comparison with 2010 of the consultancies and the number of employees and managers, and complained in general that he had not received adequate answers, nor had he been able to find the minutes from previous years. Furthermore, he considered it serious that Consob had sent so many detailed questions to the Company, something that had never happened in the past. On this point, he also asked if the answers had been prepared just by the Chairman and the Managing Director, or whether there had been a special meeting of the Board of Directors.

The **Chairman** assured that all the minutes of the shareholders' meetings were available on the Company website.

Fogliati, stated he had shared the action of Mr Bernabè, who had not only implemented a policy of sacrifices for employees and shareholders, but had also engaged in consolidation and development: he hoped he could do even more. As for the voting declarations, the

shareholder expressed his support for the choices made by Asati, a type of association that even Italian and international legislation wants to support, and that Telecom Italia values. With respect to Asati's suggestions, however, he shall abstain on the financial statements, considering the choice to distribute reserves, thereby reducing the equity of the Company and therefore ultimately of all the shareholders, in fact to be harmful to shareholders.

D'Atri, considered that the contents of the answers given to Consob's questions show how the answers provided in previous years, vice versa, should be considered incomplete. He therefore made a complaint pursuant to Article 2408 of the Italian civil code in relation to the failure to provide thorough answers to the questions raised (also pursuant to Article 127 ter of the CFL) in today's shareholders' meeting and the three previous ones. The purpose of the complaint, he specified, must also be the failure to disseminate the Deloitte report: moreover, in his opinion, if this was the problem, one might well ask the Prosecutor's Office for express authorization to publish it.

Continuing, he asked if the candidates for directors or auditors had been the subject of criminal convictions or Consob sanctions over the course of the last 5 years, and in any case stressed his dissatisfaction with the answers received, which, stated the shareholder, appear to be a mere report of the data prepared by the so-called "think tank".

With regard to the liability actions to be put to the vote in today's shareholders' meeting, he asked if it was possible, at the time of the voting, to have more specific detail on the content of the resolution itself, and if the directors in office had some observations to make on this issue.

No-one else having asked to speak, the Chairman declared the discussion closed and invited the Secretary to explain how to use the televoters, and how to vote, also using slides. The Secretary complied.

The Chairman then, in relation to the first item on the agenda:

- invited those shareholders who intended to leave the room before the vote to inform the auxiliary staff in the room so that their shares would not be considered present;
- informed the meeting that at 3.46 p.m. a total of 7,107,695,348 shares were present, entitled to the same number of votes and equivalent to 52.98% of the ordinary shares;

- at 3.46 p.m., put the proposed resolution of the Board of Directors, transcribed below, to the vote, using the televoters:

"The Shareholders' Meeting of Telecom Italia S.p.A.,

- *having examined the annual financial report of Telecom Italia S.p.A. and the financial statements of Telecom Italia Audit & Compliance Services S.c.a r.l.;*
- *having taken note of the reports by the Board of Auditors and by the audit firm PricewaterhouseCoopers S.p.A.;*
- *taking into account the incorporation of Telecom Italia Audit & Compliance Services S.c.a r.l. into Telecom Italia S.p.A. (effective from 1 January 2012);*
- *having considered that the overall number of shares with regular entitlement on the proposed coupon date will be equal to 13,387,717,360 ordinary shares and 6,026,120,661 savings shares;*
- *in view of the authority given to the Board of Directors to increase the share capital by allocating profits, as stated in Article 5 of the Bylaws;*
- *in view of the authority of the Shareholders' Meeting, in the event of a lack or insufficient net profits resulting from the financial statements to meet the property rights attributed to the savings shares, to meet them by distributing the available reserves, resulting in the exclusion of the mechanism to carry over in the two subsequent years the entitlement to the preference dividend not received by the distribution of profits, as stated in Article 6 of the Bylaws;*

resolves

1. *to approve the financial statements for the year of Telecom Italia S.p.A. and the financial statements of Telecom Italia Audit & Compliance Services S.c.a.r.l. (incorporated with effect from 1 January 2012)*

2. *to cover the loss for the year of Telecom Italia S.p.A. (equal to 3,571,256,823.96 Euros),*

a. *for 924,241,957.15 Euros by using the following reserves:*

- *Reserve for capital grants 602,258,804.46 Euros*

- *Reserve pursuant to Article 1, subsection 469*

Law no. 266/2005 / pursuant to Article 14 of Law 342/2000 315,842,090.55 Euros

- *Reserve pursuant to Article 74 of Presidential Decree 917/86
5,749,710.12 Euros*

- *Reserve pursuant to Article 13 of Legislative Decree 124/93
391,352.02 Euros*
- b. *for 2,647,014,866.81 Euros by withdrawing Profits carried forward from
2007 and earlier;*
- 3. *to pay the Shareholders a total dividend calculated on the basis of the following
amounts, which will be applied to the number of ordinary and savings shares that they own
(thus excluding the treasury shares in the Company's portfolio) on the coupon date of said
dividend:*
 - *0.043 Euros for each ordinary share,*
 - *Euro 0054 for each savings share,**withdrawn from the profit for the year 2010 carried forward, gross of the withholdings
prescribed by law;*
- 4. *to allocate to the reserve designated "Plans pursuant to Article 2349 of the Civil
Code" the sum of 8,003,325 Euros, taken from the Profits carried forward from the years
2007 and earlier, to service the capital increases to be deliberated on by the allocation of
profits to be achieved under the 2011 Long Term Incentive Plan approved by the
Shareholders' Meeting of 12 April 2011;*
- 5. *to authorise the Board of Directors - and on its behalf its Chairman - to ascertain
in due course, on the basis of the actual number of shares for which dividends are paid, the
amount of the 2010 profits distributed already carried forward;*
- 6. *to make the dividend payable starting on 24 May 2012, with a coupon date of 21
May 2012."*

The resolution was approved by a majority of the shareholders.

For: 6,368,433,957 shares.

Against: 37,712,045 shares.

Abstained/Not voting: 701,549,346 shares.

All as detailed in the annexes.

The Chairman then formally acknowledged that, with the approval of the proposed resolution submitted by the Board of Directors, the following proposals had been

approved:

- the 2011 financial statements of Telecom Italia S.p.A. and Telecom Italia Audit & Compliance Services S.c.a.r.l. (incorporated with effect from 1 January 2012)
- coverage of the loss for the year of Telecom Italia S.p.A. (equal to 3,571,256,823.96 Euros);
- the distribution of the 2010 profits carried forward by allocation of a dividend of 0.043 Euros per ordinary share and 0.054 Euros per saving share, gross of the withholdings prescribed by law.

The Chairman then:

- invited those shareholders who intended to leave the room before the vote to inform the auxiliary staff in the room so that their shares would not be considered present;
- informed the meeting that at 3.52 p.m. a total of 7,107,686,071 shares were present, entitled to the same number of votes and equivalent to 52.98% of the ordinary shares;
- put the proposed aforementioned First Liability Action to the vote at 3.52 p.m. using the televoters, specifying – as confirmed by the shareholder petitioner Mr Lombardi, Chairman of ASATI – that “*Board of Directors and Board of Auditors*”, against whom the proposed action is brought, refer to the members of the company bodies serving on 16 December 2010

The resolution was rejected by a majority of the shareholders.

For: 30,487,344 shares.

Against: 6,406,622,622 shares.

Abstained/Not voting: 670,576,105 shares.

All as detailed in the annexes.

The Chairman announced the result and, those present remaining unchanged, put the proposed Second Liability Action to the vote at 3.55 p.m. using televoters.

The resolution was rejected by a majority of the shareholders.

For: 31,078,647 shares.

Against: 6,406,586,622 shares.

Abstained/Not voting: 670,020,802 shares.

All as detailed in the annexes.

The Chairman announced the result and, those present remaining unchanged, put the proposed Third Liability Action to the vote at 3.57 p.m. using televoters.

The resolution was rejected by a majority of the shareholders.

For: 31,972,285 shares.

Against: 6,406,582,622 shares.

Abstained/Not voting: 669,131,164 shares.

All as detailed in the annexes.

The Chairman announced the result.

The Chairman then, in relation the second item on the agenda, invited those shareholders who intended to leave the room before the vote to inform the auxiliary staff in the room so that their shares would not be considered present.

Antolini, from the room, expressed his opposition to the proposed remuneration policies.

The Chairman:

- informed the meeting that at 4.00 p.m. a total of 7,107,701,348 shares were present, entitled to the same number of votes and equivalent to 52.98% of the ordinary shares;
- at 4.00 p.m., put the proposed resolution of the Board of Directors, transcribed below, to the vote, using the televoters:

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

- *given the applicable legal provisions regarding the remuneration report;*
- *having acknowledged the non-binding nature of the deliberation required,*

resolves

to approve the first section of the remuneration report.”

The resolution was approved by a majority of the shareholders.

For: 4,816,941,085 shares.

Against: 1,532,524,445 shares.

Abstained/Not voting: 758,235,818 shares.

All as detailed in the annexes.

The Chairman announced the result.

Then the Chairman, in relation to the third item on the agenda:

- invited those shareholders who intended to leave the room before the vote to inform the auxiliary staff in the room so that their shares would not be considered present;
- announced that at 4.05 p.m. a total of 7,107,696,348 shares were present, entitled to the same number of votes and equivalent to 52.98% of the ordinary shares;
- at 4.05 p.m., put the proposed resolution of the Board of Directors, transcribed below, to the vote, using the televoters:

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

- *given that Ferdinando Beccalli Falco and Francesco Profumo have ceased to serve as Directors;*
- *taking account of the fact that the mandate of the current Board of Directors will expire with approval of the financial statements for the year at 31 December 2013 (as resolved by the Shareholders’ Meeting of 12 April 2011),*

resolves

to appoint Lucia Calvosa and Massimo Egidi Directors of the Company, with expiry of their mandate with that of the serving Directors and hence until approval of the financial statements at 31 December 2013.”

The resolution was approved by a majority of the shareholders.

For: 6,274,539,810 shares.

Against: 95,311,165 shares.

Abstained/Not voting: 737,845,373 shares.

All as detailed in the annexes.

The Chairman announced the result.

Then the Chairman, in relation to the fourth item on the agenda:

- specified that there would be three distinct votes, on, respectively:
- the appointment of the standing and alternate auditors
- the appointment of the Chairman of the Board of Auditors
- the determination of the remuneration of the members of the Board of Auditors.
- recalled that, as per the Bylaws, the number of standing Auditors to be appointed is 5 (3 to be chosen from the majority slate and 2 to be chosen from the minority slates), while the number of alternate Auditors is 4 (2 to be chosen from the majority slate and 2 to be chosen from the minority slates);
- recalled that three slates were presented within the terms and according to the procedure required by the applicable regulations, which he read out and are transcribed below:

TELCO Slate

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

Standing Auditors Section

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

Alternate Auditors Section

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

Findim Group Slate

(Presenting Shareholder: Findim Group S.A.)

Standing Auditors Section

1. Lorenzo Pozza

Alternate Auditors Section

1. Massimiliano Carlo Nova

Slate of a group of Asset Management Companies and international institutional investors

(presented by a group of asset management companies and international institutional investors)

Standing Auditors Section

1. Enrico Maria Bignami
2. Sabrina Bruno

Alternate Auditors Section

1. Roberto Capone
2. Franco Patti

- invited those shareholders who intended to leave the room before the vote to inform the auxiliary staff in the room so that their shares would not be considered present;
- informed the meeting that at 4.10 p.m. a total of 7,107,648,893 shares were present, entitled to the same number of votes and equivalent to 52.98% of the ordinary shares;
- put the submitted slates to the vote, using the televoters, at 16.10 p.m.

The voting result was as follows:

For - Telco Slate: 3,240,488,244 shares.

For - Findim Group Slate: 717,374,498 shares.

For - Asset Management Companies Slate: 3,121,340,169 shares.

Against: 5,308,135 shares.

Abstained/Not voting: 23,137,847 shares.

All as detailed in the annexes.

The Chairman acknowledged that:

- the Telco Slate obtained the majority of the votes, and therefore 3 standing auditors and 2 alternate auditors shall be chosen from it in the order in which they are listed on it, and specifically:

STANDING AUDITORS

Gianluca PONZELLINI

Salvatore SPINIELLO

Ferdinando SUPERTI FURGA

ALTERNATE AUDITORS

Ugo ROCK

Vittorio MARIANI;

- as per the Bylaws, the remaining 2 standing auditors and 2 alternate auditors shall be chosen from the other slates. Specifically, in application of the criteria governed by Article 17 of the company Bylaws, the following are elected, all chosen from the Asset Management Companies slate:

STANDING AUDITORS

Enrico Maria BIGNAMI;

Sabrina BRUNO

ALTERNATE AUDITORS

Roberto CAPONE

Franco PATTI.

The **Chairman** therefore thanked, in the name of the entire Board, Professor Pozza for his work, as did the Chairman of the Board of Auditors.

Therefore the Chairman, those present remaining unchanged, put the proposal to appoint Auditor Enrico Bignami as Chairman of the Board of Auditors, the first person listed on the slate submitted by a group of asset management companies and international institutional investors, to the vote at 4.15 p.m. using the televoters, advising that, if the outcome of the vote was not positive, the appointment of the other “minority” Auditor as Chairman of the Board of Auditors would be put to the vote.

The resolution was approved by a majority of the shareholders.

For: 6,361,761,738 shares.

Against: 35,622,626 shares.

Abstained/Not voting: 710,264,529 shares.

All as detailed in the annexes.

The Chairman announced the result, and then:

- informed the meeting that at 4.18 p.m. a total of 7,107,643,893 shares were present, entitled to the same number of votes and equivalent to 52.98% of the ordinary shares;
- put the proposal of the Shareholder Telco to establish the annual gross remuneration of each of the Standing Auditors at 95,000 Euros and the annual gross remuneration of the Chairman of the Board of Auditors at 135,000 Euros to the vote at 4.18 p.m. using the televoters.

The resolution was approved by a majority of the shareholders.

For: 6,215,133,487 shares.

Against: 36,043,477 shares.

Abstained/Not voting: 856,466,929 shares.

All as detailed in the annexes.

The Chairman announced the result.

Then the Chairman in relation to the fifth item on the agenda:

- invited those shareholders who intended to leave the room before the vote to inform the auxiliary staff in the room so that their shares would not be considered present;
- informed the meeting that at 4.21 p.m. a total of 7,107,658,893 shares were present, entitled to the same number of votes and equivalent to 52.98% of the ordinary shares;
- at 4.21 p.m., put the proposed resolution of the Board of Directors, transcribed below, to the vote, using the televoters:

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

- *having examined the explanatory report of the Board of Directors,*
- *having examined the information document made available to the public in accordance with the applicable regulations,*

resolves

- *to approve the “2012 Long-Term Incentive Plan” in the general terms described above and detailed in the information document published in accordance with the applicable regulations;*
- *to confer on the Board of Directors all powers necessary or expedient for implementing the 2012 Long-Term Incentive Plan, making any changes and/or additions to it that prove necessary for the implementation of what has been resolved, including for the purposes of compliance with any applicable regulatory provision, including authorisation to assign ordinary treasury shares in the Company portfolio free of charge.”*

The resolution was approved by a majority of the shareholders.

For: 6,095,564,656 shares.

Against: 128,544,739 shares.

Abstained/Not voting: 883,549,498 shares.

All as detailed in the annexes.

The Chairman announced the result.

The Chairman announced the result and, the ordinary part of the agenda having been dealt with, moved on to consider the extraordinary part, which was minuted separately, at 4.25 p.m.

The Chairman

The Secretary