

TELECOM ITALIA S.p.A.
Minutes of Ordinary Shareholders' Meeting
18 October 2012

The Ordinary Shareholders' Meeting of **TELECOM ITALIA S.p.A.** began at 3.00 p.m. on 18 October 2012, at Via Toscana 3, Rozzano, Italy.

Mr. 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 reading out the **Agenda**, containing the following items:

- *Proposal for dispute settlement pursuant to article 1965 of the Italian Civil Code with the former Executive Director of the Company, Carlo Orazio Buora or, subordinately and solely in the case of non-approval, proposal for the Company to start corporate liability action.*
- *Proposal for dispute settlement pursuant to article 1965 of the Italian Civil Code with the former Executive Director of the Company, Riccardo Ruggiero or, subordinately and solely in the case of non-approval, proposal for the Company to start corporate liability action.*

The Chairman then reported that:

- the notice convening the Shareholders' Meeting was published on 31 August 2012;
- the supplementary call notice of the Shareholders' Meeting, reformulated after receipt of the settlement proposal made by Mr. Ruggiero, was published on 17 September 2012;
- 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, no valid ballot cards were received;
- the vote could also be cast electronically via the Company's website; the votes of 69 shareholders representing 336,478 ordinary shares were received.

The Chairman therefore declared that, at 3.02 p.m., the ordinary shares participating in the shareholders' meeting for the purposes of the quorum were 6,577,235,319 in total, including the ones associated with votes cast by mail and electronically. The share capital represented at the meeting was therefore equivalent to 49.02% 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 Report of the Board of Directors on the items on the agenda was published in accordance with the applicable regulations and distributed at the entrance, together with the notes containing the information required by Consob, disseminated yesterday;
- the Board of Statutory Auditors has prepared a report on a voluntary basis; this had already been made available before the meeting and was available at the entrance;
- 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;
 - Alliance Bernstein LP, with a holding in the capacity of asset manager corresponding to 2.063% of the capital with voting rights;
- as regards shareholders' agreements with significance for Telecom Italia for the purposes of article 122 of Legislative Decree no. 58/1998, the extract of the agreement existing

between the shareholders of the relative majority shareholder Telco S.p.A. (Intesa San Paolo S.p.A., Mediobanca S.p.A., companies belonging to the Generali and Telefónica S.A. Group) had been published in the national press on 29 February 2012; a description of the essential elements of the agreement can be found in the report on the Company's corporate governance and share ownership for financial year 2011;

- the following were present at the meeting, besides the Chairman and the Managing Director Marco Patuano:

- the Directors Elio Catania, Lucia Calvosa, Massimo Egidi, Mauro Sentinelli and Luigi Zingales;
- all the Statutory Auditors, with the sole exception of Mr. Superti Furga, who had justified his absence.;

- representatives of the independent auditors were present, as well as staff engaged in the proceedings of the meeting;

- with a view to the day's Shareholders' Meeting, the Company designated 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, also:

- as per the Regulations for the Shareholders' Meeting, set 10 minutes as the maximum length of speeches during the course of the discussion, which will take the form of a single debate for all the items on the agenda;

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

- stated 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 was associated with the personal identification details of the entitled individuals. The televoter was therefore a strictly personal tool that shareholders would have to carry with them throughout the meeting and is supplied with an instruction sheet;

- reminded shareholders who intended 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 translation 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 treated in accordance with the regulations on privacy.

Since the documentation for all the items on the Agenda had been made available, and also distributed at the entrance to the hall, the Chairman announced, and no one objected, that the reading of the Agenda would be omitted.

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

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

- *Proposal for dispute settlement pursuant to article 1965 of the Italian Civil Code with the former Executive Director of the Company, Carlo Orazio Buora or, subordinately and solely in the case of non-approval, proposal for the company to start corporate liability action.*
- *Proposal for dispute settlement pursuant to article 1965 of the Italian Civil Code with the former Executive Director of the Company, Riccardo Ruggiero or, subordinately and solely in the case of non-approval, proposal for the company to start corporate liability action.*

- recalled that Mr. Buora was an Executive Director of the Company from November 2001, while Mr. Ruggiero was Executive Director from September 2002. Both ceased to hold office in December 2007;

- reminded those present that, in terms of procedure, both corporate liability action and any related settlement (including preliminarily) must be decided by an Ordinary Shareholders' Meeting, which resolves on the issue with the standard quorum (an absolute majority of the capital present at the meeting). However, regarding settlement, the Italian Civil Code specifies a "blocking minority" mechanism, which is equal to 5% of the share capital for listed companies: even in the eventuality that a majority vote in favour of

abandoning the proceedings, such a resolution would not be approved if this predetermined quota of the share capital had voted against it.

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

Dear Shareholders,

on this occasion, perhaps more so than in the past, it is appropriate for me to speak, although I believe a few words will suffice.

Today's Shareholders' Meeting fulfils the announcement made in May from this podium, but more importantly, it respects a commitment given back in 2010, when Telecom Italia voluntarily chose to start the internal investigation known as the "Greenfield Project".

In March 2010 we ordered the creation of a work group to examine in depth some potentially critical areas in which unlawful behaviour damaging to the Company had taken place.

The initiative was taken after a long verification process, and its purpose was improvement: to clarify and understand the mistakes made, identify the organisational shortcomings that had allowed them to be made, and find the corrective action needed to ensure that similar events did not recur.

Beyond the Sparkle affair, which had even involved restatement of the 2009 financial statements, and close examination of some fraudulent behaviours connected to anomalous sales, the most important areas of investigation concerned the Security affair and the phenomenon of prepaid SIM cards registered in an unlawful or irregular way, also the subject of a criminal investigation. The analysis was assigned to Deloitte, which reported the results of its work to the Board of Directors in December 2010.

In the Security case, Deloitte identified some "indicators of anomalies" that could and should have been picked up before the intervention of the Judicial Authorities. These indicators pointed to procedural and control shortcomings which had resulted in costs and expense for Telecom Italia that the consultant quantified at 67 million euros, at that time, and pointed out that there was a risk of further requests for payment and/or reimbursement arising from legal disputes that were pending (or might still be instituted).

Deloitte also established that there were approximately 6.8 million irregular prepaid SIM cards, activated before the moment when I became aware of this absurd practice and put a

stop to it. The review also ascertained other possible phenomena of delayed termination of prepaid cards, by refilling the cards with the minimum amount. In this case too, it was established that some members of the Senior Management and some executives of the company had access to information on these evident irregularities, and on the deficiencies in the internal control system that had permitted them.

Nevertheless, faced with these findings (summarised in the Report on corporate governance and share ownership for financial year 2010), the Board of Directors decided to not propose to the Shareholders' Meeting that the company start liability action against the directors serving at the time these facts took place . And it explained its reasons, which are based on the following elements:

- lack of jurisdictional precedents in terms;*
- the difficulty of identifying a legal causal nexus between the costs sustained and/or that could be sustained by the Company, and the conduct of the former Directors of the Company;*
- the uncertainty of identifying the costs qualifying as "recoverable damages";*
- in summary, the uncertainty of the result of such action and the possible negative impacts (economic and reputational) consequent on the media attention that such action would attract.*

However, the Board of Directors specified that the decision to not propose pursuing action could be changed if the company became aware of new information and/or facts. I want to make clear that on that occasion the Board acted responsibly, in a reasoned way, albeit not unanimously, based on the opinion of authoritative consultants and in a way that was always transparent.

Moreover, since then, the Company has been far from idle.

On the one hand, it has worked intensely to implement a series of improvements to the internal control system. And on the other, the Company has remained vigilant.

In spring 2010, at the time the Greenfield project started, it was decided, essentially, to investigate the areas recognised as critical at that time by the Judicial Authorities. In December 2011 it was announced that the ex-Chairman of Telecom Italia, Marco Tronchetti Provera, had been listed in the register of persons under investigation: once again, nothing was requested of the Company, but – in the same spirit of transparency that

had characterised the Greenfield Project – a new internal investigation was started immediately.

In this case too, the outcome of the work was the activation of initiatives to further strengthen the internal control system, and, once again, the protective initiatives that might be available and appropriate will be evaluated when the results of the investigations by the Judicial Authorities are known.

In this respect, I would like to make clear immediately that the Company has no comment to make today on the news about the closure of the investigations: the Board of Directors must acquire and study the documentation before formulating its settled conclusion.

In spring of this year, the same Board of Directors acknowledged some substantial new information about the Security and prepaid card affairs:

- regarding the prepaid cards, in April the Public Prosecutor of Milan sent notification of the notice concluding the investigations to Riccardo Ruggiero, Luca Luciani, Massimo Castelli and Telecom Italia (which then negotiated a compromise). The crime contemplated was that of preventing AGCom from performing its functions, for having communicated to the Authority unlawfully altered data related to mobile clients, in order to modify the company's customer base and market share;

- regarding the Security proceedings for unlawful appropriation to the detriment of the Company, the grounds for the ruling of the Court of Cassation on the decision of the Milan Judge for Preliminary Hearings that there was no case to answer were published in May. As reasoned by the Judge for Preliminary Hearings, the other departments and Senior Management cannot have been unaware of the actions of the Security department.

The Board's reaction to these new elements was immediate: the decision to sue the Executive Directors responsible for the company departments affected by the irregularities, requesting compensation for the damages caused by the breach of their duties connected with their office, as announced in this very room in May.

And so we come to today's Meeting, called to consider the responses received from Mr. Buora and Mr. Ruggiero rejecting all charges. In a situation of this kind, the only option remaining to Telecom Italia to enforce its rights was to start legal action.

However, at this point, the two former Directors came forward, formulating a settlement offer which the Board of Directors is today submitting for your approval.

It does this because it believes that legal proceedings against Mr. Buora and Mr. Ruggiero is a feasible and proper action, but at the same time it is aware that the considerations made at the time of the results of the Greenfield project remain valid:

- there is still a lack of legal precedents;*
- demonstrating that the directors breached their duties is not the same as demonstrating, in court, that there is legal causal nexus between the damages suffered by the Company and conduct that is personally attributable to Mr. Buora and Mr. Ruggiero;*
- the “damages payable” are not equivalent to the economic effect of the affairs in which the former Directors breached their duties;*
- to summarise, any benefit resulting from a possible action remains extremely uncertain, in terms of how much and when, while the negative effects, measured in costs and further media exposure, are certain. It is no coincidence that in Italy liability actions by companies are few and far between.*

To the contrary, the transactions that are proposed to you:

- avoid the long, costly and uncertain legal process necessary for the Company to assert its claims for compensation in court;*
- ensure the recovery of a sum that, while less than the sum that could theoretically be claimed, would still represent a form of relief that is not merely symbolic for Telecom Italia, as well as constitute a major affirmation of principle regarding the protection of the interests of the Company and its Shareholders even against its former Directors;*
- have been favourably assessed by the consultants, who deemed the terms of the settlement proposal received no worse (and in fact probably better) than the proposals encountered in their professional activity in comparable situations.*

We cannot obtain compensation for all the damage suffered from these two people: expecting to do so would be simply unreasonable, and legally without foundation. The trade-off between starting action and accepting a settlement is evident, and the reasons for the settlement are the reasons that are customary in all forms of extrajudicial composition. In a private company, decisions are taken based on issues of expediency. Settlement is, quite simply, a more expedient solution than legal proceedings: it means opting for the certain and abandoning the uncertain, opting for honourable closure of a situation that might otherwise have continued for years, a situation that has absorbed much of the

energy of the Company but would without this have meant running the risk of obtaining little or nothing.

I would in fact remind you that the legal period within which liability action may be started by the company against both Mr. Buora and Mr. Ruggiero expires on 3 December next. This deadline means that the need to deal with this issue and, ideally, define it in an efficient way is urgent.

To the possible criticisms that might be raised concerning the procedure followed by the Board, I can only reply that the current management and the current Board of Directors have done a lot, have had the courage to take unpopular decisions, to disclose them to the Authorities and the market and to review and revise their decisions when factual evidence required this. Doing all this required the courage to deal with a past which a misconceived sense of prudence might have persuaded us to forget.

I consider this Shareholders' Meeting a proper act, not merely a "required act". It was proper, over two years ago, to decide to undertake a serious in-depth examination of the mistakes made, with a view to the future – as I have already mentioned, and would reiterate here – but with the determination to assign liability to those responsible for those mistakes.

* * *

I believe that the explanatory report is transparent in its reconstruction of the facts and considerations on which the decisions of the Board of Directors were based. The assessments made are clearly represented and the proposals are simple and direct:

- to settle the disputes with Mr. Buora and Mr. Ruggiero once and for all, obtaining the sums of 1 million euros and 1.5 million euros respectively;*
- if this proposal should be rejected, to vote to start actions against them, accepting the gamble of a court judgement.*

It is now for you to express your opinion by voting: fully aware, and with independent judgement, the Board of Directors has fulfilled its responsibilities in this matter.

The Chairman then handed over to the Chairman of the Statutory Auditors, who read out the text of the speech reproduced here.

With notice dated 15 October 2012, Consob invited the Board of Statutory Auditors to report “their considerations regarding the possibility that the developments in the criminal proceedings under way could lead to the reopening of the terms within which a liability action could be brought against former senior executives of the company”.

The recent events in the proceedings – of which we are informed only by the press – refer to the formal closure of the preliminary investigations, which could preclude an application for indictment of the former Chairman of the Board of Directors Marco Tronchetti Provera for the offence of handling stolen goods (in the context of the spying affair allegedly carried out by Telecom Italia Security to the detriment of the Kroll Investigation Agency).

The Board of Statutory Auditors, having acknowledged this unofficial information, reserves the right to carry out any necessary in-depth analysis and assessments regarding this matter and any initiatives to protect the Company's interests, when it will have full knowledge of the documentation of the proceedings, within the limits provided for by the law.

For the time being, in response to Consob's requests, with reference to both that stated above and the development of the criminal proceedings under way, the Board of Statutory Auditors reserves however the right to carry out every in-depth analysis and assessment regarding the impact that the configuration of the acts as criminal offences and their being qualified as specific criminal cases could have on the viability of compensation proceedings, to be exercised on various grounds, whether contractual or extracontractual, in the interests of the Company, and this also with reference to the applicable statute of limitations; all in any event excepting any settlement.

The Chairman then indicated that before the meeting and within the period of time indicated in the call notice, the Company had received questions from some shareholders; the answers to these questions will be given, together with answers to the queries raised during the debate; he then repeated his invitation to those participants who intended to speak on the topics on the agenda to register at the desk opposite the podium. He recommended that speeches 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.

Lombardi, presented a motion regarding the change to the order of the proposals to be put to a vote. He specifically emphasised that, in his view it was necessary to “*vote directly on the liability action against Carlo Buora for the relevant recent events, or, alternatively, to postpone the shareholders’ meeting or call another shareholders’ meeting. The above also applied for Mr. Ruggiero*”.

The **Chairman** declared that this proposal was not acceptable.

Lombardi, emphasized that the request was justified in light of the new information originating from the investigations currently underway at the Milan Public Prosecutor’s Office. On this point, he drew attention to the fact that it appeared that the Telecom Italia legal advisors were already in possession of a computer disk containing the details of the order concerning Mr. Tronchetti Provera issued by Milan Public Prosecutor Robledo.

The **Chairman** in turn emphasised that the Board would examine every document brought to its attention and, regarding the proposal to put the liability action against Mr. Buora directly to a vote, repeated that this proposal would only be put to a vote if the first proposal formulated by the Board, regarding the amicable settlement of the dispute, should not be approved.

Lombardi reiterated the importance of the circumstances that had emerged recently, and reminded the meeting the shareholders had the right to propose changes to the agenda. He considered that the Chairman’s refusal could be considered an attempt to “gag the shareholders’ meeting”, an attempt which was also confirmed by the refusal of the request to broadcast the shareholders’ meeting in live streaming, for Telecom Italia employees at least.

The **Chairman** repeated that the Board would examine every fact and document brought to its attention, and reminded the shareholders’ meeting that it could approve or reject all proposals of the Board with its vote. He then declared the discussion open.

Lombardi, delivered the document transcribed below to the chairman’s table, asking that it be transcribed in the minutes.

“Document delivered to Consob on 17 October 2012 at 11.00 a.m..”

Document updated and filed with the Milan Public Prosecutor's Office on 18 October at 11.00 a.m.

Re: Proposal to vote directly on the liability action against Carlo Buora for the relevant recent events, or, alternatively, to postpone the shareholders' meeting or call another shareholders' meeting. The above also applies for Mr. Ruggiero.

With reference to the agenda for the TI Shareholders' Meeting of 18 October, I the undersigned, as chairman of the small shareholders' who are members of Asati, and as a single shareholder of the Company, propose that the vote on the corporate liability action against Carlo Buora be put directly to the vote for serious reasons that emerged after the Shareholders' Meeting of 15 May 2012 and after the last Meeting of the Board of Directors on 2 August 2012, when the Board accepted, despite our remonstrances, a paltry sum from the legal representatives of Buora, who asked for settlement for euro 500,000, subsequently increased to euro 1,000,000 after negotiation, generating confusion and dismay among the minority shareholders.

In our opinion, the reasons for this request, the same request that we raised during the shareholders' meeting of 15 May 2012 – turned down due to a conflict of interest – are today confirmed, as we have always sustained. News of the recent closure of a tranche of the investigations by the Milan Public Prosecutor's Office, into Tronchetti Provera, accused of a very serious offence, namely handling stolen goods, punishable by up to 8 years' imprisonment, is confirmation of this. Among other things, we are aware that the Telecom Italia legal advisors have already collected the computer disk with the detailed ruling on Mr. Marco Tronchetti Provera issued by Public Prosecutor Robledo. Why is this fact not mentioned in communication 2, published yesterday evening, 17 October, at 8.00 p.m., regarding the requests made by CONSOB?

Why today do we maintain that it is not possible to vote on the settlement?

Regarding the information made available at the request of Consob at 8.00 p.m. on 17 October 2012, just 19 hours before the start of the shareholders' meeting, the question is:

- on 16 December 2010, the day of the Telecom Italia Board Meeting, was "operation K" (Kroll spying), described in the Deloitte report (recently filed in the proceedings before the Milan Assize Court, judge Gamacchio), and in the report on the 2010 financial statements to the Governance and Corporate Governance Committee (also acquired by Judge Gamacchio in the Assize Court, with the 51 related invoices for several*

million euros, so much as to overrun the budget of the Security department at that time)? Operations and invoices of which even the Chairman of the Board of Statutory Auditors, Mr. Bignami, when asked by the Chairman of ASATI in the shareholders' meeting on 15 May last, stated he was unaware. And this Kroll operation is also mentioned in the statement closing the investigation into Tronchetti Provera by Mr. Robledo, assistant Public Prosecutor.

- I would also like to ask: do the Telecom Italia legal advisors consider liability action by the company against Tronchetti Provera statute-barred?

For the purpose of the liability proceedings against Carlo Buora – who, I would remind you all, was the direct hierarchical superior of Tavaroli – it is not necessary to have evidence that Buora was aware of the unlawful practices of the security department, but is sufficient that Buora can be blamed for not having adequately organised the Business – and hence also the Security department for which he was responsible – efficaciously preventing Tavaroli and his associates from committing such very serious unlawful acts. The fact that there are still few precedents for civil proceedings based on breaches of this duty cannot be a serious reason not to start actions. Otherwise one would have to conclude that article 2392 of the Italian Civil Code, which in 2003 introduced the obligation for Managing Directors to ensure that the organisational, administrative and accounting arrangements of the Company are adequate is little more than a Manzoni-like shout, destined never to be applied, precisely because of a lack of precedents (if people do not start actions because there are no precedents, there will continue to be no precedents, and no-one will ever start actions, in a vicious circle that does no credit to the intelligence of whoever makes such arguments, that is, of the legal advisors who gave this meaningless advice!). As for the argument that the prospects of success of the action would be uncertain, we ask merely to not be treated like fools: legal actions that have sure outcomes, at the start, do not exist. And if they existed, there would be no need to pay millions of euros to top legal advisors as Telecom does every day (how much have all the Telecom Italia legal advisors cost to defend the company in these illegal policy affairs). Furthermore, legal experience in recent years on precisely this issue of the Security department indicates that all the Judges who have dealt with it, incidentally or directly, Investigating Judges Gennari, Belsiti and above all Panasiti and even the Court of Cassation in its recent ruling on unlawful appropriation, have all and always had very

harsh words of condemnation for the former directors of Telecom. Now that the Public Prosecutor's Office is finally formulating very serious charges against the ex Chairman, do we really want Telecom to continue to bury its head in the sand and pretend nothing has happened, that the Company was well run and well managed from 2002 to 2007? Or do we want to hide something else, with these nitpicking and baseless arguments – that the very serious conflicts of interest that affect the decisions of many directors on the Board, and as a consequence those of the representatives of the shareholders in the shareholders' meetings who do not in any circumstances, irrespective of the interests of the company they direct and of which they are shareholders, want to blame the friends, or friends of friends, with whom they do business? Do I need to explain where the conflict of interest lies?

- *during the shareholders' meeting on 15 May 2012, Asati had already proposed liability action directly against Buora, as documented in the minutes;*
- *the Executive Chairman of the Company, answering the Consob letter of 9 May 2012, also after the formal complaints made by a "shareholder", made the following statement, among others, in the Shareholders' Meeting: " the senior Management of the Security department in office at the time would not have 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)". So Buora was perfectly aware of what was happening, and the Chairman continued: "on 9 May 2012 the Board of Directors decided to take action against the former Executive Director Riccardo Ruggiero to suspend the statute of limitations (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 this end". So we would like to know the reason for today's farce... why has the company agreed to propose a settlement?*

It has recently been in the news that Telecom was ordered to pay 1 million euros and has already paid 500,000 euros to former footballer Vieri in a case brought by him for unlawful spying. 1 million is exactly the amount of the settlement with Buora that you propose for our approval. Vieri is just one of more than 5,000 people on whom the Telecom Security department spied and created dossiers in the bad old days of the Tronchetti regime. A simple multiplication (1 million times 5,000) indicates the economic risk to Telecom of the activities of the Security department, in terms of possible orders to

pay compensation for damages. And Buora gets away with 1 million? And Telecom will have to pay the rest of the bill, which means us shareholders?

The Chairman of the Board of Statutory Auditors had in turn read a report – hardly worth commenting on given that he was unaware of the 51 invoices in the K report (Kroll spying case) we delivered in the shareholders’ meeting, attached to the minutes, and the material on which today Tronchetti would be accused, and which Buora himself knew all about, as we will show – that ignored the K Operation;

- *on 20 September 2011 the Court of Cassation stated, in chapter 17, that Mr. Carlo Buora, in relation to the Kroll spying which cost TI so much money that the Security department budget was exceeded in 2004, knew all about it, as did Mr. Tronchetti. Evidence given by Mr. Francesco Chiappetta, general counsel of the company.*

- *Telecom Italia had already joined the proceedings against Tavaroli, Bernardini, Ghioni, Cipriani and co. in the Court of Assises for the predicate offence of handling stolen goods (the hacking of Kroll) of which Tronchetti and then Buora were accused. The fact that Buora was not involved in the specific closure of the investigation means nothing. When the ruling is published you will see that it talks a lot about him and what will TI do, which will have concluded a final settlement. The conflict of interest has won, and the minority shareholders have once again been taken for a ride, and damaged.*

Now you could argue that the postal vote does not allow the programme to be changed in this way. But the postal vote represents a very small number of proxies and the “endurance test” can always be cited. We still do not know the reasoning of the Milan Public Prosecutor’s Office, so you are bypassing the shareholders’ meeting, and afterwards you invent another trick, again carried away by the conflict of interest. Apart from anything else, did it never occur to you to wonder why the Tronchetti business was closed just 100 hours before the shareholders’ meeting?, hovering over the Telecom Italia Board of Directors

Having said that, we would ask shareholder Telco to refrain from voting due to an undeclared conflict of interest (see articles 2692 bis and 2931 of the Italian Civil Code). Further, if there should be a further demonstration of the ongoing conflict of interest between the advisors for the valuation of the access network asset in view of a subsequent demerger, we would point out that the national press has reported that Mediobanca and

Banca Intesa, two of the major shareholders of Telco, which have relations with Pirelli, have also been invited.

So we would ask that the following three proposals be put to a vote:

first – to postpone the shareholders’ meeting;

second – to suspend the vote on the Buora settlement and proceed directly to the vote on the corporate liability action against Buora;

third – to call another shareholders’ meeting, to vote on liability action against Tronchetti, among other things. Such action is now inevitable, since Telecom Italia, by starting proceedings, must join the action as the injured party. There is in fact time, 30 calendar days are necessary from the date of the announcement of the agenda to the press: according to the bylaws, the Board needs 5 days to propose a Shareholders’ Meeting, but for urgent matters the Shareholders’ Meeting can be called 12 hours beforehand – well before 3 December 2012, the date on which the legal period for liability action by the company against Buora will expire.

If there are objections that the agenda cannot be changed, we will answer that the postal vote, very few proxies, 0.1% of the capital at most, will have no influence on the final result.

Finally, we would point out that the employee shareholders should have had the possibility of following the meeting in live streaming.

Regarding Mr. Riccardo Ruggero, no further explanation is necessary, given that he is facing criminal proceedings.

On behalf of Asati

The Chairman.

Mr. Franco Lombardi

On behalf of shareholder

Mr. Franco Lombardi”.

Bava, first of all, emphasised two phrases used by the Chairman in his introduction, which he declares he wants to refer to: “*deal with the past*” and “*proper act*”; to give a historical context to these definitions, we need to recall that the Chairman, alone, opposed the IPO launched by Mr. Colannini, and now finds himself having to deal with problems that at the end of the day are the result of precisely that operation. The corporate liability action and the possible settlement proposed to us can finally be the epilogue of a story of “*slick operators*”, people who, stated the shareholder, acted to the detriment of the company,

although they apparently justified their actions with company advantages that did not materialise. The Chairman played his part in this business – more than his part. First he opposed the transaction and now he is managing a situation that is not easy, financially speaking. The shareholder emphasised how the fact that this story, which started in 2000, has finally come to an end and that things can now return to normal and that this must be appreciated. The consequences of the affair on the business, he went on, are there for everyone to see: fewer resources, professionalism, and jobs. Now, with the normalisation procedure underway, there may even be new possibilities, that the Chairman is starting to undertake, despite the many difficulties. Taking up the invitation from the Chairman himself for everyone to play his part, the shareholder invited the other shareholders to support his proposal to join as civil party in the action due to start in Milan on 17 December against Ruggiero, Luciani and Castelli for the affair of the ghost SIM cards. He clarified that shareholders can support this initiative free of charge on the website www.marcobava.it: this initiative, he concluded, would allow the shareholders to remain part of the action even if the Company should decide not to apply to be joined as civil party.

De Septis, firstly thanked those colleagues who, overcoming their fear of retaliation, agreed to collaborate in formulating his speech, providing elements to help define the true extent of the liabilities; he expressed particular thanks to those people who made themselves available to give evidence to the Public Prosecutor's Office, and to those who decide to do so in the future. Today's shareholders' meeting is called to resolve on the subject of the liability of two former executive directors of the company, Mr. Buora and Mr. Ruggiero, regarding the Security and sim card affairs. Of the two areas of investigation identified in the Greenfield project, a decision was made to focus action on the sim card affair, not because it was considered more important, but because, pooling the experiences and documentary evidence that colleagues involved in various ways in the affair provided, a hypothetical figure of over 400 million euros in damages to Telecom Italia was found to be realistic. Moreover, the shareholder continued, a close connection between the sim card and *Telecom Italia Sparkle* affairs emerged from some elements; for example, there is the strange coincidence that many of those people investigated in the Fastweb and Sparkle affair used anonymous SIM cards activated through the Miroma and Contact System

companies for their conversations. Both these companies were heavily involved in the swindle involving fraudulent refills at the expense of Telecom Italia dealers prior to 2008. For these and other reasons, we would like, today, to try and convince shareholder Telco in particular of the necessity to vote in favour of a liability action by the company, despite being aware of the fact that this is an arduous task, since the report of the Board of Directors on the items on the agenda contains the statement “*the settlements would avoid the long, costly and uncertain legal process necessary to win the damages claimed in court*”. And, in the opinion of the shareholder, while he would like to adapt to this way of reasoning – which, moreover, downgrades the sim card affair to a cold, bean-counter’s analysis, as if the Code of Ethics did not exist – he finds it impossible, however hard he tries, to agree with the statement that “*the settlements would ensure the recovery of a sum that would represent a form of relief that is not merely symbolic for Telecom Italia*”. In fact, to determine whether or not the sum proposed as settlement is adequate, it must be compared to the damage which, as mentioned earlier, could exceed 400 million euros, a sum that is considerably more than that indicated by Deloitte and reported in the 2010 report on corporate governance, which indicated damages of between 19.9 and 27 million euros. A sum, moreover, that the Board itself defined as “indicative and approximate”. Given the fact that, two years later, there is no better approximation, a decision has been made – De Septis continued – in order to meet the interests of the shareholders and investors, to provide an indication of the prejudice suffered by Telecom Italia in the affair in question. The analysis starts from the Greenfield project – prepaid cards, and considers only some of the macro-items. Among the direct costs, the MBO’s awarded at director level, the traffic income and the external sales force incentives have been considered. Regarding the MBO’s, the total declared amount is actually modest (210 thousand euros in 5 years), however if the minutes of the shareholders’ meeting on 15 May last and some of the official investigation documents are compared, then legitimate doubts are cast on the reliability of the sum reported. For example, the minutes of the shareholders’ meeting indicate that for Luca Luciani, an outcome of the Greenfield Project was that the Human Resources department examined the subject of the bonus in relation to the number of SIMs activated, and in 2007 a bonus of 45 thousand euros was paid; however, reading the declarations made by a Telecom Italia manager in the judicial investigation, no longer sub judice, it is evident that a D grade manager (at least two organisational levels below Mr.

Luciani) declared that he could earn annual bonuses of 40,000 euros gross, and the bonuses paid to higher level managers Golinelli and Luciani must have been much higher. As for the cost item defined “Traffic income”, Deloitte hypothesised that the remaining credit present in the SIM cards after fraudulent activation was wholly used to make telephone calls, generating revenues of 28.6 million euros; in reality, the irregular SIM cards generated enormous costs. In particular, the cards technically defined as *"sims for internal administrative use"* used the residual credit to activate offers and promotions, allowing sales objectives to be achieved with the consequent award of further bonuses for the management, both for the internal sales force and – primarily – for the external sales force. This would explain the huge increase in the “incentives paid to external sales force” cost item of 966.5 million euros, of which, for Deloitte, just 23 million euros could be correlated with the *sim card* affair. Furthermore, the losses generated by the frauds committed to the detriment of Telecom Italia by means of sim cards used to call high tariff numbers are even bigger; but Deloitte avoided examining these losses in depth, and the report does not even hint at the fact that the Sim cards were “talking”, meaning that they were fraudulently refilled by disloyal Telecom Italia employees for thousands of euros, and with perfect synchrony the credit was then used up with telephone calls to special numbers: 166, 899 and 709.

On this point, De Septis asked on what date Telecom Italia received internal reports and complaints in which the phenomena mentioned above were described, and what disciplinary actions were taken against the approximately 300 employees involved. As to the total damage caused by the “talking sim cards”, the fraudulently refilled credits on a sample of 500 mobile phone numbers analysed totalled 125,000 euros, while negative credit generated by calls to special numbers – before blocked by the exchange or by the Anti-Fraud Squad – was found to be approximately 145 thousand euros, which therefore means total damages of 270 thousand euros. For all these reasons, it appears likely that the estimated damage caused to Telecom Italia by the affair is approximately 400 million euros.

Faced with damages of this amount, the shareholder believed that any form of settlement is unacceptable, since it would appear to be a paltry sum, given the difficulties which Telecom Italia is going to experience. For these reasons, the shareholder concluded by making a forceful appeal to the meeting – and to shareholder Telco in particular – to vote

in favour of a corporate liability action. If they did not, many people would understandably wonder if Mr. Buora and Mr. Ruggiero were merely sacrificial goats, and that the true principals were elsewhere.

Lombardi, Chairman of ASATI, read and commented on the report which formed the text of his speech, and which was delivered to the Chairman's table and reproduced below.

Firstly, he especially thanked all those shareholders members of Asati who confirmed their faith in Asati, and the Senior Management and operational structures of Telecom Italia for the efficiency and professionalism they had contributed to this excellent result: 2,100 proxies, a figure never before reached in the history of Sip, Stet or Telecom Italia. This shareholders' meeting would have to decide on the work of the disloyal Top Managers in the period 2001-2007, the first in the history of publicly listed companies in Italy towards the management of companies that did not go bankrupt, and is being held because some facts have taken place whose details should be recorded in the memory of the history of the company. The names and facts are indicated below:

- although aware of all the unlawful facts from at least 2005, was asleep until 2007. It resumed very intense activity from 2008 onwards, with the advent of Milan Public Prosecutor Bruti Liberati, Judges for the Preliminary Hearings and Investigations Panasiti and Gennari, and Assize Court Judge Gamacchio, and above all of assistant Public Prosecutor Robledo;

- Consob: asleep during the Cardia regime, despite having received continual complaints. They would never see Asati. From the new Vegas regime, and particularly after the new reorganisation of Issuers and Governance departments in October 2012, Consob also started to ask the Company and its control bodies for information that led to the emergence of the critical points. Now under the gaze of public opinion and above all the gaze of all the Telecom Italia stakeholders, including those abroad;

- the Company: the senior management of the Company in 2010, under pressure from all sides, investigations underway, Customs and Revenue inspections, investigations by Public Prosecutor's Offices in several Italian cities and abroad, letters and complaints from small shareholders, commissioned the Deloitte Report in March 2010. This, however, was deficient (see the omission of the Kroll spying and the entire K Operation), kept

confidential and refused as an open secret that is now known and released in its entirety in the documents of the public criminal proceedings now underway;

- the Asati Action: the small shareholders who are members of Asati were the engine and constant guide in this matter throughout the last 4 years, and because of this, they do not want to witness this farce, and wish that every shareholder present – Telco, Findim, the funds – would properly consider their responsibilities and the related consequences, in the various votes.

During the last shareholders' meeting on 15 May, Mr. Lombardi continued, Asati had proposed three liability actions, and the facts prove that he was right to propose them, since today we are here for the same reason. These were the actions proposed:

- the first against the current Board of Directors and Board of Statutory Auditors for having allowed the period within which proceedings could have been brought against Tronchetti Provera for the period 2001-2006 to elapse;

- the second in relation to the conclusion of the investigations into the false SIM cards against Ruggiero, Castelli and Luciani and all the others;

- the third in relation to the events during the period 1997-2006, as stated in the ruling of the Court of Cassation on 20 September 2011 against Tronchetti Provera, Bondi, Buora, Ruggiero and others for spying, absence of controls and indicators of serious anomalies (as stated in the Deloitte report), operation K (spying on Kroll), international corruption (Naji Nahas) and hacking. Operations which have already or will cause hundreds of millions in damages to the Company. So, Mr. Lombardi emphasised, Asati had been prescient, and had predicted the Tronchetti Provera earthquake, but quite deliberately, to defend the interests not of Telecom but of others, no-one did anything in these 5 months.

Now, the Chairman of Asati went on, there is a new fact: the closure of the investigations of handling charges against Tronchetti Provera (hacking of Kroll), a very serious crime which is punishable by up to 8 years in prison. And so, to those who ask what Tronchetti has to do with Buora, here is the explanation of why today no settlement should be made with Buora, Lombardi observed.

For the purpose of the liability action, the report of the Chairman of Asati continued, the fact that the unlawful acts of Buora have, in the criminal justice system, been archived in the old investigation by prosecutors Piacente and Civardi (2005-2007) has no relevance, for two reasons:

- the first: the unlawful spying and all the rest happened because Buora did not ensure that the business was adequately organised, effectively preventing the occurrence of these very serious unlawful practices;

- the second: today the investigations into the charge of handling relating to the Kroll spying were closed, according to chapter 17 of the Cassation judgement of September 2011. In addition to Tronchetti, Executive Director Carlo Buora was perfectly informed and, moreover, the transaction cost several million euros.

For these reasons, there can be no settlement. Because otherwise this is just another free pass, the slate wiped clean, like the time-barring of proceedings against Tronchetti in September 2011. In other words, this would be another settlement with Tronchetti Provera, with the shareholders' meeting saving his principal collaborator and associate in these unlawful activities. Asati wants to avoid watching a farce.

These gentlemen, the report of the Asati Chairman's speech continues, with whom the Board of Directors would like to conclude a binding agreement, are the main protagonists, with the Chairman of the 2001-2006 period, a period on which the Board of Statutory Auditors still persists in pretending not to see, to have been aware of nothing; they are considered to be respectable people, and in fact:

- for the Board of Statutory Auditors of Telecom Italia, it has not yet been demonstrated that the executive directors of Telecom Italia did not fulfil their duty to properly organize the Company, nor has the existence of significant damage consequent on the well known criminal acts been proven.

- so for the Board of Statutory Auditors (Stream 1 Deloitte), the fact that a transnational criminal conspiracy on a par with organized crime took over Telecom Sparkle and deprived the Italian tax authorities of hundreds of millions of euros, creating fake revenues for almost 30 percent of the total revenue of the Company – and while this was going on the executive directors of parent company Telecom Italia saw this “criminal monster” happening within sight, and didn't even blink, but, instead, year after year, they approved fake financial statements that contained fake revenues that boosted the profits distributed to the shareholders, but according to the Board of Statutory Auditors these same executive directors did not neglect their statutory duties to direct the group properly. Evidently, for the auditors, they did their duty;

- for the Board of Statutory Auditors – the Asati Chairman’s report continued – (Stream 2 Deloitte) the fact that, over the same period of time, another conspiracy established itself around the Telecom Italia Security division and committed several hundred, possibly thousands of crimes including corruption, espionage, the illegal compilation of dossiers, hacking, disclosure of company and government confidential information, violating the privacy of thousands of citizens, all or almost all guilty merely of being disliked by Tronchetti Provera, the reference shareholder at the time - and, while this was going on, the fact that the executive directors of Telecom Italia itself allowed all this to happen without making the smallest effort to exercise even minimal control or minimum reaction – well, according to the Board of Statutory Auditors, these same executive directors did not neglect their duty to direct Telecom Italia properly. Evidently, for the auditors, they did their duty.

- for the Board of Statutory Auditors (Stream 3 Deloitte), the fact that a third criminal conspiracy was created in Telecom Italia, again in the same period of time, and promoted or at least permitted the manufacture of millions and millions of illegal sim cards, up to 20% of the total number of sim cards, so as to deceive the control authorities and market analysts about the decline in Telecom Italia’s market share and hence disguise the impotence of the management of the time to stem the flight of customers to the competition and, while this was going on, the fact that the executive directors of Telecom Italia itself allowed all this to happen, despite repeated audits and alarms expressed by the company’s own legal staff – well, according to the Board of Statutory Auditors, these same executive directors did not neglect their duty to direct Telecom Italia properly. Evidently, for the auditors, they did their duty.

Today, the Board of Directors – the Asati Chairman’s report comments – faced with costs stated in the financial statements, in the Deloitte report – including the settlement-related costs of 1.8 million euros for law 231, including the 600,000 Telecom Italia was ordered to pay in the false sim card trial a week ago (to Ruggiero and Luciani, in fact). So in the face of a total of over 120 million euros, 12 of which for legal costs, the Board proposes to put to the first vote, on the illegal activities and illegal damages, the settlement with Buora for 1 million euros. Alternatively, if refused with the vote of at least 5%, it proposes to vote a second time on whether or not the company should start liability action.

However, we must recall that Carlo Buora, in dual management as Managing Director of Pirelli and Executive Vice-Chairman of the Company in the period 2001 – 2007, was responsible, in Pirelli and in Telecom Italia, for the Security, Procurement and Audit departments, that is, the departments involved in the Ganocchia and Presidio trials. The reliable testimonies of Bernardini and Cipriani had revealed that he was also aware of the Kroll operations, and the operation involving Naji Nahas (an international consultant and intermediary), as has been known since October. And on 3 December 2007 took just 7.5 million euros as the total transaction.

The same Board proposes to put to the first vote, on the false sim cards, a settlement of 1.5 million euros and, alternatively, of 5% vote against this, to vote again on whether to approve liability action.

It should be recalled that Riccardo Ruggiero, Executive Director in the period 2005-2007, was responsible for all the sales and technical departments of the Company, and so was directly aware of all the unlawful operations carried out for this purpose. On the first of December, just 17.8 million euros had been spent on the signature of Buora.

These gentlemen, with their unlawful practices, stated the Chairman of Asati, have damaged the image and the value of the shares on the stock exchange, have caused incalculable damage to employees with the solidarity contracts, the surpluses, the outsourcing, the sales of branches of the business, the drastic reduction in costs, approximately 200 million euros per year, most of which burdening the employees, and creating an enormous debt.

So, he asked, given these known facts, why did the company take no independent action, that is, before the action taken by the Judiciary? Asati was aware of the facts specified here, and the company itself surely knew more. But the strategy is simple.

In his opinion, therefore, it should be clarified why the Telco-controlled Board of Directors, which represents the Company and its shareholders, never took action against these gentlemen and today proposes to accept the paltry sum offered, even though it already knew all the established facts before the Public Prosecutor's findings. To clarify this, we need to start from the many legal advisors who defend or provide advice to Telecom Italia. Attorney Bonelli and attorney Cova have given opinions on whether or not liability action against Tronchetti was opportune. There was a series of legal advisors who succeeded one another with high costs in the various trials, with total costs, including

consultancy, of over 12 million euros. The Board of Directors of December 2010 was influenced by the fact that the lawyers from Studio Bonelli said that there was no Italian experience of liability actions (then promptly contradicted), while Cova took a more favourable view. The former sustained that serious offences had been committed, but that in Italy there was no experience of cases of this kind, and so the Board of Directors, particularly the directors with conflicts of interest, acted by playing this “supporting piece/excuse”. However, as Asati had predicted, they have recently been repudiated by the ruling that Telecom Italia and Inter must pay 1 million euros to Bobo Vieri (one of the celebrities spied on). Other civil cases will now follow (5,000 are predicted) in which Telecom Italia could lose tens of millions of euros. Have the lawyers in question been paid, or can we expect a refund?

Again, the Asati report highlights that there are people in Telecom Italia who make idiotic statements like this one: since there is no experience in Italy, we will lose the civil action. But the opposite is in fact the case.

Another topic to be dealt with, the report continues, is the question of conflict of interest. Telco is the company that controls 22% of Telecom Italia, and Telco has two major shareholders: Mediobanca and Generali. The director appointed by Mediobanca (who is its Managing Director) sits on the Board of Directors of both Telecom Italia, Mediobanca and Pirelli (being a shareholder); Generali has a shareholders’ agreement with Pirelli, and this is the simple reason why the time period within which an action could be started against Tronchetti Provera was allowed to lapse, and we understand that the pronouncements of these directors on the liability actions had the best of the isolated voices against them on the various Boards. If Telco votes on the items on the agenda, Asati will immediately take action after the shareholders’ meeting to have it declared null and void.

The report of the Chairman of Asati, Lombardi, then posed some questions.

In the light of the affairs described, and the latest developments, we would ask Mr. Bernabè if he does not consider it opportune, in the name of the Board of Directors, to announce today (although we expected this before, to be honest) that liability action will be started against Tronchetti Provera for the 2001-2006 period, for the crimes not yet statute-barred and for the damages already caused to the Company, and those to be caused in the future, one would be tempted to say: “Now all we need is for the Board chaired by Bernabé, after the shareholders’ meeting on 18 October next has been held without

particular difficulties, to accept a settlement proposal from Tronchetti, in this way only Telecom Italia and us, the minority shareholders, will have to sustain the weight of not only the cost of the ill-considered transactions and unlawful costs of the period 2001-2007, but also the enormous expense to compensate the civil damages caused to the many parties injured by the espionage operations”.

On the archiving of the criminal case against Buora, we would ask Mr. Bernabè:

1.) as also demonstrated by the Report of the Board of Directors of October 2012, the ridiculous sum of 1 million offered to Buora “is offered as compensation in a full and final settlement, which covers every action by the former Executive Director and all aspects of possible liability of any nature and/or title.” In this respect he asked: have all the criminal cases of the Milan Public Prosecutor’s Office, and of Prosecutor Robledo in particular against Buora been dismissed? And if so, according to the Chairman, an expert and experienced person who managed the Eni disaster, why did the prosecutor’s office close the first phase on Tronchetti 100 hours before the shareholders’ meeting?

Regarding the Ruggiero settlement:

2.) as stated in the aforementioned Telecom Italia document, similarly, the settlement proposal for Mr. Ruggiero, for the sum of 1.5 million euros, excludes an acknowledgement of responsibility on the part of the former Director. In this case too it would be a full and final settlement, covering every action by Mr. Ruggiero and all aspects of possible liability both as General Manager and Executive Director of Telecom Italia, including the Company's waiver of its right to join the criminal proceedings No. 6700/2011 R.G.N.R. - 9270/11 R.G. GIP as civil party. Why does the Board of Directors propose to the shareholders’ meeting that they accept a final proposal which precludes any compensation for Telecom Italia with a criminal trial against Ruggiero still underway, and for which a settlement of 600,000 euros has been paid, which could see said gentleman found guilty? And again, has the Company joined the action against Ruggiero as civil injured party? If yes, is the Board of Directors adopting perverse reasoning with its proposal, or is it particularly fond of lawyers?

On the question of joining the action against Luciani as civil party:

3.) why have the Chairman and Board of Directors not started liability action against Luciani and Castelli, and proposed this in this shareholders’ meeting too, for the offence of

the false sim cards as for Ruggiero, but has joined the action as civil injured party? What “dystonic” legal firm advised this line? Who is the lawyer who advised this strategy?

For the above reasons, which today are finally evident and easy to understand, Asati declares and invites all the shareholders present to vote against the settlement with Buora and Ruggiero, and in favour of the liability action.

It also invited shareholder Telco to abstain from voting on both the settlement and on the question of liability action. If it does not, Asati will take action with the Milan Public Prosecutor, Consob and the United States’ SEC to have the votes at the shareholders’ meeting declared null and void.

Finally, he asked:

- the Telecom Italia legal advisors and the Chairman of the Company: do the Telecom Italia legal advisors consider liability action by the company against Tronchetti Provera statute-barred?

- to the Chairman of Telecom Italia: why had he not allowed the deferred streaming of the shareholders’ meeting for the employees? What did he want to hide, and what was he afraid of? Where is the corporate transparency? “A farce”.

Rimbotti, recalled that he had sent the text of his speech in advance, and complained about the little attention paid to the small shareholders: he had already advanced a request for greater attention in the shareholders’ meeting of 15 May, and, having encountered several difficulties in having the meeting documentation and other organisational malfunctions, particularly in relation to the shuttle service, he would reiterate it. So far as the proposal to settle with Mr. Buora, given the amount paid in severance, and the offer received, he believed that it merited acceptance. As for the position of Mr. Ruggiero, he asked if the hearing scheduled for 8 October at the third criminal division of the Milan Criminal Court, before a panel of judges, had taken place. If it had, he wanted to know the outcome, and also asked if it was correct to assume that in case of settlement Telecom Italia’s position as civil party in the trial would no longer be tenable. In that case, given the sum of 30 million euros predicted to be necessary to close the relationship, the amount of the settlement appears excessively small. The shareholder concluded by disclosing that he would only be willing to vote in favour of the settlement with Mr. Ruggiero if the settlement was for a sum of at least 3 million euros.

Genovino, emphasised that today's date can be considered one that will enter history, not just of Telecom Italia but of all listed companies. It is in fact rare, particularly in a country like Italy, for a shareholders' meeting to be called to decide on the legal actions to be taken against its own former directors. The most striking thing about these events is not so much the fact that some former directors may have performed actions that can be considered non-compliance with their duties or, worse, unlawful (which is the expression of the less noble part of all human beings, encountered in various forms throughout human history), but the size of the severance payments made to these people: around 29 million euros. However, to be a director of a company like Telecom Italia brings prestige and wealth, and requires technical and above all moral gifts that are considerably above average; given this, Genovino, as a small shareholder, employee of the Company and citizen who cares about the future of the Company, and of his Country, asked the Board of Directors, and its Chairman, to make sure that from now on a clause be inserted in their contract requiring directors of the Company to return the sum received as remuneration when leaving the company if those interested have been declared responsible, with a definitive ruling, for crimes that may be ascribed to the role they played inside the company, notwithstanding any further future legal actions that may be brought by the Company.

Savina, read his speech (accompanied by the projection of some slides) which was then delivered to the Chairman's desk and reported as follows.

The occasion of the shareholders' meeting is a demonstrable moment to confirm and consolidate the position of Asati, with the extraordinary work of Chairman Lombardi, with that of its members, who all participate actively, in large numbers, engaging responsibly, and significantly increasing its representation of employee shareholders and many authoritative external shareholders. Observing recent history, also including the trend in the share price and comparison with other European companies in the sector, it can be observed that the anomaly cannot be attributed to a generalised context of economic and financial crisis. It's something more, and this is evident in the news, including the legal reports.

Thanks to Asati, Savina's report continued, the shareholders are meeting and debating on liability proceedings, an extraordinary circumstance. But it is worth asking if they are

ready for change, ready to turn a page, as Mr. Zingales hoped during the Board Meeting on 16 December 2010, which, with his single dissenting voice, decided to postpone matters. Are we really ready, one may ask, to dislocate a certain capitalist/financial balance? To contribute to a new economic democracy? The results of the vote about to take place will tell us. And will be relayed to the financial community, the Country, and above all to the shareholders and employees who are following the proceedings, or will follow them in video-streaming too. We need to again thank Mr. Lombardi for speaking on behalf of the small shareholders and, with the privilege of representing a significant portion of the associates and employees, ask the Chairman to start discussion of the topics to follow.

1.) With reference to the economically negative effects of the affairs under investigation (as emerges from the Directors' Report on the items on the agenda), we would ask that the results of any assessments that should be available, including approximate assessment, be shared, considered solely the shareholder. So the question we would ask is: how much is the undoubtable damage to the commercial reputation and image of Telecom Italia costing to shareholders? Is there some indicative information for the period 2007-2012? Without disturbing the overseas reference shareholders (US funds such as Blackrock and Alliance Bernstein), is it possible to state, with the proper proportions, that the generic Italian shareholder who believed in Telecom Italia then saw his investment devalued by the amount determined by Marco Fossati's Findim group?

2.) With reference to the assessments of the Board of Directors, and regarding the claims made by the Company and the reactions of the opposing parties who have rejected all costs, refusing to acknowledge they have any liability whatsoever, while proposing a settlement of the dispute, we would like to know the reasons why the Company did not refuse the sum offered, considering both the tiny amount, in relation to the Deloitte report, and the all-inclusive general settlement "clause". It seems singular to say the least that on the one hand the settlement proposals are accepted, which implicitly recognises that liability is inexistent, and on the other, the valuations made by the Board of Directors talk, in contradictory fashion, of "compensation that is not merely symbolic for Telecom Italia, as well as a major affirmation of principle regarding the protection of the interests of the company and its shareholders..."

Although this determines an inevitable concomitant fall in the investment, we would in any event wish to express our appreciation for the energetic work of "spending review" and the

consequent constant focus on the debt; the Company must redeem itself with this policy of cost containment, and also take forceful action against the dreadful management that contributed to determine the uncertainty in which the company now finds itself.

As occurred last May with the Asati T-shirt, we would offer the Chairman and the Managing Director a flag with the message “YES to liability action”, another small gift bearing this message, symbol of Asati’s commitment, and a warning to those who have damaged the Company: the shareholder believes it can be both a good omen and a lesson and consolation in the gruelling process necessary to leave behind the long winter in which Telecom Italia finds itself.

The **Chairman**, emphasised that fortunately the reputation of Telecom Italia had greatly improved in recent years. From surveys carried out by the Company of both the general population and of its various target segments, it was found that the reputation of the Company has progressively improved from the minimum levels it fell to in 2006 and 2007, reaching the highest levels for the last 12 years. This improvement in reputation is primarily due to the Board of Directors’ constant monitoring and good governance, as well as the stimuli from Asati and the small shareholders. Stimuli that the management makes the best possible use of.

Zarillo, read the speech which was then delivered to the Chairman's desk and reported as follows.

First of all, he repeated the question sent on 09/10/2012 at 10.32 p.m. (Italian time - GMT+1) pursuant to article 127-ter of the CFL: “*We wish to know:*

a) how many private subjects have been illegally spied on, and how many of these were employees

b) the total amount paid out in compensation (Vieri included) and the amount paid out to the employees involved

c) how many legal cases are still outstanding on this topic, and how many employees are still involved in such cases

d) the total amount paid in fines by TI for the topics on the agenda

e) the total legal expense cost for:

i) trials for unlawful security acts

ii) trials for false SIM cards

iii) legal advice to the Board (including Deloitte)”.

He then reminded the meeting that he was an employee-shareholder included in the 2010-2014 broad-based employee share ownership plan, an Asati member with Telecom Italia in his heart. During this meeting, the shareholders would have to decide about facts that had by now been ascertained by the judiciary, with sentences and rulings already issued, and a fair number of criminal and civil actions still underway, with perhaps others to come. What must be given due consideration to be able to serenely decide on the settlement proposals that have been received are the following items of information:

- the deductibility for VAT purposes, of the top security cost centres (2002-2005-2006-2007) - 22 million euros – Financial Statements 2010 (p. 251 note 24);
 - settlements 231 for years/financial statements 2010-2011 and (2012) - 2 million euros – Financial Statements 2010 and 2011;
 - direct taxes and VAT deductibility for the top security cost centres for 2003, by the Guardia di Finanza in 2008 - 18 million euros – Financial Statements 2008 (p. 177 -178);
 - legal costs and consultancy expenses paid in the period 2008-2012 - 12 million euros;
 - costs for assets of interest to Pirelli - 1.2 million euros – Financial Statement 2011;
 - compensation to Government - 750,000 euros – Financial Statements 2011;
 - gesture of solidarity to the 270 employees spied on - 1.8 million euros – Financial Statements 2011;
 - costs due to the false SIM cards - 27 million euros – Deloitte Report;
 - losses for civil cases due to various unlawful acts (2001-2003) - 35 million euros – Financial Statements 2011,
- for a total of 120 million euros.

This, Zarrillo's report continued, provides a clear picture of how much these unfortunate affairs have cost, just in compensation and legal expenses and fines. Would it not be better, he wondered, for a figure of this size to be used to increase Company business? The legal advisors of Mr. Buora propose a settlement for 1 million euros. Those of Mr. Ruggiero, propose 1.5 million euros. The former received severance pay of approximately 4.5 million euros. The second approximately 17.3 million. Is the lack of proportion between these figures not extremely obvious, he again asked, especially if compared with the expenses set out by the Chairman of Asati, Mr. Lombardi, which total approximately 120 million

euros? In note 5 on page 3 of the Report of the Board of Directors on the items on today's agenda, it is stated that "as for the estimate of the economic effects correlated with the prepaid cards affair, according to Deloitte's quantification, also included in the 2010 report on corporate governance and share ownership, the irregular user registrations involved costs of between 19.9 and 27 million euros". Does that figure of just 2.5 million euros not seem even more disproportionate? What, he asked again, is Telecom Italia supposed to do with 2.5 million euros? Not much, apart from paying for some more legal advice. This is why the settlement proposals should be refused and the company should instead continue with corporate liability actions. Is it an ethical issue? A question of justice? A moral issue? It is, primarily, a question of money and opportunity: an opportunity that must either be grasped now, or lost forever. It is Telecom Italia's date with history. We need to make sure, Zarrillo's report stated, that this date is remembered with honour. The Executive Chairman and Managing Director are asked to give an undertaking: an undertaking to those employees who, spied and hacked, received a pittance, a paltry sum, as compensation for the profound effect this fact had on their lives. Whatever the outcome of this shareholders' meeting is, Asati asked that the agreements with those employees be reviewed, since in the light of what it hopes happens in today's shareholder's meeting, or whatever else happens, the company wants to rebuild a fair relationship of trust with its employees.

On 15 May last, he observed, the poisonous atmosphere in the company was noted: there are colleague-shareholders who made clear that they fear reprisals, fear being reported if they gave proxies or expressed their vote. The allusion is always to the "big brother" who is listening in: the company needs to show that there is no big brother, just a company that is listening, reflecting and hoping to take the right action. We would also invite the Company, in a spirit of transparency towards its employees and to improve the atmosphere in the company, to show the registration of the shareholders' meeting to employees on the company intranet, since the facts being discussed today involve them directly.

Gorella, ex-employee and member of Asati, firstly stated that he was in favour of the liability action, also in order to have a strong Chairman of Telecom who is not forced to go "cap in hand" to the political and economic powers to obtain what has been taken from Telecom Italia. In the shareholder's opinion, what has happened in these years may be

summed up in the following terms: some people with no money took hold of Telecom Italia and “cannibalised” it. Made it into a wealthy woman to marry, impoverish and finally repudiate. Then the “brave captains” arrived, the shareholder’s reconstruction continued, and they transformed a company with 120 thousand permanent employees (or 80 thousand, if the satellite companies are excluded) into a company with 40 thousand employees with no job security. All within the law. But, the shareholder emphasised, it is not right to take advantage of iniquitous laws: in the last century too, when the law allowed people to denounce those of other religions, many people did not do this, because there are laws that are truer and more real than those written by men, non-compliance with which leads to ruin. As for the so-called brave captains, these are people who in his view had wasted a wealth of knowledge that had been constructed, laboriously, in the post-war period, by people like Reiss Romoli. Everyone needs to consider what the consequences of their way of acting are, and on their ethics, he concluded. This in turn depends on morals, which today are considered almost an elastic concept which can change according to the dominant opinions and ideas.

Colombi, referred to the press release of 2 August 2012, from which we learned that the Board had appointed Mr. Gabriele Galateri, director, to act as link between the internal control system and the Board itself, after the resignation of Mr. Aldo Minucci. It was to be hoped that with the arrival of Mr. Galateri – a person whose excellent qualities it had recently been possible to appreciate in the role of Chairman of Telecom Italia - at the top of the internal control system, there would be decisive developments in the checks and controls of the correctness of the processes inside the company. It should be noted in this respect how in the recent past authorities outside the Company, such as the Judicial Authorities, have had to concern themselves with these checks, due to the known and unfortunate affair of the false SIM cards, and for the proceedings against former Executive Director Riccardo Ruggiero, former Managing Director of TIM Brasil Luca Luciani and former Operations Director Massimo Castelli. The notion that the control capacity and the consequent guaranteeing of the correctness of the processes inside the Company must be delegated externally is a truly marvellous thing, the shareholder concluded; for this reason, the recent appointment of Mr. Galateri may in his view produce a significant change in this respect.

Buccheri, referred to an interview given by the Chairman on 10 May 2012 in which he stated that a major company must be like Caesar's wife: In Italy, it is the opposite: there is little concern for reputation, and this is part of the reason why behaviours that would not be considered acceptable elsewhere are tolerated. For a company like Telecom Italia, however, it is important to cultivate a good reputation, even if this means taking difficult decisions, as in the case of Mr. Luciani. To continue the metaphor, what happens today is that Caesar (the shareholders) is witnessing the rape of his wife (the Company), given the facts that have emerged during the investigations by the Public Prosecutor and the press. The wisdom shown by the Chairman in protecting the Company from press interventions and other media events that can put the Company in a poor light is to be appreciated, as are the results of the virtuous management of the current regime, visible, for example, in the considerable reduction in the debt, and the energy saving. However, the shareholder continued, we need to act in such a way that the press also focuses on the many positive aspects of Telecom Italia, its internal ethics and its employees, for example the initiatives that involves employees' children and the *people caring* initiatives. He ended by expressing the hope that the proceedings of the shareholders' meeting would be made available to the employees, who are anxiously awaiting the epilogue of the affair; finally, he noted that the sums proposed for the settlement appear small when compared to the remuneration received by the people involved, and he emphasised that the sad affairs linked to cases of extortion, corruption and phone hacking have a negative effect on the reputation of the Company, particularly abroad, despite the presence of people of considerable international distinction, such as Mr. Sentinelli and the Chairman himself, who also holds a prominent position in the GSM Association.

Quattrocchi, reminded the meeting that he was a long-standing shareholder and employee, as well as a supporting member of Asati, and that he brought the greetings of colleagues in the province of Udine to the meeting. Since the time of the IPO, Mr. Bernabè has represented a real and concrete reference point for the employees, even more so today, at this critical moment for the Company, in terms of the need for spending reviews and the crisis in telecommunications. He enjoys the full esteem and solidarity of the employees (many of whom, moreover, wanted to follow his speech at the shareholders' meeting in

real time). He concluded by expressing the hope for closer links between management and labour force and, in particular, for greater transparency of operations.

Silla, first of all read a passage from the information disseminated, at the request of Consob to supplement the information contained in the explanatory report, and reproduced here: *“It should be noted that the Board of Directors has carried out a discretionary assessment of the advantageousness of the proposed settlement, in terms of cost/benefit trade-off (and time), comparing the solution of the preventive settlement of the dispute out of court and the solution of starting legal proceedings. In making this comparison, the Board considered the opinion of the consultants, who confirmed, based on their personal professional experience, that there is a history of settlements concluded at values very much lower than the amount claimed in the legal proceedings. In particular, they provided details of historical cases (without the names of the parties, for reasons of confidentiality) of settlements concluded between companies established under Italian law against directors, all for individual amounts considerably less than one million euros, against requests for damages for tens and sometimes hundreds of millions of euros”*. In other words, the shareholder continued, the Board of Directors is basing the settlement proposal on the difficulty of demonstrating the causal nexus between the conduct of Mr. Buora and the damage he caused to the Company before a Court; however, this is an extremely generic motivation, and the references to the previous experiences the Company consultants allegedly had are equally generic. There are no details of what the claim was in these previous cases, and what the underlying behaviours were: in the shareholder’s opinion a reference of this nature is, therefore, a generic, vacuous, inadequate and insufficient basis for the decision to approve the settlement.

He continued, it is not clear why the Company intends to complete a settlement before any writ has been issued: would it not be preferable to conduct the negotiations after the proceedings had started, when the Company would be in a stronger position, and the very fact that the settlement was proposed by the legal advisors of Mr. Buora indicates that it is in fact Mr. Buora who is in a difficult position. In other words, the settlement proposal appears miserly: the shareholder concludes by recalling the maxim according to which "difficulty is an excuse for two categories of people: idiots or cowards", and expresses the

hope that the Chairman, as the fighter he is, will proceed with the legal route and announce that he is voting against the settlement proposal.

Barzaghi, firstly reminded the meeting that he was an ex-employee, and had attended shareholders' meetings for several years. He thanked the Chairman, Managing Director and the Board for having, when pressured by the small shareholders, called this ordinary shareholders' meeting which, probably for the first time in the history of Telecom Italia, was called on to resolve on events that do no honour to the Company and its shareholders, especially the smaller ones. Today's shareholders' meeting is an opportunity to recall the celebrated speech made by the Chairman on 28 April 1999, during the IPO, which represented the greatest financial speculation since the war, and which led to the economic and financial decline of a company that in those days was considered the sixth most important telecommunications company in the world, courted in Italy and many other European countries. On that occasion, Mr. Bernabè addressed all the employees, and his speech made clear his intellectual honesty and managerial capacity. He invited everyone to react in defence of the future of the Company, its employees and their families, and also in defence of the future industrial development of Italy. In that speech the Chairman stated that he would never stoop to compromise, although many people at that time said that agreements can be reached for everything. Well, regarding the affairs we are talking about today, an arrangement, however honourable, is never in the interest of the Company, because the principle of personal liability must always prevail. It would be preferable to not stoop to compromises of this sort, particularly not with people who did anything but act for the good of Telecom Italia and its shareholders.

The report of the Board on the proposal on the agenda, the shareholder commented, has tones that are very different from the strong-willed and decisive style that normally distinguishes the Chairman, and this departure from the norm is disappointing for the ex-employees and long-standing shareholders. At a time when brave and indefeasible decisions must be made, the Board has decided not to act against those responsible for the unlawful actions that have been ascertained by the judiciary (most recently, on 10 July 2012, with yet another committal for trial of Riccardo Ruggiero, Luca Luciani and Massimo Castelli) and to propose to the shareholders' meeting a simple proposal to settle the dispute in exchange for payment by the interested parties of a small sum of money .

This is a proposal that resembles the “pardons” granted by the State at the expense of honest tax-payers. The main paradox of the Board’s proposal, which should for this reason be considered “oppressive” is that Telecom Italia is to abstain from joining the criminal proceedings that started on 10 July as civil party. Since Italy is a Country in which there are thousands of laws which often are not applied, and in which the rule of law, ratified at constitutional level, is not respected, it is right that crimes are judged by a competent body such as the judiciary, and that punishment is not goods to be traded or decided on by a meeting of shareholders. In recent months there has been a degradation of the institutional apparatus in Italy that has no precedent in the history of the country, that cannot even be compared to the so-called “Tangentopoli” or Bribesville: families struggle to make ends meet, youth unemployment has reached unsustainable figures, jobs are at risk, including inside Telecom. All these considerations, stated the shareholder, lead one to choose to vote against all the solutions proposed by the Board of Directors, and to ask why the Board of Statutory Auditors has never intervened in all these years to propose liability actions against the directors in office at that time, despite the continual accusations made by the shareholders in their meetings. This even though the balance sheet of the company is worth less than half the 1999 value, mainly because of the sale of real estate at bargain basement prices, carried out because of the heavy burden of debt.

This sequence of events was designed by managers who were not inexperienced, supported by a political system that made choices that were not always transparent, at the expense of investors who were unaware, in the context of a new capitalism run by a few people who continue to direct choices of an economic and financial nature despite the economic crisis. There have been many, perhaps too many, Directors who were motivated not by the good of Telecom Italia, but of themselves and their personal interests, who transformed a rich and economically healthy leading company into a champion of instability and debt, despite the appreciable efforts of the Chairman to reduce the debt situation. Today the shareholders’ meeting is called on to justify the wrong-doing of these people by accepting the conditions they impose. Instead, what is needed is the courage to face all attempts to discredit the noble function of Boards of Directors and Boards of Statutory Auditors with determination, and to shed light once and for all on a page of Company history that is certainly not an edifying one. He concluded by supporting the proposal to provide

complete and correct information to the employees on the decisions that will be taken by the shareholders' meeting.

Marino, with regard to the information on the reputation of Telecom Italia reported by the Chairman, commented that it would be preferable to rely on surveys carried out by independent third parties rather than the Company itself, and emphasised that it appeared strange, at this moment in time, that the reputation of the Company had increased. He supported the proposal to broadcast the proceedings of the shareholders' meeting in streaming for the employees, eventually in a deferred transmission, because this would enable them to be informed about what had happened in the past with the maximum clarity and transparency; so he did not agree with the Chairman's refusal of the proposal, especially if no reason for it is given.

Regarding the proceedings against Mr. Ruggiero, the shareholder asked if Telecom Italia had joined as civil party, and if it had, what compensation had been claimed. This could then be compared with the amount proposed in the settlement negotiations. He emphasised that little clarification of this point had been provided in the Board Report. As for the speech made by the Chairman of Asati, Mr. Marino – after recalling the appreciative remarks made by the Chairman regarding the stimuli from the Association – emphasised that Mr. Lombardi had spoken citing some recent developments in the affairs under discussion, and therefore asked for clarification as to the exact nature of these new developments, and if, as Mr. Lombardi stated, they were such as to determine a postponement of the shareholders' meeting. Regarding the settlement proposals, they are proposals that are decidedly low: the figure is in fact less than 10% of the damage suffered, quantified as approximately 30 million euros: so to accept this proposal would be illogical, also taking account of the fact that it originates from a subject facing criminal proceedings. Some of the shareholders in the room are asking themselves if at this point the Chairman should perhaps resign, also considering the fact that it would appear that he allowed the period of time within which liability proceedings could be started against the Chairman who preceded him to elapse. However, all the shareholders recognise that the Chairman is a calm, intelligent and capable person, with enormous skill, and it is incomprehensible for him to today propose a solution inspired by an attitude that appears to be seriously damaging to the interests of all the small shareholders. On this point he reminded the

meeting that in 2007 alone Buora and Ruggiero had received 9,805,000 and 15,685,000 euros respectively in remuneration.

He concluded by stating in advance that he would be voting against the proposal, and awaited the clarifications requested. Finally he asked the identity of the professionals referred to in the information provided to the shareholders' meeting and how much their fee had been.

Bressan, invited the Chairman and the whole Board of Directors to continue along the path it had chosen, quoted by the Chairman in his introductory remarks – the path of transparency and truth. In particular, he invited the Chairman to make the video of this shareholders' meeting available to the employees in deferred transmission.

The **Chairman**, at the request of Rimbotti, clarified that Ms Calvosa, director, had only temporarily left the room.

D'Atri, firstly asked if, in technical-legal terms, if the settlement were accepted, would he still be able to exercise his individual right, as a shareholder, to start liability action. This is important information for the shareholders to be able to assess the economic expediency of the proposal, over and above its effects on their spirits and psyche. He also invited the Board to express its own assessments of the amount of the damages caused to the Company by the affairs discussed today, and to not confine itself to reporting the results of assessments made by other subjects.

Moving on, d'Atri noted that the Board refers to "*cases (without the names of the parties, for reasons of confidentiality) of settlements concluded between companies established under Italian law against former directors*" and, in this regard, asked what these settlements were, since they are presented as the reason for the validity of the Board's proposal; he emphasised, moreover, that assessment of the size of the compensation must be based on several factors, and primarily the entity of the damage caused and the solvency of the other party. He therefore asked if any assessment has been made of the personal wealth of Buora and Ruggiero, since in any case in which a potential debt must be recovered, the first thing to check is precisely that, the economic means of the debtor: if these are insufficient, then it will be OK to accept a settlement. Returning to the cases of

previous settlements which the report mentioned, he emphasised that in order to use them as reference parameter, they should however involve listed companies, and so they must have been made public, and hence there are no privacy issues.

Again, d'Atri asked what the shareholders' meeting cost, including the notarial and organizational expenses. As for the designated representative, he similarly asked what this service cost, the number of proxies issued, and if this subject is related to the Studio Trevisan, how many proxies were accompanied by voting instructions and how many were without; in general, he asked if the Company believed that in selecting the designated representative it had made a strategically valid choice in the interest of ascertaining the opinion of the shareholders by assigning this function to the Studio Trevisan, a law firm which is known to be very active, including privately, in the field of proxy collection. He then complained of some difficulties in accessing the documentation for the meeting on the website, which in the past was easier to use.

After the conclusion of the shareholders' speeches the **Chairman** made the following remarks on the shareholders' debate, before proceeding to give the answers. First of all, the shareholders should be thanked for attending the meeting, since this is an important occasion for the Company, albeit an unusual one. Some have defined this a historical shareholders' meeting, and they are right: a shareholders' meeting of this type, called on to examine the liabilities of former directors and to consider a settlement based on assessments expressed by the Board of Directors on the behaviour of the former directors has very few, if any, precedents in Italian corporate history, because the only liability actions or settlement proposals that have been made were made as part of bankruptcy proceedings or arrangements with creditors. In other words, rarely (if ever) has a major company listed on the stock exchange in Italy decided to submit a proposal of this type to the shareholders' meeting. It should therefore be acknowledged that Telecom Italia has shown a considerable level of transparency and courage. The decision to get to this choice was a difficult one, Mr. Bernabè emphasised, because in this kind of situation the tendency is often to hide problems: the legitimate consideration shared by many is that public

discussion of this type of problem is always damaging for the Company, and should therefore be avoided.

It has been pointed out during the debate that the Board only took action after the investigations of the judiciary: however, it should be borne in mind that the judiciary has investigatory tools that are very much more incisive than those available to directors. What matters is not the fact that we acted before or after the judiciary, but what we did to ensure that these things do not happen again. Today, Telecom Italia has a system of governance and control that is one of the most advanced not only in Italy, but internationally. Contrary to what happens in many other companies, the Board of Directors is not a mere formality, where decisions that have already been taken are approved, but a place in which discussions are open, all opinions are debated, and everyone has a chance to express their opinion with no constraints, no limitations and no influences. This represents a guarantee of transparent and effective management, and it should be recognised that the Board of Directors has at all times behaved with the due diligence – which in Italian is the diligence of a good “collective” *pater familias* - of people who have the interests of the company at heart. The decisions taken, while not always unanimous, have always been inspired by the pre-eminent concern for the good of the Company. For this reason, the Directors should be thanked for the work they have done. It is then the responsibility of the Chairman to summarise and highlight the contributions made by everyone, and today it is up to the shareholders to take the definitive decisions, expressing whatever opinion it considers best. From this perspective, the Board has worked with the maximum diligence and the maximum transparency, the Chairman reiterated.

Continuing, Mr. Bernabè expanded on the decision to not broadcast the proceedings of the whole shareholders’ meeting in streaming to the employees, and pointed out that the shareholders’ meeting is an event that involves only the shareholders, so it would have been necessary to distinguish between employees who are shareholders and employees who aren’t. In any event, the first part of the meeting was broadcast, because it was considered important, given the issues being debated, that it was made known to all employees, as employees, not as shareholders. The Board has the interests of the Company firmly to heart, and therefore hopes that a culture of compliance is spread throughout the company, meaning not only respect for the law, but behaviour that is ethically and professionally coherent and correct: a culture of respecting the rules is fundamental for all

major Companies, and represents an issue that concerns the whole country, as the recent discussions on anti-corruption laws demonstrate.

Having said that, the Chairman acknowledged that three shareholders had submitted questions before the shareholders' meeting pursuant to article 127-ter of Legislative Decree no. 58/1998, as indicated in the call notice and in relation to this the Chairman summarised the questions, and their answers, to the shareholders' meeting by making the following statement:

“The questions were primarily about progress on the proceedings before the Milan Court for the irregular SIM cards, in which Riccardo Ruggiero, Luca Luciani and Massimo Castelli have been committed for trial. On this point I confirm that a hearing took place on 8 October, which essentially dealt with setting a date for the proceedings to continue, on 17 December, when the preliminary matters will, presumably, be dealt with. I would add that if the Shareholder's meeting approves the proposal of settlement with Mr. Ruggiero, the Company will forgo being a civil party in the proceedings against him.

Another shareholder asked for a series of details on the Security procedure, and I would answer as follows:

- the number of private subjects on whom dossiers had been compiled (the shareholder used the expression “spied on”) is 4,507 according to the application for committal to trial, 306 of whom employees of the Group;

- regarding compensation claimed from the Company, so far Telecom Italia and F.C. Internazionale Milano S.p.A. have been ordered jointly to pay Mr. Christian Vieri the sum of one million euros (Telecom Italia share: 500,000 euros), in the judgement issued by the Milan Court in August 2012 (this can still be appealed);

- Telecom Italia has not paid compensation to those employees on whom dossiers had been compiled. However, as is known, the Company has made a tangible gesture of economic solidarity towards them, intending in this way to reassert its attention on the affairs in which they have been involved. The total of this operation is approximately 1.9 million euros.

- as pointed out in the explanatory report, the Company is the entity with “civil liability” pursuant to article 2049 of the Italian Civil Code with regards to 11 defendants in relation to a total of 32 civil parties. Then there are three cases in which the Company has been summoned for damages related to the Security affair; just one of these (the Christian Vieri

case) has been decided so far. To complete the picture, an employment case has been started by two ex-employees, related to the Security events; these proceedings have reached the second tier (the first tier judgement was in favour of the Company).

A question was also asked about the amount of fines paid so far by Telecom Italia in relation to the issues on the agenda. I am tempted to reply: none. However, for completeness' sake I would inform you that as part of the criminal proceedings brought by the Vicenza Public Prosecutor's Office (still in the preliminary investigation phase), in May 2010 the Company was served with a statement of charges for breaching the Privacy code by not providing information, and/or providing unsuitable information to the subjects whose personal information was used for the unlawful registration of SIM cards. The fine was approximately 1.1 million euros and is mentioned in the 2010 financial statements.

The same shareholder wanted to know the total amount paid in legal consultancy and expenses (including Deloitte) for the Security and SIM card affairs, the issues being considered in today's shareholders' meeting.

Without prejudice to the information provided in the 2010 corporate governance report, also reported in the notes disseminated yesterday at the request of Consob, the further legal expenses incurred to date may be estimated as approximately 4 million euros for trial work and consultancy.

Finally, a question asked if the Chairman of the Board of Directors has proposals that are alternatives to the initiatives proposed to this shareholders' meeting "to remedy – at least in part – the economic and financial damage caused to the Company by the previous owners". I have read the question aloud because it provides an opportunity for me to reiterate that today's shareholders' meeting is called on to discuss and resolve on the items on the agenda, which are the extrajudicial settlement proposals negotiated with former Directors Carlo Orazio Buora and Riccardo Ruggiero, or - subordinately – the bringing of liability actions against them. This is a question that does not relate to the agenda for these proceedings, on which I acknowledge the comments made, including during this meeting, but on which for my part I will not comment".

On the other hand, as for the questions raised during the meeting, the Chairman, in relation to the questions raised during the speech by Mr. Lombardi, Chairman of Asati, reminded the meeting, first of all, that it is not the task of the Chairman of the shareholders' meeting

(or of the shareholders' meeting itself) to determine whether or not there is a conflict of interest and to consequently prevent the Shareholder exercising its vote.

At the invitation of the Chairman, the **Chairman of the Board of Statutory Auditors** clarified that the known Deloitte Report was examined by the Directors and Statutory Auditors at the board meeting on 16 December 2010, with the legal support of attorneys Bruno Cova and Franco Bonelli.

Lombardi, from the floor, clarified that he wanted to know if the so-called "K Operation" had or had not been dealt with in the Deloitte Report. The **Chairman of the Board of Statutory Auditors** clarified that this operation was not examined in the original report, as it was the object of a subsequent supplement.

Resuming the floor, the **Chairman** pointed out that, given the statute of limitations of five years established by article 2393 of the Italian Civil Code, the Company will analyse the documents of the criminal case against former Chairman Tronchetti Provera with the requisite accuracy, reassessing its position, if necessary, also taking account of the provisions of article 2947 subsection 3 on the question of time-barring of facts considered crimes by the law.

Prompted from the floor, by **Lombardi**, the **Chairman** clarified that, so far as the civil action against Tronchetti Provera is concerned, it has been found to be time-barred, without prejudice to any assessments that might be made regarding joining the action as civil party if criminal charges should be brought.

Moving on, the **Chairman** provided further details, as reported below.

So far as the Company is aware, the criminal charges considered by the Milan Public Prosecutor's Office against Buora have all been archived.

The Company has already started an extracontractual action against Mr. Luciani and Mr. Castelli, joining the criminal proceedings currently underway as civil party at the preliminary hearing. However, there is still time to take any further decisions about civil actions against Luciani and Castelli which will be scrutinised with the requisite attention as necessary. However, joining criminal proceedings as civil party to obtain compensation for damages has potentially – in his view – equivalent (if not greater) efficacy than the liability action resolved by the shareholders' meeting.

As for the Lombardi proposal to invert the order of the debate on the proposals on the Agenda is concerned, the Chairman reminded the meeting that the agenda and the related

proposals are elements that are notified 30 days before the shareholders' meeting; so the market and the shareholders reply on that agenda and those proposals, and this also applies for those shareholders who vote by post, and, above all, for those shareholders who vote by proxy. So, changing the agenda and related proposals means betraying the trust and expectations of the vast majority of the shareholders, who have conferred specific voting instructions based on the proposals circulated in advance.

From the floor, **Lombardi** complained that the latest documents on the items on the agenda were made available on the website late the previous evening, and so it must be excluded that the shareholders, starting with the investment funds, had been able to examine them.

The **Chairman** then continued with the further explanations that follow below.

It is not possible to unilaterally change the amount of the settlement with Mr. Ruggiero: if the company should act in this way, we would have no certainty about the behaviour of the other party.

The documentation on the items on the agenda for today's shareholders' meeting was made available at the registered offices of the company, published on the company website and the Borsa Italiana website, and also transmitted to those who requested it through the toll free telephone number.

The reasons that persuaded the Board to submit the proposals to the approval of the shareholders' meeting are amply illustrated in the related documentation and are, briefly, as follows: the value of the settlements as a signal; the presence of very few jurisprudential precedents on the question of non-compliance with the duties to oversee the organisational, administrative and accounting system, and ensure that they are adequate for the dimensions of the business; the presence of comparable settlements in line with the hypothesis submitted to the shareholders' meeting in terms of the ratio between potential value of the claim and sum paid; the absolute value of the offers.

The reputational damage in affairs of this kind, is evident and the Company has suffered its effects. The Board has however decisively and rigorously done everything necessary to protect the Company and this shareholders' meeting is the most evident proof of this.

The Board has considered the settlement proposals bearing in mind the actual proposals in relation to the possible course of the disputes, their likely outcome, and the concrete

possibility of obtaining greater economic restitution than the amount offered in settlement; the Board's assessment in this regard is that amply illustrated in the company documents.

The expenses incurred by the Company for the affairs we are discussing today, also in terms of legal advice, are not simply for the purpose of reaching settlements, but they have also been useful to fine-tune those changes to the control and corporate governance system that will prevent such affairs repeating themselves. This is a choice with very few precedents, both in Italy and internationally, and the extraordinary work of the Board of Directors, and also the stimuli provided by the shareholders, in particular Asati and its Chairman, must be acknowledged.

Any contractual clause that provides for the full restitution of sums received as remuneration in case of being found guilty of a crime would be unusual in the Italian business community and its concrete applicability does not appear to be easy to achieve.

So far as the transparency and closeness to employees is concerned, the Company has worked to increase the level of communication with them: the communication initiatives are based on dialogue, and provide a way for questions to reach the top management, all within a system that is visible to all. All reports are considered, and all forms of retaliation are prohibited.

Many policies and initiatives are intended to attest the closeness of the company to its people, such as the people caring policies and the “*Io imparo*” (I learn) project. Moreover, examination of the climate in the company shows that people are aware of the attention paid by the senior management and Board of Directors to its human resources, which the management really does care about.

The Company is aware of two criminal cases in which employees have been involved: one (a SIM criminal case brought by the Milan Public Prosecutor's Office) involves 14 employees, who were removed in 2012; the other (the so-called SIM/Napule criminal case) involves 6 employees, all immediately removed. There have been only a very small number of cases in which employees have returned to the company on the conclusion of the criminal case.

The known Deloitte report provided an analytical assessment of the phenomena of fraudulent use of SIMs within the affairs discussed here.

The consultants who advised the company in the affairs under discussion are Attorneys Bonelli, Cova, Vaccarella and Santamaria.

The Board considered the assessments of the uncertainty and timing of any criminal action more important than any assessment of the solvency of the subjects.

Next the **Chairman of the Board of Statutory Auditors, Mr. Bignami**, took the floor, and reminded the meeting that the Board of Statutory Auditors constantly monitors the work of the Board of Directors: when it does not comment on a particular issue, this does not mean that it has not undertaken careful supervision, it means that it does not believe there are facts that should be raised. In the case in point, however, the Board of Statutory Auditors prepared a report in which it expressed its approval of the Board of Directors' proposal. When the Board of Statutory Auditors considered it had to raise an issue, it has always done so, as amply demonstrated in the reports on the financial statements from 2006 onwards. Finally, he reminded the meeting that while it is true that the Board of Statutory Auditors is entitled to act against the directors, it is also true that this is first and foremost a prerogative of the shareholders' meeting, which today is actually called on to make a decision. After the vote the Board of Statutory Auditors will naturally formulate its own appropriate assessment.

Resuming the floor, the **Chairman** provided the final explanations reported below.

As repeatedly explained, the Board has undertaken an analysis of the costs and benefits, and believes that the settlement may be advisable even before a writ is issued.

It is for the shareholders' meeting to express its view of the validity of the Board's proposal. In terms of the statute of limitations, liability action by shareholders is subject to the same discipline as ordinary liability action by the company.

The designated representative did not receive any proxies, and the total cost of organising a shareholders' meeting like this one is approximately 200,000 euros. As for recourse to the designated representative, the Company operates in compliance with the applicable law.

The amounts of the settlements used as terms of comparison are subject to professional confidentiality.

The **Chairman** then opened the debate to responses from the shareholders.

Marino declared that he had received only some of the clarifications requested. So far as the possibility of letting the employees know what is happening in the shareholders' meeting is concerned, the Chairman's explanation appears to be fairly well-founded: it is in effect a meeting of the shareholders, and it is right that what is said in the meeting remains

restricted to those participating in it directly. Regarding consultants, the names have been provided, but not their fees. The sum claimed by Telecom as civil party in the current trials has not been provided.

Lombardi, declared, firstly, that he disagreed with Mr. Bignami: the task of the Board of Statutory Auditors is to prevent events like those being discussed here.

Mr. **Bignami** recalled that the shareholders' meeting is discussing facts prior to 2007, when the current Board of Statutory Auditors was not in office. He clarified, at the request of Lombardi, that he had been part of the Board since October 2006.

Lombardi recalled that some of the statutory auditors, such as Mr. Superti Furga, had served for a very long time, and emphasised that in any case everything was already known in 2006. The result, however, was that the Milan Public Prosecutor's Office had to intervene. He therefore asked the Board of Statutory Auditors if it has checked that Mr. Buora and Mr. Ruggiero had respected their obligation pursuant to article 2392 of the Italian Civil Code to ensure that the organisational, administrative and accounting structure of the Company were adequate so that these criminal acts would not take place. As for the argument that the prospects of success of the action would be uncertain, there are many practising lawyers and professors of law in the room, such as Mr. Silla, and the shareholders ask only to not be treated like fools: The judicial actions have already cost 12 million euros to date, also because of the cost of lawyers. The judicial experience in these years has shown that all the judgements have always expressed themselves in very hard words, and condemned the former Directors. But the Board of Statutory Auditors did nothing. Now that the Public Prosecutor's Office is finally formulating very serious charges against the former Chairman, Telecom Italia cannot continue to bury its head in the sand and pretend nothing has happened, that the Company was well run and well managed from 2002 to 2007. In that period, Mr. Bignami was in office. So was Mr. Golia, who had announced that he would sue Lombardi himself. But these "nitpicking and baseless" arguments are intended to hide something else, namely the very serious conflict of interest. He then asked what the funds intended to do, also in light of the facts that had emerged in recent days. Those who gave proxies did not know the recent facts, and

therefore expressed their vote without awareness. Lombardi then highlighted how Mr. Bignami had confirmed that in the Board meeting of 2010 the Kappa operation was not known, and that the Chairman had confirmed that liability action against Tronchetti Provera were time-barred. The compensation paid to Vieri totalled one million euros; if one considers that there are approximately 40-50 “celebrities” who have been spied on (Carlo de Benedetti, Massimo Mucchetti,.....) it is evident how much money Telecom Italia will potentially have to pay. Again, he asked who were the employees who had sued the company for being spied on, and in particular, did this include Nola and Gallina, two top managers.

All of the above comment to the written response that Mr. Lombardi delivered to the chairman's table and which is transcribed below:

“- I read some points that I could not read before because of time

- How is it possible that the funds are aware of the gravity of the facts that have emerged in the last 6 days? Particularly Mr. Trevisan and TI when did they receive the proxies? Is it true that they were received before these events?

- I ask Chairman Bignami if operation K was in the Deloitte report in the Board Meeting of 16 December 2010? Bignami's answer was that it was not known.

- I ask the Chairman, do the Telecom Italia legal advisors consider liability action by the company against Tronchetti Provera to be time-barred? The Chairman's answer was yes.

- If Vieri was awarded one million euros, how much will need to be paid to the 4000 people spied on? Several hundreds of millions of euros, if not billions of euros?

- Who were the two directors who sued? Mr. Nola and Mr. Gallina, maybe? Their positions were secretary of the Board of Directors and head of security. The Deloitte report talks about over ten million euros in relation to Mr. Nola.

- The vote of the foreign funds is not given with awareness and validly in the sense that the funds could not check the content of the latest events, closure of the investigations of Tronchetti on 11 October 2012, and the TI communication in response to the Consob request at 8.00 p.m. on the evening of 17 October!”

Gorella addressed the majority shareholders, who can swing the balance one way or the other, inviting them to vote in favour of liability action, not so much against the two

directors who happily served the “bosses” who appointed them, but to give a strong signal of honesty. Moreover, it is inconceivable that in times of globalisation and global telecommunications, Telecom Italia should suffer a vertical drop, in terms of value, as it is also unacceptable that there should be such a shocking reduction in Telecom’s international credibility. We should today remember Meucci, Marconi and Reiss Romoli, while today’s Company is run by Italian owners who are working against the business they own. We need a bit of ethics and a strong signal that the trend has been reversed.

D'Atri complained that he had received inconsistent replies. As for the privacy that covers the settlements used for comparison, the specific data that permitted the comparison to be made should be published, otherwise the comparison is not acceptable. The cost of the designated representative service has not been indicated; the representative of the Studio Trevisan has not clarified if the those giving their proxies were informed of the recent news reported by Lombardi. More generally, it is not clear, over and above past liabilities, why exactly it is preferable to settle and renounce ascertaining the truth: a question that also applies to Mr. Zingales. What should be discussed is not the amount of compensation, but the fact that a judgement is being avoided, a judgement in which the truth of the facts could be ascertained, also for the benefit of all the people who were spied on.

Silla expressed regret about the answer he had received, in that it was typically tautological. It is true that there are no jurisprudential precedents, but because the law was passed in 2004. Settling with one director brings no benefit to the others, in the sense that any other Directors can be the object of liability actions. And if the Board of Statutory Auditors has failed to provide proper oversight, there is nothing to prevent acting against the Board of Statutory Auditors jointly, because the statutory auditors are in fact jointly liable with the directors in case of failure to perform supervisory duties, and, moreover, they are often more solvent, as professionals with insurance policies, than the directors themselves. He therefore invited the Board of Statutory Auditors to consider what initiatives should be taken.

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 6.08 p.m. a total of 6,580,994,213 shares were present, entitled to the same number of votes and equivalent to 49.05% of the ordinary shares;
- at 6.08 p.m., put to the vote, using the televoters, the primary proposal of the Board of Directors to approve the proposal for a settlement of the dispute in the terms set out in the Report itself, transcribed below:

Regarding the first item on the agenda ("Proposal for dispute settlement pursuant to article 1965 of the Italian Civil Code with the former Executive Director of the Company, Carlo Orazio Buora or, subordinately and solely in the case of non-approval, proposal for the company to start corporate liability action"), the Shareholders' Meeting of Telecom Italia S.p.A.,

- *having examined the explanatory report of the Board of Directors, having acknowledged the proposed amicable settlement pursuant to article 2393, subsection 6 of the Italian Civil Code, formalised by former Executive Director of the Company, Carlo Orazio Buora,*

Resolves

- *to approve the proposal for a dispute settlement pursuant to article 1965 of the Italian Civil Code with the former Executive Director of the Company, Carlo Orazio Buora, and hence approve the settlement of the corporate liability action against him, within the terms and limits summarised in the explanatory report of the Board of Directors;*
- *to confer a mandate on the Chairman of the Board of Directors to proceed, directly or through special agents, to complete and sign all documents or contracts to implement the resolutions referred to in the previous paragraph".*

The resolution was approved by a majority of the shareholders.

For: 6,528,713,085 shares.

against: 49,753,507 shares.

Abstained/Non-voting: n. 2.527.621 shares.

All as detailed in the annexes.

The Chairman gave notice that the proposed resolution presented by the Board of Directors on the settlement of the dispute pursuant to article 1965 of the Italian Civil Code with former Executive Director of the Company Carlo Orazio Buora had been approved, and hence the meeting would not proceed to vote on the corporate liability action against him.

Then the Chairman, in relation to 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;
- informed the meeting that at 6.12 p.m. a total of 6,580,998,973 shares were present, entitled to the same number of votes and equivalent to 49.05% of the ordinary shares;
- at 6.12 p.m., put to the vote, using the televoters, the primary proposal of the Board of Directors to approve the proposal for the settlement of the dispute in the terms set out in the Report itself, transcribed below:

“Regarding the second item on the agenda (”Proposal for dispute settlement pursuant to article 1965 of the Italian Civil Code with the former Executive Director of the Company, Riccardo Ruggiero or, subordinately and solely in the case of non-approval, proposal for the company to start liability action”, the Shareholders’ Meeting of Telecom Italia S.p.A.,

- having examined the explanatory report of the Board of Directors,

- having acknowledged the settlement proposal formalised by the former Executive Director of the Company, Riccardo Ruggiero pursuant to article 2393 and, insofar as it is applicable, article 2396 of the Italian Civil Code,

Resolves

- to approve the proposal for a dispute settlement pursuant to article 1965 of the Italian Civil Code with the former Executive Director and General Manager of the Company Riccardo Ruggiero, and hence approve the settlement of the corporate liability action against him, within the terms and limits summarised in the explanatory report of the Board of Directors, with Telecom Italia thereby waiving its right to join the criminal proceedings No. 6700/2011 R.G.N.R. – 9270/11 R.G. GIP as civil party;*

- to confer a mandate on the Chairman of the Board of Directors to proceed, directly or through special agents, to complete and sign all documents or contracts to implement the resolutions referred to in the previous paragraph.

The resolution was approved by a majority of the shareholders.

For: 6,502,458,190 shares.

against: 72,585,595 shares.

Abstained/Non-voting: n. 5.955.188 shares.

All as detailed in the annexes.

The Chairman gave notice that the proposed resolution presented by the Board of Directors on the settlement of the dispute pursuant to article 1965 of the Italian Civil Code with former Executive Director of the Company Riccardo Ruggiero had been approved, and hence the meeting would not proceed to vote on the corporate liability action against him.

As the matters on the Agenda had all been dealt with and no-one else having asked to speak, the Chairman declared the meeting closed at 6.15 p.m.

The Chairman

The Secretary