TELECOM ITALIA S.p.A.

Minutes of Ordinary Shareholders' Meeting

17 April 2013

The Ordinary Shareholders' Meeting of **TELECOM ITALIA S.p.A.** began at 11:00 a.m. on 17 April 2013, at Via Toscana 3, Rozzano, Italy.

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

The Chairman began by reading out the **Agenda**, containing the following items:

Ordinary session

- *Financial statements as at 31 December 2012 – approval of the documentation on the financial statements – related and consequent resolutions and distribution of profits carried forward*
- *Report on remuneration - related resolutions*
- *Supplement of the Board of Statutory Auditors*

Extraordinary session

(Omissis)

The Chairman then reported that:

- the extract of the notice convening the Shareholders' Meeting had been published on 15 March 2013 in the daily newspapers Il Sole 24 Ore and the Financial Times;

- the share capital was 10,693,628,019.25 euros, divided into 19,442,960,035 shares with a par value of 0.55 euros per share, of which 13,416,839,374 were ordinary shares and 6,026,120,661 were savings shares;

- as of the date of the meeting, the Company held 37,672,014 of its ordinary treasury shares. In addition, 124,544,373 Telecom Italia ordinary shares were held by its subsidiary Telecom Italia Finance S.A.;

- the vote could be cast from 26 March 2013 until the end of the day before the meeting, including electronically via the Company's website; votes representing 28,073 ordinary shares were received.

The Chairman declared that, at 11.02 a.m., the ordinary shares participating in the shareholders' meeting for the purposes of the quorum were 5,957,373,258 in total, including the ones associated with electronic votes. The share capital represented at the meeting was therefore equivalent to 44.40% of the total of ordinary shares.

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

The Chairman also stated that:
- the documentation relating to the various matters on the agenda had been published in accordance with the applicable regulations;
- the following, among other things, had been distributed at the entrance:
- the printed document containing the financial statements for 2012 (including the proposed resolutions and the associated explanatory reports);
- a printed document containing the report on corporate governance and share ownership and the remuneration report;
- the information document relating to the "2013 Employee Share Ownership Plan for Employees of the Telecom Italia Group";
- 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;
- as regards the relevant agreements for Telecom Italia pursuant to article 122 of Legislative Decree 58/1998, the extract from the existing agreement between the majority shareholders relating to Telco S.p.A. (Intesa San Paolo S.p.A., Mediobanca S.p.A., companies in the Generali Group and Telefónica S.A.) was published in the national press

on 29 February 2012; The description of the essential elements of the above-mentioned agreement is contained in the report on corporate governance and share ownership.

- the following were present at the meeting, besides the Chairman and the Chief Operating Officer Marco Patuano:

- the Directors Elio Catania, Lucia Calvosa, Gabriele Galateri, Julio Linares, Mauro Sentinelli and Luigi Zingales;
- all the members of the Board of Statutory Auditors;
- Emanuele Rimini (who arrived after the proceedings had begun), common representative of the holders of savings shares;
- . Francesco Pensato, common representative of the holders of bonds relating to the following loans: "Telecom Italia S.p.A. Euro 1,250,000,000 5.375 per cent. Notes due 2019”.
- Enrico Cotta Ramusino, common representative of the holders of bonds relating to the loan “Telecom Italia 2002-2022 Floating Rate bonds, Open Special series, reserved for subscription by employees of the Telecom Italia Group, in service or retired”;

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

- as already indicated in the notice calling the meeting and as permitted by the Bylaws, the Company had not designated its representative under Article 135 undecies of Legislative Decree no. 58/1998;

The <u>Chairman</u>, also:

- as per the Regulations for the Shareholders’ Meeting, 10 minutes was set as the maximum length of speeches during the course of the discussion; as usual, a single debate would be held on all the items on the agenda for the ordinary session;

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

- pointed out that the operations of recording attendances and counting the votes would be performed with the aid of a remote unit, the so-called “televoter”, which is associated with the personal identification details of the entitled individuals.

- 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 handled in accordance with the legislation on privacy;

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

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

***

Next, the Chairman:

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

- *Financial statements as at 31 December 2012 – approval of the documentation on the financial statements – related and consequent resolutions and distribution of profits carried forward*
- *Report on remuneration - related resolutions*
- *Supplement of the Board of Statutory Auditors*

- with regard to the first point on the agenda, he announced that the fees of the independent auditor PricewaterhouseCoopers S.p.A. had been as follows:

- for the audit of the 2012 financial statements of Telecom Italia S.p.A., were 916,940 euros for a total of 14,315 hours; As per the resolution of the shareholders' meeting conferring the assignment, the fees for auditing the financial statements for the year included additional costs of 110,000 euros, corresponding to 1,324 hours in relation to additional auditing procedures carried out following the implementation of Telecom Italia S.p.A.'s new administrative and accounting system known as SAP P1E;
- for auditing the 2012 consolidated financial statements of the Telecom Italia Group: 155,438 euros for a total of 2,401 hours;

- he also indicated, with reference to the auditing of the 2011 consolidated financial statements included in Telecom Italia S.p.A.'s 2011 Form 20-F, additional fees amounting to 101,500 euros for a total of 480 additional hours had been paid to the independent auditor PricewaterhouseCoopers S.p.A. These further costs arose from additional auditing procedures made necessary by the postponement of the filing of the 2011 Form 20-F after the time-limit originally specified. The total fee, therefore, paid to the independent auditor PricewaterhouseCoopers S.p.A. for auditing the 2011 consolidated financial statements included in the 2011 Form 20-F was 232,853 euros, corresponding to a total assignment of 2,783 hours;

- he stated that all the above amounts excluded out-of pocket expenses, which were added to the cost up to a limit of 8% of the fees, and VAT;
- with reference to item 2 on the agenda, he indicated that the Shareholders' Meeting had been called to express its view on the first section of the report, with a resolution that was not legally binding;
- with regard to item 3 on the agenda, he stated that it concerned appointing a replacement for the standing auditor Sabrina Bruno who had ceased to hold office on 18 September 2012, confirming as standing auditor Roberto Capone, who had already taken her place on the same date and was in office until the current Shareholders' Meeting, and appointing as alternate auditor Fabrizio Riccardo Di Giusto in place of the aforesaid Roberto Capone. Both persons would remain in office until the natural end of the term of office of the Board of Statutory Auditors (Shareholders' Meeting to approve the financial statements as at 31 December 2014). In this specific case, the slate voting mechanism would not apply. The curriculum vitae of both candidates was attached to the proposed resolution.

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

Good morning everyone,

I would like to begin my address today with a special dedication to Gugliemo Reiss Romoli, probably one of the most representative figures in the history of Italian telecommunications and one of the architects of the economic miracle. Under his guidance the Italian telecommunications sector experienced its most intense period of development after the second world war, with the extension to the entire country of the access network which still to this day forms the infrastructure through which businesses and individuals can use the various traditional and innovative telecommunications services.

The development of the new generation network today represents, for our sector, a historic transformation which sees Telecom Italia engaged with all its energy and professionalism. Gugliemo Reiss Romoli is a perfect incarnation of the sense of mission which Telecom Italia is required to achieve in the service of the country, its customers and its shareholders. We have therefore decided to name the Auditorium at our Rozzano site, where Telecom Italia and its shareholders meet, after Guglielmo Reiss Romoli. This evening, at the end of the proceedings, a plaque in his memory will be unveiled at the entrance to the Auditorium.

The annual Shareholders' Meeting represents the meeting-place where shareholders are invited to express their opinions on the management of the company, contributing their ideas and suggestions for achieving objectives in the common interest. In this perspective I would like to address a number of general themes concerning the future of our Group, taking as a starting-point the considerations put forward by Findim, the second-largest individual shareholder of the Company.

As has been widely reported in the press, in the last few weeks Findim has called for an addition to be made to the agenda for today's proceedings to discuss three topics, and specifically for the Board of Directors to be assigned three mandates:

- *to develop a plan of action to support the Company and the share price;*
- *to redraft Articles 9 and 17 of the Company Bylaws;*
- *to redraft Articles 22 of the Company Bylaws.*

Today we will not be voting on these topics for technical reasons, because – briefly – the Shareholders' Meeting is not competent to adopt policy resolutions, but all three subjects raised merit attention.

Starting with the amendment of article 22, I remind you that the article governs the so-called special powers, defined by the Golden Share. In this regard I must point out that the matter is totally outside Telecom Italia's bylaws autonomy:the new special powers (governed by Law no. 56/2012 approved by Parliament to defeat the infringement proceedings started by the European institutions against the Italian State) will come into full effect following the identification by decree of the "strategic assets" in the communications sector, and the result will be that clauses in the Bylaws incompatible with the new legislative arrangements will cease by force of law to be valid. Telecom Italia is *subject to these rules and must necessarily adapt to them as soon as the right conditions exist.*

As regards articles 9 and 17 of the Bylaws, the reference is to the mechanisms for appointing the Board of Directors and the Board of Statutory Auditors, which currently provide a powerful bonus to the so-called "majority slate", whose votes decide:

- *four out of five of the Directors who are to be appointed;*
- *three standing Auditors out of a total of five.*

In calling for the Boards to be more representative, Findim has made itself the spokesman for a perceived need among shareholders, which I have observed on several occasions, including at this Shareholders' Meeting, and which for my part I think merits attention.

I have therefore asked the Company offices for an assessment of the feasibility of an amendment to the Bylaws, in the light of international best practices in the field, maintaining full compliance with the applicable legal framework. For preliminary purposes, the analysis will be conducted by the Control and Risk Committee, which I wish to thank here and now for the contribution that it will make to the study of this subject, one that is of undoubted interest to all shareholders.

Finally, as regards the demand for a programme of action to support the Company and the share price, I respect the critical opinion which has been voiced, but most of all I note the dissatisfaction which it intended to express and its call to do more and do better. What I am going to say ideally represents a first response to its observations, in full awareness also of the need to respond with deeds and results.

Over the course of the last five years we have faced a series of structural problems which strongly affect the Group's performance, limiting its prospects for relaunch and development. The fact that this ceaseless action has been carried forward with determination, without allowing ourselves to be distracted by financial shortcuts lacking in business logic, represents a choice which I assert resolutely and with pride.

The last five years have been characterised by a return to prudent management, attention to ethical principles and the achievement of solid and durable results capable of ensuring greater overall sustainability. The last five years have, however, also been characterised by a profound economic crisis, during which the Gross Domestic Product and family income have fallen respectively by 7 and 10 percentage points, the unemployment rate has *doubled and industrial production has returned to the levels of the second half of the 1980s.*

This is a crisis which Telecom Italia could have got through with fewer concerns and difficulties if it had not simultaneously had to deal with a situation of balance sheet and financial weakness caused by transactions carried out in previous years aimed at preserving the Company's chain of control without a financial commitment consistent with the size of the Company itself.

The totality of the Company's transactions carried out between 1999 and 2007, and in particular the Telecom-Olivetti merger and the purchase of minority shareholdings in Tim led to net spending of over 36 billion euros, to which must be added total dividend payouts of 20 billion euros. These transactions caused the growth of gross financial debt at the end of 2007 to 44 billion euros. At the end of 2007 and thus a few months from the start of the financial crisis which would characterise the entire subsequent period, Telecom Italia was therefore burdened by net financial debt of 36 billion euros against a turnover of 29 billion euros.

In the next five years, in a context of continuous deterioration in the macroeconomic situation, we struggled to reconcile debt reduction with support for our investments, which are essential for a company whose raison d'être lies in the excellence of its infrastructures and its telecommunications networks. Even in 2012 we made about 5.2 billion euros of investments, a further increase both in Italy and in Brazil, net of the purchase of licences, while the level of net indebtedness fell at the same time by more than 2 billion euros.

The need and the will to continue to pursue this double objective (investments and debt reduction), however, brought about the need to reduce the level of dividends. Using the same metaphor to which we had recourse last year, I would say that just as the extremely high level of debt in our country contracted by previous generations will weigh on the next generations, in our case too, unfortunately, the debts contracted by previous managements have become a burden on the present management.

The stability of the structure and the chain of command which has characterised these last five years has enabled us to give continuity and solidity to the results which have been achieved, and for this, credit should be given to the present shareholders. This does not mean that the management has adopted a conservative approach and has been closed to projects which could lead to the creation of value. The purchases of Intelig and Aes Atimus *in South America in fact demonstrate that the Group has still been able to grasp the opportunities for development offered by extraordinary transactions justified by serious and concrete business logic. Our activities in Brazil and Argentina, notwithstanding the slowing of their respective economies, continue in fact to offer excellent opportunities and prospects for growth, and this is in a climate of further strengthening in the region in the future.*

I would like to return later to the subject of extraordinary transactions since, as you know, the Board of Directors last week expressed a view both on the plan for separating the access network and on continuing the negotiations with the Hutchison Whampoa Group for the merger with 3 Italia.

With reference to "ordinary" operations, we have certainly devoted increasing attention and commitment to the processes of rationalization and cost containment. The effort which has been expended to achieve ever greater efficiency in processes and organisational structure, rather than being a strategic objective in itself, has been the tool which has made it possible to achieve the various strategic objectives: 1) the repositioning of our commercial offer, which has become more competitive also in terms of price; 2) entry into adjacent markets with strong growth prospects such as cloud computing; 3) the consolidation and relaunch (also achieved through external acquisitions) in which we have been leading players in South America; 4) the significant reduction in our debt level; 5) the dissemination of the values of compliance and respect for the reference regulations.

Notwithstanding the achievement of these important results, the total shareholder return was negative, although better than the return recorded by other major European operators.

In the last three years the shares of the principal European telecommunications operators have suffered as a result and in consequence of the performance of the respective national economies and of the instability of the financial markets due to the public debt crisis. The Telecom Italia share price has been more penalised than others because of the high perception of risk, caused by its predominant exposure to a rapidly contracting Italian market (the so-called country effect), and its high level of debt. This consideration enables us to understand how the objectives achieved in terms of better balancing between national revenues and international revenues (which currently amount to 2/5 of the Group's total revenues) and in terms of debt reduction have represented for Telecom Italia a defence *against repercussions which it is reasonable to believe would otherwise have been even more damaging.*

As for the erosion of market shares recorded in fixed telephony services, this is a natural phenomenon which is also induced by the asymmetrical regulations adopted at EU level and has, however, been lower than that experienced by the other principal historic European operators. The market share in terms of lines held by Telecom Italia, which stands at 65%, continues to this day to be higher than that of Deutsche Telekom (62%), France Telecom (60%), Telefonica (55%) and British Telecom (44%). With reference to mobile telephony services, our market share (35%) has, however, remained stable in recent years.

The considerations mentioned lead us to state that the strategy pursued in the last few years is the one which best meets the Company's needs, and therefore, although it obviously can and must be further improved, it must however be continued with the same effectiveness and the same determination in the near future as well.

This being said, it is however undeniable that we are today facing a complex situation. The economic climate does not seem destined to improve in the short term. Italy, in particular, is afflicted by structural weaknesses which limit the possibilities of growth even when and if a recovery takes place in the international economy.

As regards the telecommunications market, in two years the value of the European mobile network services market has reduced by more than 10 percentage points, losing about 20 billion euros. In the same period, fixed network services have undergone a fall of 7 percentage points, causing a reduction in revenues of 8 billion euros.

In prospect, the mobile telephony sector must deal with a scenario in which improvement in quality and the development of ever faster and better-performing broadband networks seem hardly compatible with the substantial difficulties encountered in the differentiation of the service and with the use of free services offered by operators in the internet world.

The prospects for the development of the market in fixed telephony services, however, are depressed by an increasing level of demand saturation, particularly for voice services, and by even stricter regulations which reduce the financial resources available.

Notwithstanding all this, Telecom Italia intends to continue to commit itself day after day to the ambitious objectives which we have set ourselves. And in addition to what we have done so far, and conscious of the difficulties which we will meet on our way, we have *decided to do even more, exploring new roads and examining possible new ways of breaking with the past which may allow us to do even better and to overcome some of the problematic structural issues in our sector.*

Among the conditions capable of leading to concrete and real results in a short time, there are two which appear particularly promising:

- *A change of paradigm in the regulation of the fixed network services, which will allow a strengthening of profitability and make the huge investments in new generation networks sustainable;*
- *A consolidation of the market in mobile network services which is able to create industrial synergies.*

In fixed network services the road which offers the best concrete prospects is the one of moving to a new regulatory regime presented by the European Commissioner Neelie Kroes, characterised by certain and durable rules, by price stability for wholesale access services such as the service of Local Loop Unbundling and by greater flexibility in the fixing of wholesale prices for services relating to the new access networks in optic fibre. In this connection, the European Commission has indicated that the prerequisite for being able to actually change the regulatory paradigm consists in the adoption, by the historic operators, of mechanisms for supplying wholesale services through so-called models of "Equivalence of Input", i.e. models which ensure, right from the start, the "equivalent" supply of services, because they do not provide for any differentiation in the processes and systems used in the supply of such services to the commercial divisions of Telecom Italia and the alternative operators. In particular, the new policy set forth by the European Commission specifies that in return for appropriate guarantees of "Equivalence of Input", it may be possible to remove the obligation of orientation to cost in relation to the prices of the wholesale services for the new generation networks.

The path which we are examining for seizing the opportunities and advantages offered by the new regulatory scenarios is represented by the proposed network separation, with reference to which the Board of Directors on Thursday 11 April authorised the drafting of an operational feasibility procedure, a move which is absolutely indispensable for continuing the negotiations which are in progress in relation to a possible partnership with the Cassa Depositi e Prestiti.

We believe that the reduction of regulatory uncertainty and procedures for fixing wholesale prices which will improve the profitability of the access services will make it possible to make the most of the great value tied up in our network.

The possible agreement with Cassa Depositi e Prestiti would furthermore entail the advantage that the financial resources brought in by Cassa Depositi e Prestiti would allow a significant speeding-up of the plans for developing new generation networks specified in Telecom Italia's business plan, in line with the infrastructural objectives imposed by the European Digital Agenda which has also recently been incorporated into Italian law.

On the mobile telephony front, the idea under examination, which moreover has also been considered in the past, concerns the integration of TIM's mobile phone activity with those of 3 Italia. On this point the Board of Directors has decided to set up a Committee which has been assigned the task of rapidly determining the actual viability of the initiative.

The integration envisaged, if effected at values which correctly represent the actual contribution of the two companies, offers industrial synergies leading to cost reductions in terms of commercial structures and of development of LTE networks, with the added benefit of two complementary customer catchments.

I wish to emphasize that sustainability of mobile phone services is today more at risk than is the sustainability of fixed telephony services, and this is due substantially to three phenomena: 1) the continuous and marked reduction in prices; 2) the absence of the price component attributable to access services (and of the corresponding revenues); 3) the scarcity and heavy cost of frequency resources.

I have several times expressed my views, including as chairman of the association of mobile operators GSMA, on the need for a consolidation of the European mobile services sector which appears decidedly too fragmented if compared with the corresponding United States and Japanese markets. In the United States around 330 million customers are served essentially by four large groups, while the five Japanese operators handle about 130 million customers. In Europe, however, with about twice the number of customers as in the United States, we have more than 100 mobile network operators and more than 200 virtual operators!

The merger in the United Kingdom between Orange and T-Mobile which has given birth to Everything Everywhere and the recent purchase by Hutchison 3G Austria of the business of Orange Austria demonstrate that this is an absolutely natural phenomenon. Any blocks *or obstacles to the natural process of consolidation could not but lead to a further slowdown in the development of LTE networks, on which Europe is moreover already a long way behind the United States.*

The extraordinary transactions described represent important opportunities for the Group which must naturally be examined in depth, but which could improve the prospects for both sectors.

These are broad-spectrum projects which imply new challenges and new ambitious goals for the Telecom Italia Group, its shareholders, the management and everyone who works for it. They are at the same time projects which require strong community of intent on the part of all parties involved. Once again Telecom Italia finds itself in the position of being able to be first on a path on which others will follow. This is a path which Telecom Italia intends to promote because, once again, however arduous and complex, it wants to be in the forefront.

The Chairman then gave the floor to the Chief Operating Officer, who read out the text of the speech that follows.

Dear Shareholders,

a year ago, in this hall, we gave you an account of the programme of renewal involving the entire architecture of the domestic sector of Telecom Italia at the organisational, market and technological levels. A process of transformation, launched in 2011, which will be strengthened and completed in the next few years, clearly reflecting the radical changes to which our sector has been subject for a number of years, in which it has been structurally altered by the internet and technological innovation.

These are profound changes which have significant effects on people's lives, their needs and their habits, and therefore on the role of telephone operators in the context of the new digital market. Over a relatively short timespan, the environmental and business conditions for Telecoms, and therefore for Telecom Italia, have radically changed, with important consequences for all segments of our market.

In this context, the strategic objective which Telecom Italia had fixed for 2012 on the domestic front was to ensure maximum generation of cashflow, so as to guarantee the progress of the Group's deleveraging plans.

In 2012 we achieved the following:

- ***margins*** *at the highest levels in Europe, with an Ebitda/Revenues ratio of 49.3%, which has been growing for the last few years and is best-in-class at continental level; Deutsche Telekom is at 36.8%, France Telecom 33.4%, British Telecom 38.8% and Telefonica 45.6%.*
- ***cashflow generation*** *(Ebitda-Capex) over revenues of 32.2%, substantially in line with the data recorded by the best-in-class Telefonica and a long way above the average recorded by the principal European incumbents and domestic competitors;*
- *absolute* ***cashflow generation*** *of 5.76 billion euros, the highest among the European incumbents. To make a rapid comparison: Telefonica is at 5.14 billion euros, Deutsche Telekom 4.99 billion euros, France Telecom 4.59 billion euros and British Telecom 3.43 billion euros.*

Cashflow generation was accompanied by a careful defence of our ***market share****, both in fixed and mobile telephony. A market share of 65% in fixed access, 51.6% in Broadband access and 35% in mobile lines.*

Telecom Italia has gone back to being the most innovative operator in the Italian market, winning shares in ***innovative services*** *and recording growth in the corresponding revenues:*

- *innovative mobile services grew over the year by 104 million euros, led by mobile broadband;*
- *fixed broadband consumer services showed an increase of 34 million euros compared with 2011, where all our competitors showed a fall in revenues;;*
- *cloud computing grew by 27 million euros, equivalent to more than 48% year on year.*

Cashflow generation *was achieved by means of a* ***strict efficiency programme*** *which was planned in each case so as not to take resources from the business dynamic. A number of indicators clearly show the level of efficiency and productivity reached at the domestic level:*

- *Cash Cost/Revenues of 67.8%*
- *Revenues per employee of 336k euros*
- *Organic Ebitda per employee of 166k euros*

The levels of these last two indicators are among the highest in Europe.

The focus on cashflow generation was maintained without compromising the creation of new generation infrastructures capable of supporting innovative services: NGN, LTE, Next Generation Data Centres. The Company has given priority to the pursuit of ***investments*** *in* ***innovation****. In 2012:*

- *Capex were made to the tune of 3.1 billion euros, in substantial continuity with the effort made in 2011 (3 billion euros);*
- *a level of NGAN cover of the fixed network was achieved of 10% of properties (2.3 million units "passed"), even though most of the work was begun in the second part of the year;*
- *well over 1000 LTE sites were created, sufficient to enable a coverage of the population which, at the launch of the service, is better than that of our best competitors.*

Telecom Italia continues to consider ***quality*** *a strategic lever for its competitive positioning. In 2012 we continued to work on the improvement of the principal indicators, which grew in all customer segments compared with 2011:*

- *on the fixed access network the failure rate reached its lowest level, falling to well below 10%, in fact to 8.5%;*
- *the Customer Satisfaction Index for the Consumer, Business, Top Clients and Public Sector segments showed continuous improvement compared with the previous year.*

These results were achieved in a market context which was not only profoundly changed, but also burdened by serious changes in conditions on the ***macroeconomic****,* ***regulatory*** *and* ***competitive*** *fronts.*

The effects of the ***economic crisis*** *were in fact unprecedented, both in the business and in the family segments. Telecom Italia's revenues fell compared with the previous year by 5.5%, but over half of this contraction should be attributed to extraneous causes, such as regulation of mobile telephony – which on its own explains a 2% fall in revenues – and the effect of the bankruptcies caused by the macroeconomic crisis.*

The recession brought about an increase in unemployment and a return to 1997 levels of consumption and per capita GDP, causing containment of spending and an increase in terminations of contract both in the Consumer and in the Business sector.

The reduction in customer spending power increased the effectiveness of the strategies of operators aiming for low-cost positioning, based solely on a comparison of cost and territory which Telecom Italia has always sought to avoid, aiming instead at quality and *innovation. The consequences of the price war are immediately visible in the telecoms companies' loss of overall market value, which in 2012 showed a total value of 27.8 billion euros against 29 billion euros in 2011, with a reduction of more than 4% in a single year, as well as a structural reduction of 3.5% as weighted average for the period 2008-2012.*

The need to save money also accelerated the replacement of fixed phones by mobile phones in families. The figure for mobile-only customers is growing: in 2012, mobile telephony satisfied the telecommunications needs of 33.7% of Italian families, as against 31.8% in 2011, contributing to the occurrence of disconnection of second fixed lines (and especially in second homes). Turning to the Business market, in 2012 we witnessed an unprecedented number of bankruptcies, with a direct impact also on Telecom Italia, which has a larger market share in the Business sector than its competitors. More than 130 million euros of revenue, equivalent to 1% of the revenues from services, were lost in the Business sector, because of company crises which led to the termination of the contract without migration to the competition.

The consequences of the ***regulatory provisions*** *had very visible impacts on revenues from mobile telephony. The cumulative effects of the alignment of the mobile termination rate to the Glide Path established by the regulator and the introduction at European level of strict limits for roaming data tariffs have led to a reduction of more than 330 million euros of revenues year on year, equivalent to 2% of the revenues from services. It must also be emphasised that the downward revision of regulated tariffs for mobile telephony will continue with two further cuts in 2013, causing new extraneously-generated reductions in revenue of the order of more than 400 million euros for the current year.*

At competitive level, the economic crisis has also accentuated the polarisation in the market between low-end operators with little interest in technological innovation, who seek positioning entirely based on price advantage, and premium-quality operators with high levels of technological innovation, such as TIM, who continue to follow the only possible route to structural sustainability in the sector, i.e. the offer of premium services.

The market price dynamic caused by the low-end operators was summarised in a violent reduction of tariffs in 2012, which was pursued with even more virulence in the first few months of 2013. These operators have put further stress on the lever of Mobile Number Portability. In the Consumer segment, the market for Mobile Number Portability speeded up in 2012 with 12.8 million final lines, against 8.3 million lines in 2011. The customer *churn rate, which in TIM's case amounts to 27.4%, exceeded 35% for some operators in 2012.*

In order to resist the erosion of revenues, we have made a number of significant and innovative ***breaks with the past*** *aimed at controlling a change management process capable of giving stability to our company over the next few years. The result, in brief, of these operations has been to contain the fall in Ebitda to – 4.9%.*

On the domestic level we have implemented a huge efficiency programme which allows us to describe Telecom Italia as the operator with the most efficient cost/revenue ratio in Europe. A process was started of progressive conversion of certain production units into divisions, or, where appropriate, into companies, which allowed us to make the group's activities more autonomous from a management point of view, more competitive and equipped with all the levers necessary to ensure quality and cost objectives comparable with the best practices of the market. I refer in particular to the activities of Information Technology (completely transformed into a company in November 2012), of Customer Care (which became a division in December 2012) and of Energy Management (which became a division last January).

We have rationalised and simplified the business units, in particular unifying the markets for large private industry, small and medium enterprises and the public sector, gaining in terms of efficiency, productivity and orientation to target.

We signed an agreement a few weeks ago with the Trade Union organisations which enables us 1) to increase internal productivity through more effective organisation of labour, 2) to bring activities in house which are currently contracted out, and 3) to go back to the solidarity contracts for handling occupational redundancies. This is an extremely innovative agreement from the point of view of workforce retraining and its value, which implements the recommendations on cost reduction contained in the Business Plan: a broad-based project which raises the company's productivity and efficiency levels, at the same time ensuring respect for and protection of workers.

Between 2012 and the first few months of 2013, our core business saw important goals achieved with the launch of Ultra Internet offers on mobile networks (4G) and fixed networks (Fibre Optic), as well as the launch of the NFC experiment for transactions with mobile phones.

A few months after its launch, coverage by Ultra Internet 4G services reaches as many as 34 municipalities (including Rome, Milan, Turin and the main provincial capitals), which makes it the leading operator at national level. The objective is to reach more than 40% of the population of Italy by the end of 2014. Fibre optic Ultra Broadband (Fibre-to-the-Cabinet) is expected to have a coverage of about 6 million dwellings "passed" by the end of 2014, corresponding to 25% of the Italian population.

These are numbers which themselves testify to the pervasiveness of internet use and which draw a picture of a market in which innovative services will have an increasingly dominant role in Telecom Italia's business.

*The **2013-2015 Business Plan** projects this strong renewal programme forward and sets two fundamental objectives:*

1) Continuing to defend cashflow generation, while carrying on with debt reduction;

2) Speeding up the creation of new generation infrastructures to generate value through innovative services.

The Plan envisages post-investment cashflow in the period 2013-2015 of over 16 billion euros, remaining constantly above 31.5% of revenues, keeping us in line with the best European standards. In the same period, Telecom Italia will make investments for a total of 8.8 billion euros, including:

- *3 billion to develop the Innovative Networks (LTE, evolved 3G, Optic Fibre) and to match the growth of Internet Data Traffic;*
- *and 1.9 billion dedicated to Information Systems and cloud computing Infrastructures (Next Generation Data Centres), aiming to create the greatest Campus architecture in Italy.*

These are investments which, besides fully corresponding to Telecom Italia's objectives, will enable the country to reach the challenging objectives of the Digital Agenda.

In particular, on fixed Ultra Broadband Telecom Italia's role is and will remain decisive: our network is the infrastructure on which the majority of ultra broadband services will be developed, by us and the OLOs.

The targets specify coverage by the end of 2015 of more than 60% of the population with new generation mobile networks, and of about 50% of the population with fixed Fibre Optic networks (for the most part Fibre-to-the-Cabinet). The choice of Fibre-to-the-Cabinet is the most effective solution because it guarantees the widest possible coverage *for a given investment, thus following the demand curve, but leaving open the possibility of evolution towards other technological solutions such as Fibre-to-the-Building and Fibre-to-the-Home.*

Focusing on the development of Innovative Networks, the internet, Information Systems and cloud computing underlines our commitment to bring about dimensional and performance growth in the networks necessary to ensure a large increase in internet use, fixed and mobile, linked to the rapid spread of new cloud-based and web-based services.

In this new technological wave, the offer will also have a decisive role in the creation of demand. This implies the need for Telecom Italia to perform a triple role: 1) building the infrastructures and making them immediately available, 2) developing new Ultra Broadband services and 3) stimulating the demand for innovative services.

The future challenge will therefore be to maintain a classical business model, built around access, voice and texts, and alongside it a more flexible model, capable of keeping a sharp focus on the traditional component and at the same time maximising the value of the innovative component: the internet, cloud computing, new over-the-network services in which Telecommunications, Entertainment and Information Technology converge. This is a perspective which concerns all our markets to different degrees: Consumer, Business, Wholesale.

It is an ambitious challenge whose object is to make Telecom Italia a leading group in the new digital market, going beyond the boundary imposed by its identity as telephone and traditional network operator. Confronting this challenge will require an appropriate investment plan, great work of rationalisation and efficiency, and a major upgrading of skills.

To conclude this address I would like to summarise the key messages for a correct reading of 2012 and Telecom Italia's perspective lines:

- *We have defended excellent **cashflow generation** in an unprecedented macroeconomic, regulatory and competitive climate, contributing decisively to the reduction of the Group's debt, to the tune of over 2 billion euros in 2012.*
- *We have defended Telecom Italia's **market share** in all business segments, fixed and mobile, in the Consumer and the Business market. Telecom Italia's offer is now characterised by a profound repositioning in traditional services – not based solely on price variables, but concentrating on quality, customer assistance, loyalty building and*

innovation – and by the launch of innovative services connected with the internet and cloud computing.

• *We have continued down the road of* ***organisational evolution*** *and renegotiated the collective labour agreements with a view to improving productivity and favouring the professional retraining of Telecom Italia's personnel.*

• *We have launched investments in* ***new generation networks****, both mobile and fixed, to enable future services which will make not only Telecom Italia but the entire country more competitive.b*

At the Chairman's invitation, the Secretary read out the reply to the request for information received from Consob, which is reproduced here.

On the occasion of the Shareholders' Meeting of today's date, by an order dated 15 April 2013, pursuant to article 114, subsection 5 of Legislative Decree no. 58/1998, Consob has required a series of additional items of information and notices to be disclosed concerning the impairment test performed by the Company when drawing up the consolidated financial statements, in relation to the item "Goodwill".

In this regard, referring to Note 4 to the consolidated financial statements as at 31 December 2012 for a detailed description of the criteria and guiding principles used in carrying out the impairment test, the following statement is made.

Details of the main elements of discontinuity between the impairment test procedure used for the financial statements as at 31 December 2012 and the procedure used for previous impairment tests

As in every year, in accordance with the Consob/ISVAP/Bank of Italy document of 3 March 2010 and in accordance with IAS 36 accounting standard , the Company's Board of Directors established a specific procedure for carrying out the so-called impairment test, for the purposes of drawing up the financial statements for the financial year, aimed at verifying the recoverable value of the goodwill amounts entered in the financial statements. The procedure was adopted after a specific review conducted by the Control and Risk Committee, under the supervision of the Board of Statutory Auditors, with the advisory assistance of Professor Mauro Bini of Bocconi University, Milan.

The 2013-2015 business plan, used as reference for the 2012 impairment test process, calls for a significant acceleration of the roll-out of the ultra broadband and LTE networks. This means that over the plan period there will be cash-outs for the corresponding capital expenditures, whose benefits will not however be fully represented, as their pay-back period is naturally more than three years. Given that the accounting standards in applying the DCF (Discounted Cashflows) method require that the terminal estimate of value must be taken from the cashflows in the last year of explicit forecasting, the Company's management considered that the use of three-year projections (as adopted in the past) would have led to underestimating the recoverable value of the business units for which the goodwill impairment test is based on the DCF method.

At the same time, the management also wanted to take account of the full spread of the analysts' estimates (an external source of verification and validation of the overall reasonableness of the management forecasts) and the volatility of the risk-free rate used to calculate the cost of capital (an additional item to be considered for the purposes of the DCF method). In this regard, also in the light of the specific uncertainty of the market conditions, it was considered appropriate to introduce elements of prudence and discretion into the process in order to determine the various figures to be used for the year 2012 impairment test.

To summarise, therefore, the new procedure for the Core Domestic area contains the following new elements compared with the procedure adopted for the year 2011, bringing it into line with the practices adopted by the main European telecommunications operators:

- *extension of the forecasts over a five-year period, instead of a three-year period, to take account of the expected effects of the stabilisation of revenues and Ebitda following the acceleration of capital expenditures in broadband;*
- *maintaining the comparison between the forecasts and the consensus of the analysts, but neutralising the effects arising from the polarisation of the forecasts with respect to the extreme scenarios relating to the macroeconomic performance of the country and of the investment plan and, as a consequence, with respect to revenue performance;*
- *the estimate on a fundamental basis of the weighted average cost of capital (WACC) using the Capital Asset Pricing Model (CAPM) method, given the high volatility characterising the risk free rate, while maintaining unchanged the verification that the*

Guidelines underlying the economic and financial projections for the Core Domestic Cash Generating Unit for the two-year period 2016-2017, beyond the time period envisaged in the 2013-2015 business plan

The extension to the two-year period 2016-2017 of the forecasts used for the purposes of applying the DCF method for the Core Domestic Cash Generating Unit makes it possible to "capture" the benefits deriving from the capital expenditure allocated to next generation networks in terms of stabilization of revenues and Ebitda, benefits that are only marginally recognised in the three years of the plan. The driver for these benefits is the competitive, technological and market positioning advantage that the capital expenditures in ultra broadband and LTE are capable of generating.

In the light of the volatility of the macroeconomic and market situation, as well as the deviations which occurred in the last financial year from the plan forecasts, the reasonableness and sustainability of the forecasts for 2016-2017 relating to the Core Domestic Cash Generating Unit was verified by bringing the Company's forecasts within the range of the analysts' forecasts for the domestic market. The prospect of "zero growth" (in line with the range of growth rates applied by the analysts who follow the Telecom Italia share price, as can be gathered from the reports published after the presentation of the business plan) constituted a prudent choice, justified furthermore by consideration of the industry's general prospects, and was represented and discussed within the Control and Risk Committee and the Board of Directors.

Principal facts and circumstances that led to the recognition of the goodwill impairment loss allocated to the Core Domestic Cash Generating Unit

The impairment loss of 4,016 million euros, recorded by the Core Domestic Cash Generating Unit, is mainly due to the effects of the worsening of the economic scenario, as well as a market situation characterised by strong competitive pressures and reduction in tariffs.

These uncertainties in scenario and outlook naturally have an impact on all forecasts of operational and strategic objectives and – if confirmed by developments in the forecast period – could potentially result in similar impairments in the future. The evolution of the telecoms services market in Italy, particularly in the mobile segment, in fact depends on a *plurality of factors, largely outside the Company's control: activities of competitors, applicable regulatory framework, development of alternative technologies and/or services. It is a saturated market, where competition revolves around customer retention, with heavy costs aimed at maintaining current levels of market share, in terms of customers and revenues.*

Results of the sensitivity analysis conducted on the aforesaid Core Domestic Cash Generating Unit

With reference to the Core Domestic Cash Generating Unit, sensitivity analyses were conducted on the weighted average cost of capital (WACC) and on the long-term growth rate (g).

In summary, an increase in the WACC of 0.25 percentage points compared with the value used (of 8.63%) would have led to an increase in the impairment loss of 1.2 billion euros, whereas a reduction of 0.25 percentage points in the long-term growth rate, compared to the zero value used, would have resulted in an incremental impairment loss of 0.9 billion euros.

Remarks on the difference between the recoverable value for Telecom Italia ordinary shares at 31 December 2012 and (i) the corresponding stock market price and (ii) the analysts' consensus target prices

The shares of the main European telecommunications operators have been heavily affected by the macroeconomic situation and the significant technological discontinuities, with the consequent need to accelerate investments.

These circumstances have had a greater effect on the Telecom Italia share price due to its predominant exposure to the Italian market, which moreover is in sharp decline, and to the Company's high level of debt, accompanied by the application of lower than industry average stock market multiples.

In accordance with Consob's instructions, the above information will be included in the minutes of the shareholders' meeting and in the press release to be published by the Company at the end of the shareholders' meeting.

Milan, 17 April 2013

Lombardi, Chairman of ASATI, took the floor and read a letter (in both the Italian version and the English version) subsequently handed to the Chairman's table, annexed to these minutes with its related documents. The Italian version is transcribed below.

Shareholders,

in a complex major company like Telecom Italia, especially at highly critical times such as the present, the shareholders must have a decisive role that cannot be mortified to the mere ratification of decisions taken by the Board of Directors; and, particularly, the Board cannot refuse proposed supplements to the agenda for the shareholders' meeting, if such proposals are legitimately proposed by the shareholders in relation to strategic issues such as amendments to the bylaws and the preparation of company plans and budgets. Our proposal is to change the bylaws so as to have rules that respond more democratically to the broad ownership of the company by the next shareholders' meeting in April 2014, when the term of office of this Board will end. Moreover, we remain surprised that, from page 452 onwards of the 2012 financial report changes were proposed to articles 5.6 and subsequent articles without considering, on the agenda, the proposals made by Asati (because it does not reach 2.5%) or Findim (because contrary to law!) on 19 and 25 March this year.

Asati and Findim, separately, correctly asked that the agenda of today's shareholders' meeting be supplemented, for the following important reasons:

A) despite the progress in the conditions of the Company to the current unsustainable situation, the reference shareholder has been denying both an increase in capital and the conversion of the savings shares into ordinary shares since 2008, despite more favourable market conditions, and without even allowing the operations in this sense decided in the shareholders' meeting of April 2009 to be implemented. Since Telco, on account of its financial weakness, with its shareholders in a clear conflict of interest – see the transactions with related parties and, as we have learnt from the press, the opposition of Telefonica to the entry of new industrial shareholders – has constituted one of the principal obstacles to development, the need for a change in the bylaws is evident;

B) our share price is at a historic low, in sharp contrast to both the FTSE and DJSTOCK prices of European TLCs. The poor opinion of TI shares expressed by the ratings agencies (worst of the principal European operators) has a greater negative effect than the *reduction in the dividend or the high level of debt, also because, despite the serious economic crisis, the reference shareholder's unwillingness to sanction any increase in capital has impeded development.*

Asati is today appealing to all the shareholders present, particularly Findim and the delegates of the Italian and foreign funds, who hold most of the ordinary shares, to support, and vote for, the petition formulated below, which includes the issues raised by Findim itself in its letter of 25 March 2013 to the Board of Directors of the Company.

Only a courageous act by you, the funds and shareholders, changing composition of the Board, can finally invert the steady decline with a new 2013-2015 Plan, restoring the development prospects and faith in the company by amending Bylaws that have allowed such enormous damage to be done. Only in this way can the interests of 600 thousand shareholders, and the jobs of tens of thousands of qualified people who are eager to resume a new path to growth, be protected.

Asati renews its invitation to approve this proposal, which is not on the agenda of today's (17 April 2013) shareholders' meeting, notwithstanding the request made in good time by both Asati and the Findim Group.

Having said that, the Chairman reported that questions were received from some shareholders prior to the meeting, within the period of time indicated in the notice calling the meeting. These questions are annexed to these minutes . The answers to these questions will be provided, as will those to those questions raised during the debate. The Chairman then again invited those in attendance who intended to speak on the matters on the agenda of the ordinary part of the shareholders' meeting to book, and urged them when speaking to stick to the topics on the agenda. He reminded them that the maximum time available to each speaker was set at 10 minutes. He then opened the debate.

***

Davalli greeted those present and declared that he was prepared to welcome Hutchison Whampoa, if there is to be an integration with H3G, provided that, in valuing the shares for the possible agreement, an overly favourable multiple is not granted to the new shareholder on a par with the unrealistic multiples quoted in the press: these values are not proportional, also considering the tax losses and write-offs of goodwill. Without wishing to talk about how sensible and correct a partial tender offer might be, he appealed to Studio Origoni, Grippo &Cappelli to avoid what might turn into a “massacre” of the small shareholders. He also expressed the hope that this deal could finally be concluded, because Telecom Italia needs to return to growth: on this point he appealed to Galateri, “friend” of Telefónica, to help ensure that the agreement was not wrecked. He also hoped to soon be able to say “goodbye” to Telefónica, which, while not having done more damage than the Italian shareholders in previous managements, had perhaps contributed to the Company’s immobility. In the shareholder’s view Telecom Italia in fact suffers from its own immobility, and it is for this, rather than for its debts, that the company is penalised by the market. He reiterated his respect for Mr. Bernabè, who has great merits, and certainly was not responsible for the dissaray of the past, and again expressed his faith in him.

He then outlined some topics on which he intended to offer some constructive criticism: regarding the controversy about the remuneration of Bernabè e Patuano, he considered that the problem was not the amounts paid, but the managers’ capability to do what the market and the shareholders expect, and that is, to relaunch the company and the Group, resorting to solutions and strategies that are difficult but not impossible. The share price is falling steadily, and this fall is only partially justified by the crisis: this is a situation that is now unacceptable for both shareholders and the managers themselves. In his view Telecom Italia is also excessively penalised by the stock exchange, which does not seem to take account of positive data like the turnover, falling levels of debt, operating results. So it is important to offer positive signals, to not lose market shares (according to the press, Telecom Italia is the company whose market share has fallen the most between 2006 and the present), and also to invest and take action to conquer new markets. In other words, the impression from the outside is that the Company is not aggressive enough, that it confines itself to doing the essential minimum, when instead it should be reducing costs, reducing debt and, he emphasised, making new investments: it is – as the Chairman recently commented – a Sysiphean task, which he hoped would soon bear fruit. This requires courage and ideas, and there are qualified people, expert in telecommunications on the Board who could seek new initiatives, synergies and joint ventures, also to enter fresh markets. Given the existing debt, making the company grow requires greater effort. He emphasised that Italy – where over 50% of revenues are generated – is now a mature, saturated market, with high levels of competition: the company needs to invest abroad, in new markets, to send a strong signal.

The shareholder then made some further comments on possible operations to increase capital, recollecting how in recent years there have been rumours, subsequently denied, of possible increases which have continually depressed the share price: it would then perhaps have been preferable to carry out the increase immediately, avoiding these falls. He then declared that he appreciated the agreements reached with the trade unions, but hoped for a more aggressive approach to making people redundant, particularly in some disastrous local areas, without listening to the criticisms of the trade unions. On the possible integration with H3G, he emphasised that there would be no loss of Italian identity, which has already decreased: it would merely replace a shareholder that slows down the Company with another that might be interested in relaunching it. He ended by expressing the hope that the managers would do a good job, and inviting the foreign funds to invest in Telecom Italia.

Rencurosi, considered that the introductory reports of the Chairman and Chief Operating Officer present very positive data every year, to inspire trust and give an almost idyllic impression of the results achieved. But for Rencurosi, that's not how things are: 2012 was a disaster for Telecom Italia, characterised by little growth, no positive remuneration for shareholders and, unfortunately, debt even higher than expected. He therefore referred to the declarations made by Mr. Patuano (who on 5 April at Expo Vision stated that the lows in the share price had not been caused by the debt, but by market volatility) and the Chairman (who after February's Board meeting stated that the continual search for efficiency had allowed the Company to close the 2012 financial year in line with its targets, referring to significant results obtained in a complex economic scenario, and a process of debt reduction, thanks to solid cash generation), and commented that the reduction of debt had occurred also thanks to the sacrifices made by shareholders, and that the day after these statements trading in Company shares was suspended due to an excessive fall in price, closing with a drop of 5%. He reminded those present that after February's Board meeting the Company had also been downgraded by Moody's and by Fitch, following the downgrade by Standard & Poor's; in fact today there is a negative outlook from all three agencies. As for respecting targets, he emphasised that they had predicted debts of 27.5 billion, and actually posted 28,274 million, 774 million higher than the prediction. At the same Board Meeting, the shareholder went on, it was decided that dividends should be reduced: from 900 to 450 million, 50% lower than in 2012 (which was 23% lower than the previous year), despite the fact that in May 2012 the Chairman had given assurances that the dividend would not fall below the 2011 levels. If changing idea is OK – Rencurosi remarked – then persevering is diabolical, and he emphasised that since December 2007, when Mr. Bernabè arrived, the share has lost approximately 60% of its value, compared to lower falls in Telefonica (50%) and Vodafone (30%), and the dividend has decreased by over 100%,. He then mentioned the cases of managers Riccardo Ruggiero, Massimo Castelli and Luca Luciani, reminding the meeting that they had been charged with the false SIM card affair and had managed to have the trial transferred from Milan to Rome, and the Rome prosecutor's office will now decide whether or not to again request their committal for trial; he asked how much these managers had cost the company in terms of salaries, bonuses and termination bonus, including the non-competition agreement. The only numbers that had grown during the mandate of Mr. Bernabè – the shareholder continued – are the premiums and stock options, notwithstanding the remonstrations of many shareholders in previous shareholders' meetings. In this respect he referred to the declarations made by the Governor of the Bank of Italy, who stated that manager remuneration policies should be reviewed to align their pay to the long term results, and that termination bonuses should also be based on results; in this respect he noted that Mr. Patuano and Mr. Bernabè have announced that they have cut their own salaries, and commented that this initiative was appreciated, but late, and that "the stable door should be shut before the horse has bolted".

The shareholder then talked about the possible agreement with the 3 group, and on this topic stated that to his knowledge this group had never closed a financial year with a positive balance sheet: he expressed the hope that this is not another situation like that with Telecom Italia Media, which, the shareholder believes, has just been gifted 100 million euros. Above all, he hoped that, as has in fact been mentioned, the agreement does not involve the issue of new Telecom Italia shares, because this would mean the share price would automatically fall, to the detriment of the small shareholders. This time, the small shareholders would go to Court and fight against those who damage them by voting in favour of this operation. If – as would appear – people want to become shareholders of Telecom Italia, they must do so – in the shareholder's opinion – by purchasing shares on the market, or launching a tender offer, to the advantage of all the shareholders, not just the usual “intrepid leaders” or “small time crooks”, that the shareholders are sick of. He concluded by repeating that they could and should have done better, in recent years.

De Septis read the text of his speech which was then delivered to the Chairman's table and reproduced below. First of all, he emphasised that many of his colleagues ask him why he bothers to come to the shareholders’ meetings, which they consider a totally useless experience because – like seeing a psychologist – you go in with the hope of finding answers and you almost always come out with the same problems. De Septis, however, believes that it is an important experience, which had allowed him to meet exceptional people, such as those colleagues who, accepting the invitation of the current senior management team, reported the rottenness present in the business. The employees had thought that the new management team had the will to start to change course, that it might have been able to save Telecom Italia and thousands of jobs, but this unfortunately was a mistake. The employees’ faith had been betrayed and they had been massacred. He cited some examples of this: Giuseppe Modafferi, who spoke out in a shareholders’ meeting about a series of frauds, had been sacked; Marco Leonardi, who talked about Teleleasing, had been shown the door; Paolo – and the shareholder deliberately omitted this man’s last name – had been buried in an exchange in the North; he himself had been in a kind of in-house exile for several years; and a former colleague who was present in the room, Giorgio Anelli.

Before talking about his own experience, De Septis declared that he wanted to return to a topic that had been discussed at last year’s shareholders’ meeting: the Smart Phone Booth project, started by Telecom Italia to revitalise the public telephony sector. At that time, De Septis recalled having asked how come the initiative had suddenly disappeared into thin air, and the response had been as follows: “testing of the “Smart Phone Booth” project had been suspended because the first technical results highlighted the need to reconsider the project”. But the real reason, for De Septis, was the 6 people subject to multiple investigations, one of whom (not directly, but through someone else) for money laundering, present inside the tangle of companies that controlled the business to whom Telecom Italia had assigned the production of the prototype. He told the following anecdote about this: last year, before the shareholders’ meeting of 15 May, on 8 May, to be precise, De Septis recalled that in corso d'Italia he had met someone whose only aim was to protect the company against "crooks", to safeguard its assets and with that the interests of the shareholders and workers, so with no ulterior motive and no-one pulling his strings, as some people have implied. So, this person, who is by no means on the lowest rung of the Telecom Italia ladder, after talking about a number of topics, asked what the meeting was for, and on hearing the words "Smart Phone Booth" answered with "I know all about it", and got up and politely took his leave. From that day, the shareholder recalled, he had been waiting for one or more of the senior managers who had acted in a supposedly "superficial" way, to be removed. But nothing happened: they were all confirmed in their jobs. So then – said De Septis – today I would like to say this to "Mr. I know all about it": "avoid, if you can, using the word meritocracy in here; keep it for interviews and conferences", while he offered his apologies to the person who he had attacked bitterly in a shareholders' meeting some years ago, stating that these were sincere apologies of someone who ingenuously saw only the surface, not what was underneath.

He then moved on to talk about the experience of his friend Anelli, which is to do with the SIM card affair. According to De Septis, Giorgio Anelli is another employee who, in January 2008, trustingly reported the involvement of approximately 258 customer operators in extremely serious offences. The vastness of this topic is such that it cannot be discussed here, but De Septis stated that he was willing to provide detailed information to the current or future management. Stating in advance that he wanted to confine himself to reporting only the facts surrounding the affair in a chronological order, seeking to be impartial so as to not influence the conclusions of those present in any way, he cited the following facts and corresponding dates: 17 January 2008: the colleague wrote the first e-mail to the senior management, in which he stated that he had knowledge of "serious incidents that damage our company and that risk to compromise its economic results"; 21 January 2008: he was contacted by the General Administration, and on 23 January two senior managers arrived in Palermo. He met with them and handed over a series of documents complete with a report; 28 February: he received a letter of thanks from the senior management; 24 April, 21 July, 6 October 2008: he received three disciplinary charges; 28 November: he wrote a second letter to the senior management asking for help with what is happening to him; 17 July 2009: he received two disciplinary charges on the same day: "A record", commented De Septis. This – the shareholder continued – is the schizophrenic behaviour adopted by the company against him, this is the thanks expressed to those who believed the senior management and responded to their explicit invitation to collaborate to defeat the corruption present in the company. Instead, we had, for a long time, to watch the defence of un-defendable managers, which only public prosecutor Robledo and the men of the Guardia di Finanza were able to extirpate from the company organisation. De Septis thanked God for having met them.

Furthermore, De Septis warned that after having celebrated the funeral of meritocracy, he wanted to quickly talk about the last two affairs which need to be acted on with renewed transparency, in the interests of everyone. For the first affair, he quoted the recent words of chairman Napolitano: “the present situation is distinguished by great social tension, and we cannot exclude a return to a strategy of terror”; for De Septis, this also applies to Telecom Italia, and greatly so, because it relates to the fake and false SIM cards. In fact, the shareholder continued, as perhaps not everyone is aware, any mobile phone can become a trigger, can become a detonator; all it takes is an internet search to find instructions on how to do this, and it’s extremely simple. Just consider the Capaci massacre, carried out with a short range remote control: with a modified mobile phone, the distance from the target would no longer be a problem. A further element of perversion can be added to this image: if the wannabe terrorist puts a fake or false SIM card in the modified mobile phone, it becomes impossible, in practice, to trace it back to the culprit. This scaremongering may perhaps seem excessive – De Septis commented – but if this were not the case, then Telecom Italia should promote a joint work group with the other mobile operators to solve the problem and be relieved of any moral and above all legal responsibility.

As for the last affair to which the shareholder intended to comment, it was promoted by an e-mail circulated in the company with the subject “*Investigation of environmental pollution at Parco dei Medici*", the essential parts of which are reported below: “*Work at Parco De Medici. In the last four or five years, unfortunately, at least 12 case of tumour have been ascertained on my floor, and this is only among the people I know directly. Perhaps it would be appropriate to examine the issue in greater depth, to understand if there is some form of environmental pollution on this site*”. About a month after this communication was sent, the shareholder continued, the company called the trade unions to a meeting and responded that the analyses carried out to test for the possible presence of asbestos, hazardous transmission equipment in the area and the safety of the water had all been negative “excluding any risk at present”. Like performing a rectal endoscope instead of a pharyngeal swab, to diagnosis a throat infection, said the shareholder. If the alleged problem is in fact a high percentage of tumours, it would have been advisable to check the level of radioactivity in the ground; this is the only way to be absolutely certain that there is no risk. However – De Septis acknowledged – by confining himself to these statements, he could rightly be considered a mythomaniac: for this reason, he stated that he wanted to supply a series of elements which, while they do not provide absolute certainty, are able to raise some doubts in anyone, while there should be no doubt when a fundamental right enshrined in the Constitution is involved. These elements are as follows: cross checking the information available on the internet with that obtained by interviewing some of the inhabitants of the area, including someone whose job is to safeguard the ecological heritage of Muncipal Area XV, the likelihood that the assertion has some basis in truth is, unfortunately, high; tracing the history of the site where the Parco de’ Medici offices were built shows that the area was called Pian Due Torri until the end of the 1980s: it was a bend in the Tiber, a natural basin that, within living memory, was an immense dumping ground, and this is confirmed by a document that can be found on the internet stating that there was an inert waste landfill in the area before the Parco De Medici Golf Club was built. Another official document from the Lazio regional office for environmental protection shows that there were a number of waste recycling companies in the area, one in particular handling toxic waste (Controlfilm S.r.l.); finally, and again on the internet, another document can be found that mentions the rejection of a plan for social housing in the area by Municipal Area XV because the soil core samples taken before the construction sites were established revealed the presence in the ground of enormous layers of waste to be cleaned up.

Given these elements, De Septis asked (i) for Telecom to commission all the tests, including measurement of the level of radioactivity in the ground, that would eliminate any doubt about site contamination; (ii) that the results of the tests be made public and accessible to all; (iii) that the person who sent the e-mail be protected from any form of pressure.

Volpe, firstly stated that he had prepared a text of his speech regarding the Broad-Based Share Ownership Plan, to be dealt with in the extraordinary part of the meeting, which he delivered to the table of the Chairman and that – at his request – is annexed to these minutes. He then commented about the other topics under discussion, on which he stated in advance that he was greatly perplexed about two issues. The first concerned Mr. Patuano, who based his speech on the principle of "trouble shared is trouble halved", emphasising that all the telephone companies in Europe are doing badly, and Telecom Italia, fortunately, is doing less badly than the others. But for Volpe this was not a good result. The other source of perplexity was pay: the shareholder disagreed with whoever first expressed the view that "the problem is not the amounts paid", and quoted the founder of Olivetti: "*For me, as owner of this company, the right ratio between a worker and me is 1 to 20*". Volpe pointed out that, as an employee, he earned 2.000 euros – for which he thanked the company, which thus allowed him to create a family, buy a home and live a decorous life – and calculated that this amount multiplied by twenty makes 400,000 euros. But instead, I am not certain that these figures correspond to the pay of the managers: there is an enormous number of managers who in Volpe's opinion do not deserve anything at all, who earn a lot more than twenty times the employees who, like him, also risk their lives on a daily basis, for a million lire, in old money. Only someone who does not know the company could think that Telecom Italia technicians are not valid: to the contrary, they are the best in Italy, if not Europe, and have in fact taught their Telefónica colleagues how to use the exchanges. So the Chief Operating Officer and the Chairman should – in the shareholder's opinion – have defended the technicians when they were criticised.

He then recalled the message the Chairman sent to the employees during the Colaninno tender offer, inviting them to not sell their shares, and quoted one specific phrase: "*Telecom will be destroyed as if by a bulldozer*"; for Volpe, this if not worse is what actually happened. He recalled having benefited from the so-called mobility allowance – and for this he thanked the company, which offered its help – but also having had many friends who feared for their future; in fact, he had read of agreements that appeared particularly odd, and the reduction in staff numbers did not appear to have produced any advantages to the share on the stock market. He then discussed marketing, and recalled, from his experience in the sales sector, that he had often realised that the Company was selling inadequate products – in first place the videophone – and that customers realised this: he asked why some of those responsible for these unfortunate occurrences were still in their jobs. He also cited the example of the large sum of money invested in the CRM system, to the sole advantage of Accenture and other consultants paid sums that, for the shareholder, were crazy. He concluded by again expressing the hope that senior managers' salaries could be reduced, and reporting that there are many middle managers in the company who no longer have any task or responsibilities.

Lombardi, **Chairman of ASATI**, made and commented on the speech which was then delivered to the Chairman's desk and is reported below.

Asati is present today with the proxies of 2,300 shareholders, its vice-Chairman Mr. Fogliati and over 50 members, some of whom will, after me, speak further on the issues being discussed. Today's shareholders' meeting is taking place at a very difficult time for the Country and the Company, and so to clarify and contribute to the debate, this speech will deal with the following main topics:

1. The current reference scenario
2. The negative aspects of the 2000-2007 management team and the consequences
3. The negative consequences of the current majority shareholder
4. The results and the negative actions of the current management
5. The positive actions of the current management
6. The Asati proposals
7. The questions

1. The current scenario

The GDP of the Country decreased by 2.2% in 2012, and industrial turnover fell by 6.3%, the economic crisis undoubtedly influenced the reduction in the Company's revenues, compounded by the serious political crisis that caused an absence of a stable Government which meant that major decisions to support the economy could not be taken, depressing consumption as a result.

Regarding share performance over the last year (figures at 12 April 2013):

- FTSE +6.1%
- DJS TEL +1.3%
- DJ STOXX 600 +13.6%
- TI (ord.) -23.2%, Moody, Standard & Poor and Fitch debt ratings Baa3/Bbb/Bbb with negative outlook

With these figures Asati is convinced that it cannot accept that today's dramatically negative Company performance is attributable solely to the general economic crisis, but to something else…. as you will see.

2. The negative aspects of the 2000-2007 management team and the consequences

In all the shareholders' meetings since 2008, Asati has publicly denounced all the irreparable damage caused by those managements, which still weigh on the economic performance of the company like a millstone. To refresh your memories, the most significant ones are summarised as follows:

2.a Gross debt of 42.7 billion and net debt of 35.7 billion, goodwill of 44 billion, due to the merger of Olivetti (Colannino) into TI and the purchase of the minority holdings of Tim (Tronchetti);

2.b Transactions in conflict of interest and maladministration, including:

- the sale of 7 million m2 of Company property, including property in high value areas, at an average price of 850 euros/m2., then leased back to TI itself at a rate 7-9% above the market rental price, and frequently with ordinary and extraordinary maintenance at the expense of the tenant; today TI pays annual rent of approximately 400 million euros, which the current management team is renegotiating, where possible, but with the serious consequence that, since the exchanges cannot be vacated, and hence still rented, this will constitute a further economic burden because the company will never have the expected and much vaunted benefits of the sale of these premises;

2.c The largest facility management contract, with MP-Pirelli RE, initially for over 130 million euros, on expiry of which there will be a tendering process;

2.d The sale of TLC equipment for tens of millions of euros;

2.e Financial statements approved in the Shareholders' Meetings of 2009-2010 which were not truthful;

2.f Unlawful dossiers and unlawful transactions by the 2001-2006 management team, documented in the report commissioned by the current Management in March 2010, into the false SIM cards, unlawful dossier creation, Sparkle case, anomalous equipment sales, factors that are still featured in the press, with very severe consequences for the image of the Company and losses of several hundreds of millions of euros also for potential damages that are gradually being posted to the various financial statements, most recently international money laundering, false statements given by the Managing Director of the time, Enrico Bondi, and the ex head of HR, Maglione, in the recently resumed bugging trial.

3. The negative factors of the current reference shareholder and the current Board of Directors and their consequences

According to the current bylaws, the reference shareholder appoints 12 of the 15 directors and 3 statutory auditors. This situation, absurd and absolutely not corresponding to the broader share ownership of the Company (600,000 shareholders) is one of the principal causes of the disastrous situation of the Company today. The main reasons are:

3.1 Continuous vetoing of any increase in capital since 2008 even when permitted by market conditions, 1.5-2 euro since 2008;

3.2 Opposition to the use of the **1.6** billion increase in share capital already approved by the shareholders' meeting in April 2009, never used. So why the decision? This was not to defend the share!

3.3 Conflicts of interest for transactions with related parties: just consider the presence of the shareholders with controlling interests in other Companies, in conflict or in competition with TI, Telefonica, which has produced insignificant synergies and in fact would oppose any new shareholder and is in evident conflict of interests;

3.4 Costs, suits, reputational damage, also linked to the legal disputes with other Countries and regulatory Authorities due to shareholders, Telefonica, with interests in Countries such as Argentina and Brazil, with the costs sustained by the Company;

3.5 Opposition to liability proceedings against the 2001-2006 management team, causing the period within which proceedings may be brought to expire, with the historical decision of 16 December 2010, when the Board decided to not proceed with any legal proceedings, the Directors did not even read the 400 page Deloitte report although all except one ***independent director*** expressed their ***opinion to not proceed;***

3.6 They have influenced the policy on dividend distribution;

3.7 They will surely constitute an obstacle to the entry of any new majority shareholder;

3.8 Mr. Galateri has experienced all the vicissitudes of TI from the privatisation onwards until he became chairman in 2007. So he should know the critical aspects of the company very well. Today Asati is aware that he is one of those suggesting to Telefonica that it should oppose this new industrial initiative and would assume attitudes that are potentially hostile to the current management, but everyone knows that Galateri chose Rossignolo as the "very powerful man" to lead the newly privatised TI and the decline of the Company started there, so Asati would invite him to be more prudent, and more humble, in his suggestions and his hostility!

4.1 The results and the negative actions of the current management

Even if the results of the current management are conditioned by the above points, and as a result the small shareholders did not insist that the economic results continually improved over these 5 years, for a complete and transparent view Asati would emphasise:

4.1 The 50% reduction in the dividend from its 2011 level, a measure which was on the other hand confirmed to the financial community up to the end of November 2012;

4.2 The non-achievement of the target to reduce net financial indebtedness: the actual reduction was to 28.3 billion euros instead of the 27.5 billion confirmed up to the end of November 2012;

4.3 A continuous decrease in the domestic market for over 20 quarters, also in double figures, particularly in the mobile phone sector;

4.4 An advertising campaign that was below par, whose target was unclear. An impersonal campaign totally lacking character in comparison to competitors of the TI and TIM brands, currently being transformed;

4.5 An industrial plan based only on cost reduction, not on development, which envisaged only losses of revenue, lacking over the top positioning, new ***business opportunities, smart city and LTE and FTTC estimated revenues;***

4.6 Delayed insourcing of all activities for which there is in-house expertise, call centres, consultancy, facilities management, activation of user equipment, ordinary maintenance, etc.;

4.7 The non-proposal of the whole remuneration policy of the Company, requested several times by Asati, in which the management receives disproportional levels of remuneration, MBOs, long plan incentives, in relation to the results obtained, and so the

4.8 All the golden parachute agreements for past senior managers: Spreafico, the latest scandalous agreements of Luca Luciani, of La7, for over 3 million euros to the Chairman, Managing Director, of senior managers for the disastrous results obtained;

4.9 The renewal of an employment contract signed by just 7,900 (15%) of the 52,000 employees of TI S.P.A. which according to some trade union representatives would lead to large scale redundancy if not signed, a contract that although it did include some positive contractual innovations, weighs very much on the employees, who have ***lost pay, and this will surely have a negative effect on the climate of human resources;***

4.10 ***The choice of the hybrid***

5. ***The*** **positive points** *of the current management*

5.0 To have sought external solutions, in the absence of financial resources from the controlling shareholder;

5.1 To have removed, although after a long delay, the top managers linked to the disastrous previous management, in 2008 and 2009 (Parazzini, Spreafico, Chiappetta);

5.2 The reduction of approximately 7.5 billion in the debt;

5.3 To Commission the Deloitte report, although it does not include the fire sale of the enormous real estate portfolio, it reports all the negative transactions and the restatement of previous financial statements. Damages for several hundred million euros;

5.4 Having resolved, with positive outcomes, all the disputes in Argentina and Brazil due to the presence of Telefonica among the shareholders of Telco;

5.5 The LTE and FTTC investment plan;

5.6 The 2010 and 2012 employee share ownership plan requested by Asati;

5.7 The 70% reduction in the remunerations envisaged in the MBO and the cancellation of the long term incentive plan for 2013 as urged by Asati, which had asked for much more, although Asati would have preferred a very different selectivity and an MBO of 10,000 euros not 100,000 euros;

5.8 To have proposed different solutions for the entry of new shareholders, since Telco does not want to put new economic resources into the Company;

5.9 The extraordinary shareholders' meeting for the liability proceedings against Buora and Ruggero, the first in Italy for companies that have not gone bankrupt;

5.10 Joining the proceedings against Tronchetti Provera for international money laundering as civil party.

6. The Asati proposals

If the Board of Directors and the management had implemented all the proposals that Asati has made in these years, from 2008 to today, as attested by the letters sent and the minutes of shareholders' meetings, today the Company would certainly not be in these dramatic condition. Asati wants to summarise them: capital increase, change to the bylaws, CDP agreement.

6.0 The Hutchison Wampoa Group should present a "partial voluntary preventive public offer to purchase" (envisaged in art. 107 of the Consolidated Financial Law) up to 30% of the capital at a price of 1.2 euros, the bylaws should be changed, the Net company should be created with CDP;

6.1 Changes to articles 7 and 19 of the bylaws, which now provide for 4/5 of the directors and 3 statutory auditors to be appointed by the majority shareholder, with a fairer distribution, dual system, supervisory board and management board, which represents ***all of the more than 600,000 holders of ordinary and savings shares in a proportional way***;

6.2 The increase in capital, which Asati proposed immediately in 2008-2009, when the market conditions permitted this and the share price was between 1.5 and 2 euros, would have improved the debt and the debt/ebitda ratio, one of the most critical factors in assessing economic performance, currently at 2.8!;

6.3 The agreement with CDP for the net company; back in 2007 Asati made a similar proposal and reproposed it in every shareholders' meeting until 2012. In 2008 the copper network would have been worth over 20 billion euros and the inclusion of a strategic partner holding ***30-40% would have allowed the company to increase the investments and reduce the debt;***

6.4 Asati asked for an industrial plan based not only on cost cutting, but on development. This hasn't happened;

6.5 The review of the whole remuneration system, based on easily calculable final results, from the Chairman to the lowliest employee, and the cancellation of all the golden parachute contracts – completely unethical, given the awful results achieved - which have worsened costs in an unjustified way, also in the light of disasters caused by all the managers who left the company in the period 2007-2012;

6.6 The freezing of all the MBOs and the cancellation of all the long term incentive plans for as long as conditions are critical, even on a selective basis;

6.7 A different dividend policy was needed, implemented only to meet the needs and impositions of the shareholder Telco, but that in this situation should have been clearly different in these 5 years.

The questions

1. To the Chief Executive Officer

Regarding the potential agreement with new shareholder Hutchison Whampoa, which has the merit of making the shareholder Telco take its responsibilities on whether or not to remain a shareholder of TI, if it is concluded, what would be the real advantages for the minority shareholders, who Asati believes will only be protected by a transparent tender offer?

Is the opposition of the Telco Shareholders, and in particular of Telefonica, to the entry of new shareholders, as mentioned in the press, not a clear conflict of interest?

2. To the Chief Operating Officer

It is evident that the weakness of the domestic market is one of the principal factors in the weakness of the Company's overall economic system. The figures worsen month by month, the long term trend cannot be justified by the crisis the Country is experiencing alone. These progressively worsening figures are not in fact linked to the crisis of government, or the crisis in average family income and the difficulties of industry, but as the company is incapable of launching new services to **improve its profitability, the results are worse, probably in the first quarter too, than the general economic indicators. TIM lost 446,000 customers in 2012 and 106,000 in the first months of 2013! Having said that:**

What concrete and measurable actions are you thinking of taking in the three year period 2013-2015 to stop this haemorrhage of income that has continued for more than 20 quarters, since it is always worse? Bear in mind that your responses will also affect the future of the company, the shareholders and the support of over 60,000 workers' families. Why did the COO, although being the head of the domestic sector whose negative performances are one of the main causes of the non-distribution of a dividend of the same level as 2011 , confirm to the market, most incautiously, that the dividend would be maintained at 2011 levels, up to the end of October 2012?

3. To the Chief Operating Officer

How are the domestic results, divided into fixed and mobile services, in the months of February and March 2013, which Asati would not wish to see falling sharply again, and is it ***possible to have the*** forecasts for the first quarter of 2013? How many customers has TI connected to the new FTTC and LTE network, ***to date***?

4. To the Board of Directors – the question is addressed to all the directors present, and above all to ***those appointed by the shareholder Telco***: are they aware, that with all the vetoes cast – of the increase in capital, of liability proceedings (see the historical decisions of the Board on 16 December 2010), with the ad hoc inspired murmurs to weaken the current management team, with the unbridled conflicts of interest with related parties, with the defence of interests between cross shareholdings, that they laid the foundations for a disastrous contribution that was confirmed today? Have they got the courage to come here today, the most suitable place, at the most important and most representative moment in corporate life to explain what their strategy is to get out of all this?

5. To the Chairman of the Board of Statutory Auditors, to all Statutory Auditors and to Mr. D'Andrea

Is Mr. Bignami aware that on 16 December 2010, the day of the famous Board Meeting at which the serving directors decided to not proceed with the liability proceedings against Tronchetti Provera without even reading the 400 page Deloitte report, that at the very same time Deloitte Touche was resigning as an advisor of the Tiglio I and Tiglio II companies, the paper factories used by the top management of that time to sell off the TI real estate? Does this not seem to the Chairman of the Board of Statutory Auditors to be a serious matter, and what does he have to say about the fact that the properties were not mentioned in the Deloitte report, it would not have been necessary to carry out an audit of the TI directors of the time holding a shareholding in Tiglio I and Tiglio II, some of whom are senior managers in the current structures? Do not say that this has been answered in previous shareholders' meetings because a new fact has been established. And Mr. D'Andrea, instead of auditing the compliance office, should audit what really needs to be audited!

6. To the Executive Chairman and the Chairman of the Board of Auditors

Analysing the question of having joined the proceedings against Tronchetti Provera for international money laundering as civil party, Asati has been informed that members of the

Board of Directors and of the Board of Statutory Auditors have received a potentially threatening letter from said Tronchetti Provera. What are they thinking of doing? And has the writ heralded by Tronchetti arrived?

7. To the COO and Mr. D'Andrea

Asati has knowledge that the COO supposedly completed a transaction with Onda recently. This company, that among other things produces very poor quality internet keys, was implicated in unclear and non-transparent relations with Mr. Luciani, and has also been chaired by Mauro Sentinelli. A company whose MD was Agrusti, brother of the Agrusti who was MD of Generali. Can you tell us what this transaction concerned, and if it has been the subject of any TI internal audit ? Have there been any alleged disciplinary offences?

8. To the Executive Chairman and Mr. Mangoni

With reference to the disasters caused by the Luciani management, in Brazil, regarding the critical nature of the network a higher than planned volume of investments is expected, if this is true, cash resources in Brazil will decrease, putting at risk the consolidated equilibrium of the Group. How do you propose to resolve this crisis, since if you do not intervene, also bearing in mind the saturation of that market and the feeble domestic situation, the economic equilibrium of the whole Group might become critical? And, furthermore, why is Mangoni leaving the Company?

9. To the Executive Chairman

In relation to the recent legal judgement regarding the declarations made by former Managing Director Enrico Bondi and the former head of personnel Mr. Maglione, accused of having made false statements to the public prosecutors on the well-known bugging affair that damaged the image of the Company enormously, and caused personal damage to Nola and Gallina, Asati asks that TI applies to be joined to these proceedings as a civil party as it has always done, so as to obtain compensation for the damages caused to the Company. Can the Chairman confirm this? Who will pay all the potential damages, for which provision has already been made in the financial statements, including the damages caused to other subjects who were spied on, and which total several tens of millions of euros?

10. To the Chairman of the Remuneration Committee Mr. Catania

To avoid the scandals of the six figure termination bonuses of the past – Buora, Ruggiero, Parazzini, Chiapetta, Spreafico followed by Luciani, Stella and others – caused by the scandalous golden parachute contracts, if today's key managers were sacked tomorrow, how much would they get? And, furthermore, the remuneration report appears to have been written essentially for 5 people. Does the Chairman of the Remuneration Committee not think that it might be appropriate to review the whole work structure, so as to identify clear targets and rewards for all strategic resources? In other words, do we know how much the whole first- and second-level strategic resource structure costs? How many of them are there, today? And how much do they cost?

11. To Mr. Migliardi, head of human resources

Is he aware that the recent contract renewal, approved by just 7,500 of the 52,000 employers, i.e. just 14%, has created a very critical climate, due primarily to some factors such as heavy levels of solidarity and the merging of many work centres which will force employees to travel hundreds of kilometres every day? How is remote working going, is it a possible alternative? Has it been well-accepted, spontaneously, by the workers?

12. To the Executive Chairman and Mr. D'Andrea

Asati has knowledge that Mr. D'Andrea carries out his audits based on the formal aspects only – it is enough to consider the Naaji Naas audit for international corruption, a matter which only came to light as a result of actions by Asati and by the Milan Public Prosecutor's office. How come all the audits only produced results after things have been done, and exposed? Given their delicate position, heads of internal audit are rotated every 3-4 years in every company in the world, does it not seem to Mr. D'Andrea that the time has come? And furthermore, instead of auditing the compliance office, he should go and investigate more serious things, what does he hope to find?

Savina read the speech reported below, which was then delivered to the Chairman's table. He firstly recalled that during the activities of the Asati association, with particular reference to the contact actions it organises to collect voting proxies and to prepare for the shareholders' meeting, it was to be expected that there would be much uncertainty, anxiety, anger and distrust among members, among internal shareholder employees and in everyday life among colleagues, an unequivocal demonstration of a poor atmosphere in the company. The apprehension was stronger, the shareholder continued, within the so-called civil society, expressed among the many small savers and through authoritative external shareholders with whom Asati deals and which it has the privilege of representing. Looking at the Country, the perceived feelings are also well described by parents, who fear that their children will have worse lives than their own. He himself declared that, as a father, he identifies with this, and knows that this feeling was not shared by his own father: if distrust seems to be widespread, these days, it is only because the capacity to imagine the future as better than the past has been obscured. But this – Savina continued – is not the time for resignation or for renouncing to change, and with the work of the tireless Chairman , Mr. Lombardi, through Asati, with enormous commitment, passion and personal sacrifice, Asasti is seeking to reiterate the importance of active participation, and to promote broad share ownership, demonstrating how the strength to keep going can be found in the crisis. For Savina, resisting and reacting means not resigning oneself to the idea that the best people are the opportunists, the sly, the "expropriators", and Asati is certain that the best people are those who commit themselves, those who build wealth, those who contribute to create the conditions for economic activity to be deployed at its full potential: producing wealth and redistributing it fairly. In the Country and in Telecom Italia too, although some recent extraordinary professional exits go in the opposite direction, the latter are still more numerous than the former and this seems good grounds to start again.

However, it is indisputable – the shareholder emphasised – that the project effort that everyone is called on to contribute to must take account of the current situation; there is a lack of trust, there are many conflicts to be overcome, for example in the ways in which common good and the sustainability of the tools one intends to use are understood, and this is an asset that must be rebuilt through transparency too: that of opposing interests , the dynamics of finance, particularly when they concern an industrial entity that is part of the heritage of the Country, and which even today seems to be a terrain on which some systems of power oppose one another, leaving in their wake scenarios of desolation on both a social and industrial level. It is not a question of returning to the past, he clarified, but if we do not reflect on the mistakes, there is a risk of planning a poor future, and so we should be questioning ourselves about access to state shareholdings in the 1980s, and on the infinite and inauspicious intermingling of economy and politics, not to mention the misappropriation of public money that seemed for a long time to be congenital to a distorted system, and at the end of this excessive path we finally get to the opportunism exhibited in the governance of public and private businesses, and Savina stated here that he also wanted to refer to the sensitive corporate issues that have led to Telecom Italia being the subject of investigations by the Milan public prosecutor's office. In this respect he recalled that in their work, some managers, of industries as well as in finance and in politics, did not exhibit those qualities that play a primary role in economic activities: caution, sincerity, firmness and transparency of work in the common interest. The truth, for Savina, was that to resume the journey and start again, everyone should take to heart the reasoning and assessments developed from observing the dark deeds that involved Telecom Italia, and understand, definitively, that the economy is not a matter to "leave to market forces", but is a collective commitment, a widespread responsibility that today, in the economically depressed situation in which we find ourselves, can and must mean sacrifice, but sacrifice for all.

Today in these surroundings, and for some time past, people have been discussing the future of Telecom Italia, Savina wondered what model it should be inspired by to resume the journey: the "intrepid leaders" who saved Alitalia at the taxpayer's expense, or perhaps the model of the "imperfect" privatisation of Telecom Italia? Leaving the opportunity to others to reply on the model to follow and the ways in which we will redesign the proper role of the company in the international competitive context, Asati emphasised how urgent it was for the minority shareholders to be present by right when decisions are being taken: Board of Directors, Board of Statutory Auditors and Supervisory Body. He then declared that, with Chairman Lombardi and in agreement with the other members of the Asati Executive Committee, he had decided to read, in anonymous form, some of the emails the Association had received: messages that show the anger, disquiet and unease, but also the great desire to actively participate, because this too is part of the atmosphere of the company. He then read the following message: "*Hi, I have completed the proxy form so that Asati can represent my interests as shareholder and employee in the shareholders' meeting. I read an interesting article on the position being adopted by a reference shareholder like Marco Fossati, I greatly hope that Asati will support and sponsor the actions of shareholder Fossati. Recently the share price has fallen to worrying levels, providing incontrovertible proof that the serving management is incompetent, and they*

cannot find alibis or excuses in the face of the share price. Management of the negotiations for the contract renewal, the arrogance demonstrated towards employees and the desire to undertake sweeping cost cutting without a serious industrial plan to reacquire credibility and efficiency leave an indelible sign of the crisis of competence that the management is experiencing. I hope that Asati will actively interest itself in this".
At the end, Savina concluded his speech by offering to the Chairman's table the usual gift representing the commitment of Asati and, to illustrate his urging for transparency, recalling the image and words of Antonio Manganelli, a man who had had the privilege of guiding an important institution with the dedication to make it appear a house of glass, and who felt this requirement as a true necessity, to the point of asking forgiveness for the mistakes of the past.

Zarillo read the speech that was then delivered to the Chairman's desk and reported below. He firstly reminded the meeting that he is a small investor, an employee of Telecom Italia and finally a member of Asati who has the best interest of the company at heart. He intended to bring to the attention of the meeting a fact that was already known, namely that this year, again, and in fact for the second consecutive year, the dividends distributed by Telecom Italia would not be covered by the consolidated operating results. The shareholders hoped that it would be possible to decrease the level of net debt (currently 2.4 times EBITDA), but unfortunately, despite the sale of little gems considered to no longer constitute core businesses, the debt is still there, despite the sacrifices employees had been asked to make with the new solidarity contract, the new clauses to make productivity more efficient (which – stated the shareholder – were welcome if they improved performance). On this issue, Zarrillo asked what total reduction in costs was expected from the application of the solidarity contracts, emphasising that these are contracts that the trade union representatives presented to the employees as a great result, but which one of the national newspapers had described as a huge con trick. He also asked how much would be saved with the cut in meritocratic policies (and he pointed out that he was not referring to MBOs and the Long Term Incentive plan), and if anyone had calculated the amount by which the feeling of being part of the company, and the impact of this on people's motivations is decreasing; these are in fact "invisible costs" which, however, will unfortunately become more and more tangible if the company continues along this path.

He then declared himself in favour of the cut to the meritocratic policies, also because in his opinion it had always been impossible to understand the rationale behind the meritocratic policies adopted in the past. So he renewed his request for a commitment to implement a true meritocratic and reward system, efficient and above all transparent, with clear and known rules. He expressed the hope that more would be done about this: after the initiatives dedicated to degree pathways for colleagues, the latest initiative centred on the development of people, i.e. human capital development, represented a great example of the fact that we are working well. However, we should aim higher, and here he appealed directly to Mr. Zingales, to ensure that his views about meritocracy are not betrayed in precisely that company in which he serves as a director.

The shareholder then returned to the subject of the dividend, emphasising that in his view it would be more useful, or more cautious, at least, to postpone its distribution until the Company's net financial position is more sustainable. It would also be advisable, for the next years, to leave the decision on whether or not a dividend should be distributed to the shareholders: this possibility, today, while not denied, is made more difficult by the fact that the votes on the dividend and on the financial statements are combined in a single resolution. He announced here that the Asati shareholders would abstain for this reason.

As for the remuneration report, he recalled that last October, in the shareholders' meeting, the small shareholders fought, alone, like caged lions, to ensure that the damages of the regime of former Executive Director Riccardo Ruggiero, estimated by Deloitte to be between 19.9 and 27 million euros, were not compensated with a sum that, then and now, is, for Zarrillo, euphemistically paltry. Given this, he considered it absolutely essential that Telecom Italia introduce claw back mechanisms after confirmed and proven fraudulent conducts, obviously with the evident and well-founded hope that they should never be necessary. He concluded by asking if the Telemaco pension fund, reserved to TLC workers and therefore also to employees of Telecom Italia, was one of the shareholders of the Company.

Cattano read the speech delivered to the Chairman's desk which is reported below.

She stated that she had worked at Telecom Italia for 25 years, and first of all wanted to comment from the perspective of a female employee, trade union representative and shareholder. She recalled that on 5 March 2013 the Board of Directors had resolved to adopt the new version of the Code of Ethics and Conduct which prescribed certain targeted operations. In particular: (i) it focussed on the following founding values of the Telecom Italia Group companies: the excellence of the customer service, creating value for the shareholder and the community, while respecting the human resources who work for the Group; (ii) all forms of discrimination and harassment are condemned, and diversities in the company are considered opportunities for growth and enrichment; (iii) there is an explicit reference to the fight against all forms of corruption in line with the anticorruption policy and internal procedures.

In relation to this, Cattano intends to put to the shareholders some topics based on considerations common to many workers, which contrast with the content of the Code of Ethics, and in particular with article 4.4, which she read aloud: *"Group companies recognize the central role of human resources, in the belief that the principal factor in the success of every firm is the professional contribution made by those who work for it, respecting diversities, considered an opportunity for growth and enrichment, in a context of fairness and mutual trust".*

The first topic illustrated by the shareholder concerns respect for human resources and above all the "pricelessness" of Telecom Italia workers. In her view, the company has long forgotten that everyone can really and substantially make a difference in relation to competitors, thanks to the passion and professional approach that distinguishes the company, and above all to their capillary presence throughout the whole country. She referred to a television advertisement with the slogan *"Il telefono, la tua voce"* (*The telephone, your voice*), and emphasised that Telecom Italia had been and could again be the voice of the whole of Italy: the company really does represent the history of telecommunications, and has the know-how, economic resources (for as long as they last) and competent personnel. She then linked this to the topic of respecting human resources, reporting that in her view the personnel must be motivated, incentivised and convinced that a rich company like Telecom Italia has to be properly protected: for this reason, too, she supported the Asati project for broad-based share ownership among employees to enhance their sense of belonging to the business. On this subject Cattano proposed that, taking account of the salary cuts resulting from the solidarity initiative, the deduction for shares offered should be payable by instalments over three years, possibly also on a share of the

severance pay, and thus be aligned with the institution of the bonus share, rewarding the loyalty of old employee customers.
Financial statements, she went on, are made up of numbers, but behind the numbers, there is work for over 50 thousand people, in Italy (a number which, at the time of the merger and the birth of the new Telecom Italia was almost 150 thousand), which must not be considered merely a cost (and consequently as a necessary surplus), but as the true driving force, the beating heart, the lifeblood of the company. Instead, in Cattano's view, there is now the delocation of resources and call centres: instead of exploiting the disseminated workforce, this capillary coverage is considered too costly, switching to the centralisation of offices and the closure of historic local workplaces. She reported that there are colleagues who have to travel up to 100 km to reach their workplace, and that most of these are women with families who are left with remote working as their only opportunity. Leading one to wonder if this is female emancipation, and if being a woman means, in this way, an opportunity for growth and enrichment. She reminded the meeting that in Telecom Italia women represent just 29% of the workforce (and only 15% of managers and 43% at level four) and reported that these are women who are often forced to reconcile family and work, or to dedicate themselves totally to the company, although without receiving the just recognition over the years. She emphasised that there are employees with over 20 years' work experience who are still on level four, or level five at the most, because there are not rated for professionalism and seriousness because they have chosen to have children, considered black marks on a career path.
Cattano then wondered if this could really call itself "Progetto donna (Project woman)", and what happens to respect for resources and the code of ethics in these cases. In her twenty-five years' experience, she had never seen appraisal of all human resources applied correctly: meritocracy is in fact non-existent, because too often people are appraised in a subjective and merely discretional way, not on the basis of work done, skill and expertise. In this respect Cattaneo mentioned the presence of employees who are graduates, professionals, engineers and lawyers who are underemployed (at fourth and fifth level) and, above all, not rated because of the job-roles they have: examples of the total non-existence of personnel management or of proper recognition of professional skills.
She recalled that some years ago employees were asked to participate in "knowledge mapping", with no discernible results or consequent improvement initiatives. "Gaussian"

assessment of performance is carried out by managers who do not even know the people concerned. Cattano asked herself how this could be coherent with the slogan “Amo il tuo talento (I love your talent)”.

The second topic Cattano wanted to raise concerned the fight against all forms of corruption, as described in the anticorruption policy. She recalled that the company had made multimillion termination bonuses to senior managers who had committed fraud and ruined the company’s image on the market: she asked how this could not be a derogation from the code of ethics and the policy mentioned, and if the solidarity initiative had not paid for this cost too. She emphasised that the 40/60 million euro savings obtained from the solidarity initiative equals the amount paid out for management remuneration.

In the shareholder’s view, at a time of crisis and economic belt-tightening, waste continues: MBOs, massive payments to “strategic” resources, while the normal employees are subject to the solidarity regime. She then cited the waste in the ordinary management accounts such as (i) cars to senior managers and many level 7Q executives even if no longer part of the structure, with benefits including fuel, insurance, road tax, maintenance and garage fees, as well as daily newspapers and news magazines, publications and miscellaneous entertainment expenses totalling several million euros per year, and (ii) the external consultants: overpaid professionals who too often do not know the business, while there are qualified employees who could offer the same services at a cost that would surely be a lot lower, who would also have knowledge of the business and many years’ professional experience. In this respect she asked if it was necessary to resort to all these consultants, and if this was coherent with cost cutting, making more efficient use of economic resources and valuing internal human resources.

Cattano remembered having chosen to be a shareholder not for monetary gain (given the trend in the share price and the fact that the Company has over time been deprived of its best economic resources thanks to the “light hearted” regimes of the various managers) but out of conviction, and an innate sense of belonging deriving from the fact that her father had been recruited in Teti in 1958 and had dedicated his life to his work. Today, after 25 years, Cattano would like to be able to still say *“I have a dream”* (as the illustrious man said, in the phrase used in one of the Company’s television advertisements), and instead, unfortunately, she finds herself saying “*I had a dream*”, like many of her other colleagues, some of whom were shown the door from one day to the next (she quoted from the redeployment agreement signed on 27 March), workers who, after decades of service, had been treated in an uncivilised way, in her view, with no respect for their dignity. For Cattano, certain kinds of behaviour cannot and must not happen, and she asked if the Chairman was aware of them. As a trade union representative of the workers, she offered her most sincere excuses to these workers, particularly for not having thought of including in the agreement "behavioural" annotations addressed to the company and its HR managers to avoid the horrible scenes witnessed by workers in several sites: for herself, she had believed that the company would have applied the code of ethics, recognising the true value of the human resources, while this occasion provided further confirmation that it had not been. Feeling repudiated and cast out after so many years of devotion, Cattano concluded, causes people to lose all hope for the future, leaving only delusion: she therefore hoped that, in the light of all this, in coherence with the slogan "communicare e condividere con voi (communicate and share with you)", all possible measures to safeguard the savings and investments in the company are set up, and that above all the human resources of the company, who represent the primary wealth of the business, be valued in a concrete way, requalified, rather than dequalified.

Castellano stated that he was a Telecom employee shareholder and a member of Asati. He firstly declared that, like his fellow-shareholder Savina, he wanted to read out one of the many letters received by Asati ahead of the shareholders' meeting, reported below: *"The management of Telecom Italia should see that in Italy the Telecom Italia brand has reached the level of non-sustainability. Why this happened can be only partly explained by the selfish manoeuvres of the shareholders, the apathy of the employees, the prior history of monopoly control of the industry. There is also an intolerance that is all Italian, unique in Europe, of everything to do with large organisations, particularly if clearly identifiable with a known brand. This phenomenon occurs irresponsibly in politics, and it also occurs irresponsibly in the world of business. In Italy, people who shout convince others, people who reason do not. Cancel the brand, replacing it radically with three or four distinct new ones, implementing all the corporate splits and the corporate gaps in a desperate move, but going on like this means protracting the suffering"*. He asked if the Board agreed with the shareholder's assertion that the Telecom Italia brand is wearing away, and if they did, what action they would be taking.

Martinez read the speech which was then delivered to the Chairman's desk and reported below.

He reminded the meeting that he was speaking in his capacity as Chairman of the Telecom Italia *Coordinamento Nazionale Quadri* (CNQ), a professional association representing the middle management of the entire Telecom Group, which intended to express its faith in the company for what it represents in Italy and in the world: a faith confirmed by the repeated purchasing of Telecom Italia shares by the CNQ, demonstrating that the association is not just a representative of the middle management but, in this capacity, a shareholder, an "owner", directly interested in the economic and financial results of the business. He reported that CNQ had visited several Telecom Italia local offices and had met many colleagues, organised a number of joint working groups with Human Resources on topics of common interest, had meetings with the principal trade union representatives and both national and local politicians to discuss matters important for all employees, held discussions with all the other trade associations and similar confederations at both national and local level across the whole panorama of Italian industry. The CNQ considers that its mild and silent role of listener makes it a barometer, and the voice of men and women who work in Telecom Italia every day, undertaking middle management roles in the company. Everywhere the CNQ has heard requests for fairness, for a uniform distribution on all employees of the sacrifices that will have to be made in the next few years to still have a company tomorrow, a company that it is to be hoped will be stronger and more competitive, like the one we were familiar with in the past,. The CNQ has recognised the disquiet, the worries, the anxieties of its members, the fear of the future and of uncertainties, the poor career prospects and the minimal professional and economic satisfactions. Despite this, Martinez continued, the pride in being a middle manager in one of the greatest Italian companies is apparent, as is the sense of responsibility, the absolute and constant dedication, the professionalism and still the passion in their day to day work, feelings which are and always will be characteristic of the Telecom Italia middle management. The CNQ was pleased to hear, at a major conference recently organised by Asati, the willingness of the top management to speak directly with CNQ and to open the communication channel which years ago was very active in the company and which in the recent past had been muted to the point of disappearing, so much so that it had almost been forgotten. The CNQ expressed its full and convinced support for the broad share ownership plans, for all forms of direct participation in the governance by all those organisations in which employees can make their voice heard to propose, contribute, stimulate and also goad and constructively criticise. The CNQ believes that this is useful not only because it is now standard in the major multinationals, but because Telecom Italia has always been an innovator in all fields, and in this too it must open the way, acting as a true example for the industrial and national world.

Martinez then quickly analysed the positive operations carried out in the company, which have contributed to consolidate the business and the most important processes and redesigned its image and substance, citing for this purpose (i) the sharing of the economic sacrifices and solidarity measures imposed by the crisis, also involving company resources such as senior managers, for example, through the percentage reduction of MBOs; (ii) the elimination of the scheduled Long Term Incentive Plan for some top managers; (iii) the start-up and implementation of plans to bring activities back in-house in favour of the employees, above all caring and information technology, to retain jobs and at the same time reduce the corporate costs linked to the use of external consultants; (iv) maintaining the corporate perimeter for the uniqueness of the group.

However, the CNQ considers that there are still actions that could improve work, and in this respect Martinez reported as follows. (A) The company has no alternative but to protect and safeguard its middle management, including their numbers; in a highly competitive moment, characterised by a strong price war that is destroying space for the operators, it is evident that the only antidote to this tendency is innovation, and the category which the CNQ represents is the one best suited to support this effort towards change and renewal. If its personnel are highly specialised and professionalised, as the middle managers are, any company should rely on them to ensure that the directives and strategies of the top management are first of all well understood, and then translated operationally in the right way. (B) In recent years, the category of middle management has been the one that perhaps more than any other has been flattened to economical and organisational levels that do not reflect its professionalism and value. Over the years, the Telecom Italia middle managers have been drastically redimensioned, and despite this did not lose the effective reference role they previously played, which is a testimony to their professionalism and skills, which are evidently indispensable and which the company cannot do without. (C) The CNQ does not believe that the solution is to make this professional flattening even heavier and more demotivating, but believes instead that it is indispensable to reappraise the skills of this category, for example, by maintaining the role of manager in those situations that require it, ensuring that the tools are available, or by enhancing further the role of the professionals, resources with a baggage of knowledge and experience to address and develop, also in the more operational environments of the group. (D) The CNQ believes that is fundamental for the whole category of middle management to be directly involved in the most important company events, such as the presentation of the industrial plan, as it was in the past.

Martinez emphasised that in the Telecom Italia of tomorrow, which will perhaps be a holding company with many subsidiaries, middle managers will be needed more than they are today, to ensure quality and responsibility in the developing Group entities and to guarantee the results in full competition on markets that are different to the traditional ones. He then set out the CNQ's two point proposal: 1) to develop a path of professional appraisal of the middle management, allowing the Coordinamento Nazionale Quadri to make its strategic and operational contribution to identifying the training pathways, training areas, areas for incentivisation and managerial development, growth paths and professional redeployment and requalification of colleagues in this category as it did in the past (when Sip and Italcable at first, followed by Tim and Telecom later, experienced moments of professional excellence). 2) To identify with the CNQ the guidelines that will lead the middle management and skilled professionals in the local offices and at headquarters to again find the right professional motivations that have allowed the category to consider itself, to date, the load-bearing wall of the company, a wall that without this, without being "made safe" and adequately appreciated for the know-how and professionalism it possesses, risks falling apart, and with them the foundations of the company.

With this proposal, the concrete feasibility of which it asks the company to explicitly confirm in this meeting, the CNQ publicly renews its support and faith, as shareholders and manager employees, in the top management of Telecom Italia, in the conviction that so much progress can only be made together, united and strong, and in the hope that the company might find a reciprocal faith in what the CNQ represents: the value of the human capital of Telecom Italia, of all its employees and in particular of its middle management.

He concluded by thanking Mr. Sentinelli, who Martinez considers one of the most brilliant minds in the world, who had also been vice-chairman of the CNQ and its great champion and supporter.

Fogliati, after having reminded the meeting that he is vice-chairman of Asati, present with over 2,300 proxies, and recalling Guglielmo Reiss Romoli, read out and commented on some points in the speech he later delivered to the Chairman’s table, referring the meeting to the documentation also delivered to the Chairman’s table that at his request will be annexed to these minutes for further information (together with a summary of Fogliati's speech). Firstly he pointed out that the state of health of Telecom Italia is so serious as to give rise to proposals that he considers to be almost “at the limits of decency”. A great national company of world stature could be definitively dismantled instead of being preserved, unless precise conditions are implemented. He reported that the disputes inside the Board of Directors, the weakness of Telco and the loss of faith by shareholders and workers make this situation more serious, and pointed out that the company needs to react, making decisions that strengthen it and place it in a condition to change course, urgently. He stated that it is the job of the shareholders to support a substantial change. He recalled that the Chairman had invited the shareholders and employees to “resist, resist, resist”, and informed the meeting that Asati will stand beside him if he intends to advance to new horizons, abandoning those who put non-converging interests first.
Fogliati continued by emphasising that, at the request of the Chairman, the Board would examine what might be an awkward attempt at aggregation/tender offer, and that the expected sale of the network had been approved. On the first question, Asati would set some fundamental limits. On the second, Asati asked for determination and clearness of purpose, and on this topic would ask some specific questions: What is being sold and how? Will the investments in “intelligent networks” be increased? And who will pay? He recalled that the reason given for the sale had been the possibility of obtaining, in this way, better regulatory conditions, which is fundamental given that the company must invest in new generation equipment which will produce a return in 15-20 years. The Company needs regulatory certainty and a thorough review of the discipline of the system for calculating prices. Otherwise, the telecommunications sector will continue to be the only sector to record growth below inflation, due primarily to competition that by now has no rules.

The shareholder further emphasised that the share price on the stock market is more penalising than ever, since it is below both the book value (i.e. the net equity value) and the real value of the company. This penalising effect is, in Fogliati's view, due primarily to the excessive importance attributed to the debt (which on the contrary is not in itself a purely negative factor) and to the continual write downs due to the impairment test, rather than to the industrial management,.

He then referred the meeting to the questions already submitted (annexed to these minutes as indicated above) and, so far as the company atmosphere is concerned, condemned the practice of sudden sackings, whereby people are removed from the company from one day to the next. He concluded by repeating his invitation to the Chairman to continue his work, and to the shareholders and workers to be proud and resurrect their enthusiasm, recalling that the negative situation in which Telecom Italia finds itself is no different to the situation of the whole country, and that the company is worth much more than depicted.

Frasca firstly declared that, like his fellow-shareholders Savina and Castellano, he wanted to read some letters, reported below, received by Asati – emphasising that these communications do not only come before a shareholders' meeting but daily: "*dear Mr. Lombardi, I can accept the solidarity initiative, although I'd have something to say about the capacity and integrity of conscience of the union, but I attach an email about how the money of this company has been wasted in recent years. Its offices are in via Oriolo Romano 257 in Rome, good day and keep up the good work"*, this was accompanied by a picture taken in the offices of the premises, which is projected on the screen in the room, and in relation to which Frasca asked what was the purpose of these offices and of the wooden structure erected outside the building in via Oriolo Romano which has never been used. *"Dear Sirs* – states another email read out by the shareholder - *there is much talk about organising the network; well, try asking when they will take action to re-organise this"*, this email too was accompanied by a picture, projected on the screen in the room. The shareholder wanted to know if the Board was aware of the state of the external cabinets and what immediate action it intended to take.

The shareholder emphasised that Asati receives this type of communication from many employees, who often, before asking for Asati's support, have contacted the trade unions, but received no response. Asati is, today, the only organisation that brings the daily problems of employees to the shareholders’ meeting, and to the attention of the top management of the company. Finally, he read out part of the letter written by the call centre workers – attached to these minutes – reiterating that these are petitions that Asati supports unreservedly.

Costa stated that the company is experiencing a difficult moment, and he did not share the criticisms made by other shareholders of the Board of Directors for having reduced salaries only now, and for having decreased the dividend. In this context, one of deep crisis, in which thousands of businesses are closing down, it would not make sense to keep dividends high. So the shareholders should thank the Board of Directors for at least part of their work, for example, for having understood that their own salaries needed to be reduced. On the other hand, they should also avoid considering the employees as a weakness: on the contrary, they are the wealth of Telecom Italia, which over its long history has contributed to the development of communications science in Italy, and to the development of a civil society that provides social security, and has been one of the few companies able to create development, to create economy, to provide work for a far greater number of employees than companies like Wind, Vodafone and 3 Italia. It should also be borne in mind, commented the shareholder, that a mature trade union does not sign agreements on redundancy, outsourcing and solidarity initiatives, but accepts the application of articles 46 and 47 of our Constitution, and uses the institutions created by the Fornero law such as the tax allowances available to companies who agree to worker participation.

Continuing, Costa expressed the hope that the company, and particularly the Chairman, would show greater courage in valuing the initiatives of the employees, and in introducing new forms of worker participation, innovating from the by now out of date positions still adopted by the Italian trade unions, while in Germany this model has made the fortune of major companies which previously were in deep crisis. He then announced that, following the example of Asati, he had decided to create a shareholders’ association to be called “Associazione Azionisti 5 Stelle (5 Star Shareholders’ Association)”, the first initiative of which would be a referendum similar to the recent referendum in Switzerland to allow only the shareholders’ meeting to determine the directors’ remuneration.

He concluded by asking what real intention the Board of Directors has regarding the initiatives for shareholders that involve pensioners and workers.

Bertozzi introduced himself as an engineer and former employee of Telecom Italia currently receiving redeployment allowance and stated that in his opinion the relaunch of the company and thus of the value of Telecom Italia shares, which as everyone knows has fallen to historic lows, cannot disregard a combination of the following actions: relaunching of investment, lowering of the debt, reduction of costs. The first two actions – he continued – are incompatible with the awarding of dividends to shareholders, since if the small amount of cash available is used for the dividend distribution, neither investments nor debt reduction are possible, creating a stasis, a situation which the company has been in for a long time from which there appear to be no possible ways of escape, in the short-term.

He concluded by stating that, although it is in his interest as a shareholder to collect the highest dividend possible, he believed that the sacrifice that the reduction or even better the total cancellation of the dividend is a good strategy for contributing to the recovery of the company in the medium-short term that is possible and feasible.

Facchetti quoted the phrase (already quoted by another shareholder speaker) *"I have a dream"*, and stated that his dream is that the directors leave the company, consider the disaster they have brought it to in terms of share price and dividend, unless this trend is reversed in the coming months. The strategies of the Board of Directors in fact raise a number of criticisms, in his view. Firstly, instead of debt reduction, the company should focus on reducing the cost of the debt itself: he therefore did not understand the recent issue of a bond at a rate of 8% that, according to the press, was also opposed by Directors Zingales and Pagliaro; so he wanted to know the reasons for this opposition. As for the sale of the fixed network, the shareholder recalled that this project had been discussed since 2007 and so the time is now right to take a decision.

Continuing, he offered some suggestions that arose from his own personal experience: change the name of the "charge" (for example, by calling it "fee for network maintenance"), because the term "charge" is greatly resented by Italians, and competitors take advantage of this weakness; make sure that Fastweb does not take advantage of the fibre vectoring agreement to acquire Telecom's customers; pay the greatest attention to customers who decide to return to Telecom after having changed operator, reporting that he himself had become aware that the call centre staff sometimes state that it is not their intention to re-acquire customers; ensure that TIM shops are located in high footfall areas and not, as occurs in his city, in the outskirts; do everything possible to attract younger customers.

Savi read and commented on part of the speech delivered to the Chairman's table and spoke as follows. First of all,he quoted a saying from the greatest man who had ever existed: "He that is faithful in that which is least is faithful also in much: and he that is unjust in the least is unjust also in much" : wise words that reflect the misplaced faith in the directors of Telecom Italia. As for "that which is least", the shareholder recalled the matter of the sale of La7, remembering the words of the Chairman who assured people in May 2012 that the company would not be given away, attributing to it a value of a billion euros. He noted that La7 was instead sold for a million euros, a thousandth of its value. On this matter, he asked some specific questions to which he required a clear and thorough answer. what did the shareholders earn from this? Why was the decision made to give La7 away? On this point he recalled that an industrial project was carried out to enhance the television channel and restore the health of the business with an investment of 150 million euros, only to then give it away to its only supplier, moreover; the operation as a whole is a loss, because the bonus awarded to Mr. Stella for having sold it is more than the revenue received from the sale: this was an absurd transaction, in his opinion. On the same point, he asked why the board had considered itself entitled to transform La7, which was an integral part of Telecom Italia Media, into a S.r.l. (limited company), without calling a special meeting of the shareholders. What mandate did the Telecom Italia Media board have to undertake this transaction, who authorised them, and when. He also asked to be able to examine the documents transferring the branch of the business to La7 S.r.l. (limited company), and the La7 articles of association drawn up by a notary. He also asked how La7 would be recapitalised, since this was a condition of the sale. He emphasised that in his opinion there are incomprehensible anomalies in this affair, and that La7 could not have been given away in this way with the excuse that it was too much of a burden to maintain: for Savi, this really is conning the shareholders. On the same point, he commented that if they had wanted to give La7 away, they should have launched a tender offer, and then they could have done what they wanted. He asked how the investment of 150 million euros and the write-off by Telecom Italia of the 100 million in financial receivables the company is owed by Telecom Italia Media can be justified. He also asked if the Statutory Auditors had anything to report about the transaction, which Savi deemed "absurd, crazy and immoral" (he assured the shareholders that, at the conditions negotiated with the Cairo group, he would have bought L7 himself), symptom of managerial ineptness, or worse, disloyalty.

Borlenghi read the speech he then delivered to the Chairman's desk which is reported below He reminded the meeting that he was a disappointed shareholder, who had always participated with interest at the Shareholders' Meetings. He considered that this year it was again the equity items that pushed the Company into the red; the company is affected by the slowdown in Italy, offset by growth in South America. The 2012 accounts, he continued, recorded consolidated turnover of 29.5 billion, and the equity adjustment affected the final result, which closed with losses of 1.6 billion, compared to losses of 4.8 billion the previous year. The Italian business was also damaged by the difficult economic situation: revenues fell to 17.9 billion and today represent 60% of total business turnover. So he emphasised that the proposed dividend is 0.02 per ordinary share and 0.031 per savings share, half the amount paid out last year, and this will come from the reserves. He considered the management incentive plan for 2013 to be laudable, employee-oriented and similar to the plan launched in 2010; he pointed out that the 20`13 targets are to maintain revenue levels and to reduce the debt to under 27 billion.
Moving on to the questions, he asked what development and growth plans are envisaged for the 2013-2015 plan and, regarding the alleged fire-sale of La7, he pointed out that some observers believe that the sale was too hurried, and the offer made by Diego Della Vale could have been examined, and perhaps would have had better results. He again recalled that Mr. Stella had left with 2.5 million euros, after Telecom Italia Media accumulated huge losses, year after year; in his view he should not have been paid such a generous termination bonus, but should instead have paid a fine for having brought to the abyss the company he ran.

Mancuso stated that he was a “second generation” shareholder, originating from STET and SIP; in this respect, he recalled the highly professional and state-aware figure of Biagio Angese, and of legal advisor Pascale. He referred to recent press articles which referred to a kind of compulsory administration by Mr. Bernabè. He emphasised how the report of Mr. Patuano in fact demonstrates that the company is not stationary, and the Chairman’s report highlights the projects currently underway. He referred to the comments made by other shareholders about the negative atmosphere in the company, observing that it is not clear what the true number of Group employees is, and inviting the meeting to pay the greatest attention to the topics of the application of telephone technologies to terrorism and of atmospheric and environmental pollution, also raised by other shareholders. He then posed a series of detailed questions as follows: what is the current debt of the Company, what is the average interest rate since 2010; how consultants are there and how much do they cost; clarification about integration with the Chinese investors.

Antolini firstly condemned the fact that Asati had been able to speak before the other shareholders due to a “dummy” booking: this behaviour is discouraging, both for the small shareholders and for the association that indulged in it. He then emphasised that the Board has not been able to create value for the shareholders, wasting resources; he cited the La7 affair and recalled that for years he had been challenging the management of a company that was always operating at a loss, that in his view had only been maintained for its utility to a political interest: the money of the other shareholders was spent to support the politics of one party, with a television channel, instead of pursuing the industrial remuneration of the company. He then expressed his harsher criticism for the sale of La7 for one million euro in the face of a sworn expert valuation of 82 million: in his opinion this was a gift “to our friend Cairo” by people wasting both public and private money, the shareholder stated. Directors who Antolini defined as “off their heads or currupt”. It was a dishonest transaction, in the shareholder’s opinion. A transaction that excluded Della Valle to favour a purchaser who spent one million to receive at least 320 in exchange, considering the 138 million recapitalisation, the 100 million write-off of payables and the 82 million valuation; a gift, like the gift made to the directors (Dall’Orto and Stella) with their termination bonuses. Given these results, Antolini invited the directors to acknowledge the failure and avoid doing more damage; he reminded the meeting that the negative results of Telecom also have an impact on other companies of which small savers hold shares (Mediobanca, Intesa and Generali) because they are in their turn shareholders of Telco. He expressed the hope that the directors would be replaced as soon as possible, and pointed out that the Chairman had been lacking in bravery as demonstrated again today in the two speeches by Asati to the shareholders' meeting, while all the other shareholders are entitled to only one. He returned again to the La7 business, asking if Cairo has any rights to the share of MTV owned and, more generally, expressed the hope that the judiciary might intervene to check the correctness of the deal. Finally, he considered discouraging the dividend to be paid to the shareholders by dipping into the reserves, due to the poor management which has dissipated shareholders' savings.

Orsini stated that he was a historical shareholder, who invested at the time of STET and Sip, and intended today to appeal, first of all, to politicians and the press, to abandon the proposal to tax financial income, bearing in mind that the shares of a company like Telecom were valued at 6.5 euros at the time of the tender offer in 1997, so the loss in these years has been considerable. He concluding by asking what the outcome had been of the liability proceedings against the preceding management discussed at the last shareholders' meeting.

Barzaghi stated that as recently as 10 years ago he proudly defended the Italian identity of Telecom Italia, once upon a time the crown jewel of Italian, European and world telecommunications, the sixth largest company by capitalisation and for technical innovation capacity. Less than a decade later, he went on, the shareholders find themselves hoping that some Chinese magnate comes to the rescue of the Company, as if it were a business that could no longer guarantee a future for its employees and shareholders. In the past, no-one could have imagined arriving at the choices that are to be made today, more for necessity than by conviction, towards an obligatory turning. Barzaghi considers that to allocate blame for this moral and economic defeat does nothing for the cause of the small shareholders, who have seen the setting of the sun on a glorious past, their rightful claims and fears are of no value against the strong economic interests who sold off the human, technical and economic history and heritage of the company. The Board of Directors, the shareholder continued, while working for the common good and to restore the prospects of the Company to health, has been able to do little or nothing in the face of the Italian anomaly of top managements who have sold off the company's identity and history. He condemned the choice of the current Board to oppose the proposals of the shareholders to start liability proceedings against some of the managers who, despite illegal behaviour, have been able to benefit from severance payments and termination bonuses worth millions; if that was an offence to the shareholders, Barzaghi believes that today the shareholders feel taken for a ride by a Board of Directors that does not seem to know what decisions to take in an economic situation that is undoubtedly difficult, but at the same time requires a great capacity to analyse and translate into action choices that are undoubtedly brave and unpopular, but vital for the future of the company.

The shareholder reiterated his esteem and respect for the Chairman, who he asked to take brave decisions which can no longer be postponed, because the economic crisis and the conditions dictated by the market impose short term industrial plans with maximum targets in terms of cost/benefit results. He emphasised that many small shareholders are today putting their trust in the promotion of a partial tender offer by new subjects interested in integration with Telecom, with the aim of revaluing the share and the prospects of the business, even if this means partly losing its Italian identity; he expressed the hope that clear rules for this transaction are established as soon as possible, without prejudice against the new Chinese investors. To the many pedants in Italian politics, who still in this day and age, despite everything, are unable to form a stable government for the Country, and who, after witnessing the impoverishment of Telecom Italia by networks to their cronies, declare that they are opposed to this transaction due to the risk of the "yellow peril", Barzaghi would reply that today the shareholders are free to decide their own fate. These politicians were not there when, with their consent, the speculation on Telecom Italia started, and with it the most blatant political and financial case of the second Republic.

The shareholder also invited the company to continue the process of network separation, expressing his regret that this had not been done when the market conditions were more advantageous. He then posed a series of detailed questions: what is the HR plan for the next two years; how many workers are affected by internal restructuring processes and what are the estimated savings for the next two years in percentage terms; how many workers are affected by the solidarity agreement; how many workers are on the

redeployment regime; what proportion of revenues do the markets in Argentina and Brazil represent, and what would happen if the company left these markets.
He appreciated, he went on, the broadening the employee share ownership plan, and asked, on this point, what obstacles there are that prevent its extension to pensioners, expressing the hope that this category too might be involved in this praiseworthy initiative. He suggested for the future that cost containment be implemented starting with the costs of running the shareholders' meeting, and asked how many courtesy cars are available to the Company.
He concluding by expressing the hope that there would be a strong sign of the break with the past, and praising the efficiency of company services, which he had had the opportunity to experience in person.

Marino greeted the Directors and the Chairman, who the shareholder compared to the Captain of a ship that is drifting, and sooner or later will sink. He spared a thought for the employees, who work with great efficiency, and who in this period are suffering cuts to their salaries. The recent solidarity agreements, he continued, mean enormous sacrifices for the workers, while the Directors maintain their millionaire salaries and are unaffected by the crisis: he wondered if the Chairman and the COO had ever thought of applying these solidarity agreements to themselves. In reality, the shareholder stated, the crisis does not exist for the top management of the company, the small shareholders are the only ones to suffer the consequences. He then asked for clarification of the Directors' remuneration (2.9 million for the Chairman and 2.5 million for the Chief Operating Officer) and recalled more accurately that the fixed annual salary of the Chairman is 110,000 euros, gross, as a Director, a further 1.4 million euros for the position of Chairman of the Board of Directors, a fixed annual fee of 35,000 euros gross for being a member of the Executive Committee, and a variable fee related to annual performance targets with a target equal to the fixed salary and a range of variation from 50% to 150% depending on the level of the assigned targets achieved. He asked what those targets are, and emphasised that in his opinion they should be linked to the results of the Company, to the profits, to the absence of losses and above all to the absence of deals that impoverish the assets of the group such as the La7 business, which was truly given away, in the shareholder's opinion.

In particular, he asked for clarification on this last point, seconding the assessments already expressed by other shareholders and considering it an absolutely extraordinary case of bad management, also in relation to the settlement given to Mr. Stella: on this point, he asked what were the reasons for the resignation of Mr. Stella, and expressed the firmest criticism for having paid a termination bonus of 2.5 million euros after the company had made enormous losses. For all these reasons he seconded the request for the resignation of the Board of Directors and, in conclusion, asked for information on the profits and losses of MTV.

D'Atri considers that a real revolution has started in Italy, and it is also involving Telecom Italia; for him, the absence at the shareholders' meeting of Banca d'Italia (Bank of Italy) could also be a signal. He asked the reasons for this absence. D'Atri stated that Telecom Italia has a very important role in Italian society and two factors evidence this: article 22 of its bylaws which assigns special powers to the State (even if these powers are hardly ever exercised or are exercised in a way that might influence "intrigues" or similar things) and secondly the increasingly strong debate, also due to Prof. Rodotà, on the right to the network. The speeches of the shareholders in favour of a tender offer also constitute examples of a revolution undertaken with intelligence, for D'Atri, because they are an application of the constitutional right to safeguard savings. He dwelt on the question of directors' pay, which he deemed excessive, both for the executive directors and for the independent ones such as professors Zingales and Fitoussi, who, precisely because of their known competence in economics, should know the mechanisms of a crisis and apply them, also with a cut in pay. He then asked for information on the motive for the invitation to members of the Bilderberg Group (and, in particular, to Prime Minister Monti – and was the PM present in his capacity as Prime Minister or as a member of Bilderberg?) at the dinner recently organised in Rome by Telecom Italia; he also invited the Board of Statutory Auditors (also pursuant to article 2408 of the Italian Civil Code) to assess the appropriateness of this invitation, and of charging the related costs to the Company; he also asked if Chinese exponents and/or representatives of the Li Ka Shing Group were present, or their consultants, and if the hypothetical purchase of a shareholding by Hutchison Whampoa was discussed.

Precisely in relation to the possible Chinese investment, he asked if the opinions of the Ministry of Economics and Finance and the Ministry of Productive Activities had been obtained, and if full information on the start of these negotiations had been given to Parliament; on this subject, he expressed the hope that the Chairman and Chief Operating Officer had appeared before a special Parliamentary Commission to report on the current situation of Telecom Italia and these negotiations, in accordance with the governance powers contained in the Bylaws. More generally, he hoped that the new Government would set some strong limits to the transaction, at the request of the new Parliament. Here he emphasised that the situation of Telecom Italia and, more generally, the role of the telephone network in Italy are actually essential issues that involve the interests of the State and might be dealt with by the special Commission set up in parliament for the review of the Economy and Finance Document.

Returning to the issue of pay, he asked what is the lowest level paid to a Telecom Italia employee, and what is the ratio of the Chairman's salary to that of the lowest level of employee pay. He invited all the members of the Board of Directors to resolve to propose halving their pay at the next shareholders' meeting.

Continuing, d'Atri asked why some Directors were absent, and quoted from the judgment about himself, in which the judiciary had awarded him 15 thousand euros in damages.

To close his speech, d'Atri proposed liability proceedings pursuant to article 2393 of the Italian Civil Code against the CEO for not having acted with due diligence, during 2012, and in particular pursuant to article 2392, subsection 1, in the management of the business of Telecom Italia Media and La 7 for not bringing valid options to the attention of the Board of Directors for debate. He emphasised that the damage, which became evident in 2013, originated in behaviours of the CEO in 2012, and therefore is one of the cases in which the liability proceedings may be raised in this meeting of the shareholders.

****

No-one else having taken the floor, the **Chairman** proceeded to give the following answers.

Before providing detailed answers to the questions raised during the speeches, the Chairman wished to make some general remarks. He understood and shared the dissatisfaction with the Telecom Italia share price over the last few years, and stated that he believes it is wrong for the directors to make excuses for this. They should instead take responsibility for what has happened, for the performance achieved and the shareholders' dissatisfaction with this performance, even when this dissatisfaction is expressed with invectives that are occasionally particularly bitter, as have been some of the comments made in the shareholders' meeting. However, it should be recalled – and here, he repeated, he did not want this to sound like a justification for anything – that over the last 5 years Italy has been experiencing the worst crisis for a hundred years, and that Telecom Italia has had to manage a competitive scenario that is also a result of this crisis, and which makes effective operational management extremely difficult. The concern of the Board in this overall context has always been to preserve the future potentialities of the company, seeking to rebuild solid foundations to resume a course that can be fruitful and successful. Telecom Italia is a company which has made a great contribution to the world of telecommunications, and it wants to continue to do this in the future. Certainly, if they had wanted to seek short term agreement or successes, it might have been possible to do something different: but, he repeated, the concern that the Chairman, Chief Operating Officer, Board of Directors and management all perceive among the shareholders, employees and the Country in general is to rebuild the foundations to resume a path of growth and success that the company deserves.

But for the kind of course of action the company is attempting, the timescale is necessarily long term, especially considering what it inherited. An inheritance that is particularly complex, consisting of a level of indebtedness that becomes a brake on new initiatives. So those responsible for the company perceive the need to apologize to those who have had to sustain so many losses: but today they are committed to being at the service of the Group to ensure that the future is one of great satisfaction for the directors, the employees, the shareholders and the Country.

Having said that, Mr. Bernabè then provided a series of detailed answers to the questions raised.

Starting with the questions submitted in advance of the meeting (shareholder Savi), he recalled that the transfer of the television branch of business to a company wholly controlled by Telecom Italia Media was an operation carried out to facilitate the sale process. It was a question of creating the conditions to carry out the sale of assets in the most flexible and effective way, according to the interest expressed by potential bidders. The transfer therefore represented a technicality resolved operationally by the Board of Directors of TI Media, part of its legal competence, and in the absence of specific derogating provisions in the bylaws of TI Media itself. As extensively communicated to the market, the Chairman continued on this point, Telecom Italia coordinated the transfer process for the whole perimeter of TI Media or, alternatively, its individual assets. In this activity the company worked closely with its subsidiary, particularly regarding the offers for the TV business alone, in which TI Media was fully involved, participating in the analyses and the negotiations alongside Telecom Italia.

The remuneration package of the Chairman – he continued, with reference to the pre-meeting questions submitted by shareholder Marino – provides for approximately 66% of his total remuneration to be linked to the business results, in part annual, through the MBO system, and in part long-term, through the LTI system. As may be deduced from the remuneration report, in 2012 the total pay received was 2,968,000 euros compared to the 2011 figure of 3,680,000 euros, due to the reduction of over 65% in the MBO incentive.

The agreements (another Marino question) provide for reductions in working hours to the extent specified in the trade union agreement as an alternative to job losses. The reduction in salary due to the hours not worked is supplemented by INPS (National Institute for Social Security), which pays 80% of the pay lost (special supplement confirmed for 2013). Considering also the tax effects, the net reduction in pay is on average between 0.9% and 1.7%, depending on the percentage of solidarity specified in the agreement (6.15% - 15%).

The request for the addition of items to the agenda of the shareholders' meeting formulated by Findim – he continued, again in response to Marino – was rejected because it could not be received for technical reasons: simply put, these were not topics that could be resolved on by the shareholders' meeting. Nevertheless, the topic was presented to the Board in its meeting on 11 April last, and a specific in-depth examination has started. The response to the Findim shareholder pointed out that its proposals could not be received, that they could not be subject to shareholder resolutions. The shareholder was also informed that the company was willing to discuss the issues raised in today's meeting, and of its intention to start to check these matters inside the Board of Directors.

Again on the pre-meeting questions of shareholder Marino, the Chairman provided the following clarification:

- there is no record of Consob having expressed views on the proposals of shareholder Findim and on the subsequent replies of the Company;

- the matter of special powers lies outside the autonomy provided for in the bylaws, and is disciplined by the law. The full operation of the new special powers (disciplined by law no. 56/2012) will follow on the identification by decree of “strategic assets” in the communications sector, and will render legally non-effective the clauses in the bylaws that are not compatible with the new regulations. At that point, article 22 of the bylaws will be abrogated with no further action required of the shareholders' meeting, since it would be merely an adaptation to the regulatory framework;

- as for the filming of the shareholders’ meeting, the recordings made during the proceedings will assist the compilation of the minutes. However, given the requests received, from this shareholders’ meeting onwards recordings of their speeches will be supplied to those shareholders who request this; the Company did not post the material on youtube as referred to by shareholder Marino in his questions.

Again in relation to Marino’s questions, the Chairman explained that customers who have made complaints are primarily interested in solving the problem, not in who individually writes and sends a communication. It is true that a signature with a name may represent a more personal and apparently careful style, for some people, so this hypothesis will be considered. In this respect the Chairman confirmed that e-mails have been received from the shareholder. Finally, he explained that the solidarity agreements are a social security cushion that allows the company to temporarily manage an excess of production capacity, and avoid lay-offs. There is no relation between this phenomenon and the pay of the CEO, which recorded a considerable reduction related to the non-positive results achieved in 2012.

The Chairman concluded his answers to the questions submitted before the shareholders’ meeting referring to the questions from Marco Bava. Regarding the sale of the network, he referred to comments already made in his introductory remarks, emphasising how at this time what is being discussed is the network separation, not its sale to third parties. As for the transaction with H3G, he specified that at present no decisions have been taken regarding the integration with 3 Italia. As is known, after the preliminary contacts had been made, the Board of Directors resolved to set up a subcommittee chaired by the Chairman of the Board of Directors and composed of the Lead Independent Director (Director

Zingales), the Chairman of the Control and Risk Committee (Director Catania), and directors Galateri and Linares, to ascertain if embarking on the integration process would be in the Company's interest. Finally, regarding the comment by Bava that the merger with H3G would hand over control of Telecom Italia to the shareholder of said company which, selling a losing company would obtain a profit-making one, Mr. Bernabè emphasised that at present no decisions have been taken regarding the hypothesis of integration with 3 Italia.

The Chairman then invited the **Chief Operating Officer, Mr. Marco Patuano**, to continue the replies.

Starting with Zarrillo's questions, he pointed out that the solidarity regime had reduced Domestic labour costs by almost 170 million euros in the 2010-2012 financial years. The solidarity regime planned for the period 2013-2014 will generate reductions in (Domestic) labour costs of almost 270 million euros. The overall pay policy, he continued, saw major savings in 2012, primarily in the variable component, particularly the MBO system, with a saving of over 50% compared to the previous year, and on one-off bonuses, with a saving of approximately 13%. For 2013, the company believes it has to continue to cool down the fixed component of pay, which must increasingly be tied to the recognised market pay levels, and also believes that the variable part of pay should be linked to the performance actually recorded by the company. As for shareholder remuneration, the proposal presented is fully coherent with the current equity, financial and economic situation, and the reduction from past levels is required by the need to increase the financial flexibility of the Group in a particularly difficult macroeconomic context whose evolution is uncertain. Further, it is common practice in Italian listed companies to resolve on the distribution of the dividend with the financial statements. This is a legitimate choice that the company considers appropriate, given the close connection that exists between these two decisions. Finally, he specified that in May 2012, when the dividend was paid, the Telemaco Fund was a Telecom Italia shareholder, owning 565,656 ordinary shares. More recent information is not available.

Moving on to the questions asked by shareholder Volpe, Mr. Patuano commented that the remuneration structure for the Telecom Italia management is defined on the basis of the pay references present on the market for similar roles. In recent years, to contain pay, work has been undertaken to cool down the dynamic of the fixed component of pay. As for the variable component, given the close correlation with the results achieved by the company, as mentioned above there has been a significant reduction in MBO bonuses, over 50% compared to 2011. Finally, he reported that the 2013 long term incentive plan for selected executives has been suspended. Regarding the videotelephone business, in truth somewhat longstanding, the Chief Operating Officer reminded the meeting that in recent years the marketing department has been subject to a continual and large scale managerial turnover. In particular, over the last five years the number of managers has decreased by approximately 20, through transfers or termination of their contracts of employment. A further 70 managers have been subject to job rotation. In the 2012 financial statements, he continued, again in response to Volpe, the cost of consultancy and professional services totalled 151 million euros. Consultants alone, approximately a hundred in 2012, cost 10 million euros, 1 million less than in 2011. Finally, as far as middle management are concerned, these members of staff may contractually be deployed in the operational coordination of other personnel or as specialist professionals. The pay level may in fact be attributed because of the management coordination content of their activity or due to the professional intensity of their tasks.

Dr. Patuano continued with the questions asked by Martinez, and emphasised that middle management in responsible positions participated in the same training as senior managers (Managerial Nodes). Other resources classified as middle management, in the presence of high potential and/or performance, were involved in high profile training programmes managed by the best suppliers on the market. For 2012 70% of middle management personnel underwent training, receiving a mean 20.3 hours per head training. For 2013, training initiatives are again being scheduled for senior and middle management. As for the need to find the right professional placement for company middle managers, the Chief Operating Officer assured the meeting that the company confirms its willingness, already demonstrated in the past, to enter frank and constructive dialogue with the association that represents middle management to discuss issues of most interest regarding the specific professional role of their category.

In response to the questions by shareholder Frasca, Mr. Patuano firstly referred to the structure in via Oriolo Romano displayed by the shareholder during his speech, and explained that these are break areas set up for staff. Naturally if the area is not suitable, action will be taken. He then spoke about the problem of the external cabinets, recalling that the failure rate has now dropped to 8.5%, as mentioned in the introductory report, that is very low. In fact this concerns approximately 150 thousand cabinets distributed throughout the country, which have been the subject of an extensive maintenance programme – including preventive as well as corrective maintenance. Where anyone is aware of specific cabinets that are not in operation, could they please report it so that prompt action can be taken. He then (again in response to a question from Frasca) spoke about the debt situation, emphasising that both the debt itself, in absolute terms, and the cost of the debt, must be reduced. Moreover, containing the cost of the debt means grasping all opportunities that the financial markets offer in terms of refinancing. In any event, the cost of the debt, 5.4% at the end of 2012, is on an excellent level, also considering the mean maturity of over 7 years, and the rating of the Group.

To Facchetti, who asked for information on the dissenting vote by two directors (Zingales and Pagliaro) on the resolution to issue a hybrid bond, the COO pointed out that on that occasion there was a very well-structured discussion in the Board meeting. In the end the Board proceeded to decide by majority voting, each director being naturally entitled to express his own differentiated position. As for the use of the word “charge”, he commented that it is not simple to change people’s use of language and habits of speech. However, 50% of residential customers no longer use offers that include a charge, but use packages that include various services “without limits”. In those cases in which there is still a fixed payment, it is in any event called the “telephone subscription”. On the question of Fastweb using the vectoring agreement to subtract customers from Telecom Italia, Mr. Patuano gave a negative response, explaining that the agreement with Fastweb only covers the working arrangement for coordinating excavations and in requesting permits from municipal authorities. Network access technologies must be neutral and all operators must be able to use them in a transparent and non-discriminatory way. In any event, the sales policies are and remain independent. Finally, he referred to the personal story told by shareholder Facchetti, and assured the meeting that the Telecom Italia operators are periodically trained in customer management, and this training includes a strong emphasis on the importance of acquiring new customers and re-acquiring ex-customers. So the behaviour mentioned by the shareholder was individual and anomalous, which in the universe of many thousands of call centre operators and tens of millions of calls managed every year can occasionally happen.

He then moved on to the questions raised by shareholder Cattano, and firstly confirmed that the characteristics of the broad-based share ownership plan launched in 2010 are generally considered suitable to ensure the possible yield expectations of the investment. Moreover, people will be able to access a form of financing through payment of the subscription price by instalment, in deductions from salary. As for remote working, he recalled that the recent agreement with the Trade Union Organisations on 27 March envisaged extensive recourse to remote working when the premises of caring services with less than 46 members of staff were closed. He then spoke about resource evaluation, and reported that the human capital development system had started in 2012, providing feedback to people on their strong points and areas for improvement. 47,885 people, i.e. 90.2% of the total, took part. However, only 5,000 colleagues actually provided feedback, most of which was appreciation, while the company values the suggestions for improvement for the next campaign. A new system of talent appraisal to determine people's reputation in their professional community is being tested on 10,000 people – and will soon be extended to the whole population. Mapping the knowledge of Group people, he continued with reference to another question from Cattano, was carried out in 2005 as part of the project to implement the professional system of the Group. Based on the information mapped, a process to appraise people with critical and precious knowledge was then triggered, through the "knowledge people" project. Continuing to answer the questions of the same shareholder, Mr. Patuano pointed out that the subordinate employment market and the external consultancy market are not comparable. Recourse is made to professionals due to a lack of skills in the company, and is circumscribed and limited to the problem to be solved. All requests for consultancy are in any event subject to an evaluation of their appropriateness on a case by case basis. For the purposes of the valuation, it should be understood that some skills on specific processes and subjects are not available in the company, and in these cases, selective recourse to external consultants is necessary. However, over the last five years the use of external consultants has been drastically reduced. He then pointed out that the mapping of the skills of sales department involved approximately 2,700 people from marketing, sales and planning, generating specific action plans to develop their skills: in particular, over 250 people have been involved in job rotation programmes, while 1,200 people received targeted individual training plans. He then spoke about the *Progetto Donna* (Woman Project); he reminded the meeting that the percentage of women in Telecom Italia is 29.1% of the company total. The percentage of women in positions of responsibility was 17.6% at 30 June 2012, and had increased to 18.9% in the first three organisational levels at 28 February 2013. As for paying attention to working mothers, Mr. Patuano assured the meeting that he had never penalised anyone for being a mother or a father. Finally, regarding the solidarity agreements, he emphasised that they allow the company to avoid job cuts related to overstaffing inside the company, and are therefore related to the sustainability of the organisation in a market context of falling turnover and business volumes. This tool is in no way connected to the severance pay of the managers.

Mr. Patuano then answered the questions from Castellano, making clear that there was no evidence that the Telecom Italia brand had become tired in any way. Monitoring of all the Group brands is carried out weekly through approximately 3,000 interviews that are carried out to check how the brands are appreciated and how effective advertising is. To avoid the brand becoming tired, the principal effort is to invest in innovation with services that are more and more attractive.

Referring to Barzaghi, the COO recalled that, based on the agreement made on 27 March 2013, a reduction of 2,500 full time equivalents is planned for Telecom Italia over the next two years through solidarity agreements and 500 through recourse to the redeployment scheme (151 of whom with acquired pension rights). The plan involves approximately 44,600 Telecom Italia workers and 3.500 Telecom Italia Information Technology workers. In Telecom Italia, he continued in response to Barzaghi, 32,259 people are affected by the application of the solidarity agreements. At 31 March, there were 27 company cars. He then talked about Latin America, explaining that it is the main factor for the development of the Telecom Group. In the 2012 financial statements it represents 38% of the consolidated revenues, with a 4.4% contribution to the organic growth of the company compared to 2011. In terms of EBITDA, the area represents approx. 27% of the Group, with a 2.4% contribution to the organic growth of the company compared to 2011, against a –2% for the Group as a whole. As a result, non-consolidation would lead to a dynamic of economic performance that is contracting year on year, reflecting the trend in the domestic market. The share ownership plan, he commented, in the last of his replies to the shareholder, has by its nature the aim of encouraging loyalty and developing a sense of belonging inside the company, and it therefore naturally addresses those who are still employed by the Group.

The **Chairman** then continued to reply to the shareholders' questions, although he informed the meeting that many had already been answered by the Chief Operating Officer.

The net debt (question from Mancuso) was 28,274 million euros, with an average cost of 5.4%, after having risen to 5.6% from the initial 5.2% of 2010.

After referring the meeting to the answers already provided to the questions by Savina, the Chairman spoke about the comments of Lombardi, Chairman of Asati, making the following observations:

The Telecom Italia Group uses a consolidated system to survey the atmosphere in the company, and has been doing so since 2001. The most recent survey was carried out in Italy in March 2012, and 67% of the personnel participated (it was 60.5% in 2010), expressing an overall satisfaction level of 7.25 on a scale from 1 to 10 (it was 7.23 in 2010). 85.6% of people declared a level of overall satisfaction of 6 or more on the scale 1-10 (it was 83.1% in 2010). As for Telefónica, he emphasised that its acquisition of a holding in Telecom Italia through Telco was examined by the Antitrust Authorities in Argentina and Brazil. In both Countries the "Telco transaction" was approved by these Authorities, based on a series of commitments imposed on Telecom Italia (and its subsidiaries) and Telco and Telefónica, consisting of measures aimed at ensuring that the conditions of separation and competition between the two Groups (Telecom Italia and Telefónica) is maintained in both Argentina and Brazil. The fees of the legal consultants who assisted Telecom Italia in the proceedings before the Antitrust Authorities in Argentina and Brazil were paid by the Telecom Italia Group companies. By 14 April, Mr. Bernabè continued, the number of customers activated on FTTC was 521. The service has been sold in 9 cities. Regarding the decision to confirm the dividends, the Chairman pointed out that the company is healthy and generates all the financial resources needed for its activities through its core business. He also stated that the 2012 Telecom Italia dividend, about to be paid, had been reduced by 50% - from 900 to 450 million euros – to take account of the negative economic scenario that is affecting the Country. At the same time, it seemed right to maintain a shareholder remuneration that had been adjusted to the context. As you know, the company also remains committed to containing the debt to achieve the best standards of the sector, while at the same time maintaining adequate remuneration for its shareholders. He confirmed, in a further response to Lombardi, that the Company has taken the action it deemed appropriate against Mr. Tronchetti Provera by applying to be joined in the proceedings against him as civil party. This request was granted by the Court. After this initiative, Mr. Tronchetti Provera's lawyer transmitted a notice to the directors and auditors of Telecom Italia, to which reply was given. As for Mr. Mangoni, the Chairman commented that, given the completion of the differing managerial and organisational transitions of Tim Brasil and Telecom Argentina, Mr. Mangoni considered a phase of his professional life had ended, agreeing the best timing and arrangements to disengage from his interests in the two South American subsidiaries and from the Group with the company. Again in relation to Brazil, he emphasised that the largest investments in Brazil are of the order of a few hundred million euros, and are being made for the purpose of ensuring a new 4G network. So on the one hand they do not have any negative effect whatsoever on the financial equilibrium of the Group, and on the other they permit the business to be further developed for future years. Furthermore, he added, it should be borne in mind that healthy financial management has made ample cash resources available in Brazil, and this contributes the funds needed for the investments envisaged in the plan. Regarding the question about the hypothetical sum to be awarded in case of the dismissal of key managers, he stated that it is not possible to give a single reply, since there are various types of termination of employment in Italian law, and different pay consequences can apply to each. In addition, contractual commitments of that nature are generally only included in contracts agreed before 2007. Returning to the relations with Mr. Tronchetti, the Chairman added (again in relation to the questions formulated during Lombardi's speech) that to date no notification of any legal action had been received. A transaction that was intended to resolve reciprocal claims regarding some supply relations was signed with the Onda company in 2010. It is not actually true that the audits are based on formal aspects only, since they analyse the substance of the processes considered each time, identifying the individual responsibilities inside and outside the company. Regarding the possible discussion of the industrial plan in the shareholders' meeting, Mr. Bernabè stated that the powers of the shareholders' meeting are defined by law, and do not include company management, which remains the responsibility of the Board of Directors or managers that might be delegated by the Board. He concluded the replies to Lombardi stating that the question of labour costs, including the costs of the senior management, is extensively discussed in the financial statements: the managers with strategic responsibilities, collectively, cost 18 million euros.

The **Chairman of the Board of Statutory Auditors Mr. Bignami** completed the answers to Lombardi, Chairman of Asati, by acknowledging that the points made by the shareholder regarding the Board meeting of 16 December 2010, which decided not to institute liability proceedings against Mr. Tronchetti Provera, at the same time renouncing the Tiglio 1 and Tiglio 2 advisor mandates. As for all the reports, the Board of Statutory Auditors would undertake all the appropriate investigations, irrespective of the significance of the topic.

The **Chairman** continued to provide further answers, informing Fogliati that at the time the proceedings started, 3,358 shareholders representing 5,957,373,258 shares were present (in person or by proxy), including those with electronic voting rights, corresponding to 44.40% of the total number of ordinary shares. The perimeter of the demerger project, he added, regards the access network (the "last mile"), therefore essentially the passive component (copper and fibre). He then proceeded to provide the following details and information:

- he does not know Mr. Cairo personally (question from Antolini);
- the payments made to Messrs. Ruggiero, Castelli and Luciani (question from Rencurosi) were: Luciani, 1,798,000 euros as gross annual remuneration plus MBO bonus, 2,900,000 euros as severance pay, 1,500,000 euros for the non-competition agreement; Ruggiero: 2,518,000 euros as gross annual remuneration, director's fees and MBO bonus, 14,118,000 euros as severance pay and miscellaneous settlements, 3,500,000 euros for the non-competition agreement; Castelli, 869,000 euros as gross annual remuneration and MBO bonus, 4,250,000 euros as severance pay, 528,000 euros for the non-competition agreement;
- the MBO bonus (question from Marino) is linked to certified company targets, described in the remuneration report. The 2012 objectives refer to Net Income, Net Financial Position, EBITDA and Total Organic Revenues, as well as an indicator of the value of Telecom Italia shares compared to the top 10 major European telecommunications shares. The target values for each objective, corresponding to 100% of the associated bonus, are set on the budget values formalised by the company. Objectives that have exceeded the

minimum level of achievement, also indicated in the 2012 remuneration report, were Net Income and Total Organic Revenues;

- Mr. Stella (Borlenghi and other shareholders) was asked to leave the Company at the end of 2012, a date which coincides with the presumed closure of the La7 sale process. However, Mr. Stella had a contract with Telecom Italia Media for the entire duration of the term of office of the Board, as is standard practice. So the sum paid out on the exit of Mr. Stella regards primarily the period of the term of office when he was no longer in service, which is not what was erroneously reported in the press;
- again in relation to La7, it should be recalled that the sale process, started in May 2012, was particularly broad and extended, with the involvement of over 100 potential purchasers, domestic and international. A further extension of the timing would have brought no benefits whatsoever to the shareholders, but would instead have put off some subjects admitted to the final phase of the process;
- Telecom Italia (again Borlenghi and other shareholders) intends to proceed with its policy of industrial consolidation and debt reduction. In Italy, the company continues to be committed to the development of new generation fixed and mobile networks, which allow it to already be present on the market with innovative offers of high speed access for consumer and business customers, alongside new generation services such as the cloud, the distribution of digital contents, the so-called internet of things. In Brazil, TIM Brasil will continue to grow its customer base thanks to the capacity to offer innovative voice services that it has demonstrated in recent years, and to ride the growth in demand for data services by investing in the consolidation of its 3G mobile network.

Continuing again with the answers, the Chairman, after reminding Orsini that the corporate bodies have not passed any resolutions regarding the institution of liability proceedings against Tronchetti Provera, not recognising the conditions for doing so, returned to the question of the La7 sale (questions by Savi). On this point, he emphasised that the commercial, financial and industrial reasons for the sale are linked to the losses of Telecom Italia Media and hence to the future need for new resources by that company. Writing off part of the receivables due from the subsidiary is one of the tools that enabled TI Media to provide La7 with net equity of at least 138 million euros at the time of closing. The agreement reached makes financial sense, since it represents a stop loss for Telecom Italia Media, and consequently for Telecom Italia, which would otherwise have had to shoulder a higher financial burden in the future, if the sale were carried out, with the prospects of a turnaround uncertain and medium term. He reiterated that putting Telecom Italia Media into liquidation would have cost Telecom Italia very much more. On the same point, the Chairman explained that the agreements signed with Cairo Communication provide for 100% of La7 to be sold to TI Media at the price of approximately 1 million euros, on the condition that at the time of sale La7 has net equity of no less than 138 million, and net liquidity of at least 88 million euros. Mr. Bernabè (again shareholder Savi), then confirmed that the transfer of the Television branch of business to a newly incorporated company wholly controlled by Telecom Italia Media was a wholly legitimate operation carried out to facilitate the sale process. As already stated, it was a question of creating the conditions to carry out the sale of assets in the most flexible and effective way, also in view of the presumably differentiated interests of potential purchasers.

Moving on to the questions and comments made by d'Atri, the Chairman, on the issue of the Bank of Italy's non-participation in the shareholders' meeting, stated that participation is one of the shareholders' rights, and how it should be exercised is a mere faculty for each. As for the dinner organised by Bildemberg, he specified that this was an institutional event organised in honour of the Italian government, with the presence of the Prime Minister, Ministers, and Italian and international personalities from the world of the economy and finance. On the question of contacts, if any, with the institutions regarding the integration with H3G, he stated that this is a premature question: at present the Company is still considering if this integration is in the Company's interests. None of the arrangements have yet been determined. However, he recalled that he has addressed parliamentary commission several times and so if there is a need or opportunity to do so, he is perfectly willing to return and report. He reminded the meeting, again in response to d'Atri, that the directors present at the start of the meeting were, in addition to himself, Messrs Patuano, Catania, Calvosa, Galateri, Linares, Sentinelli and Zingales.

The Chairman finished his replies, finally, by stating (Davalli) that Telecom Italia has adopted an organic approach to debt reduction in recent years. It decreased by 7.6 billion euros between 2008 and the end of 2012. This was due to the significant cash generation achieved by the Group, and to the continual search for cost efficiency. At the same time, the Group continues to invest at a rate of some 5 billion euros per year. After the dividends, the Group generated net cash of 2.1 billion euros in 2012. In the absence of special growth opportunities, this therefore does not seem a context that makes an increase in capital urgent.

***

Marino, in response, observed, firstly, that since both the shareholders and directors are decent people, it is right to express dissent, but always in a proper and correct way. If anyone has overdone things, he is the first to express his solidarity to the Chairman, given that someone who states their case to the shareholder is in any event entitled to be respected. Regarding the questions he sent before the shareholders' meeting, he again asked if the COO intends to apply the solidarity contract to himself, reducing his emoluments by at least 50%. Reducing labour costs, he continued, has little effect on the emoluments of the Chairman and the Chief Operating Officer: this, in his view, is not an example to follow, while the shareholder considers that there can be no objection to the remuneration of Director Zingales, which appears to be deserved, and hardly excessive when compared to that of the Top Management. He also reminded the meeting that he had asked for information on the profits and losses of MTV. Further, he pointed out that last year he had asked for his speech to be recorded, but had been told that it had been destroyed. But subsequently he was able to find out that the recording of the Chairman of Asati was still available on the internet: evidently the recordings were still intact, he concluded.

Costa acknowledged the replies provided, but again asked if there was any intention to offer pensioners the same opportunities as the employees. In particular, he asked if any action was being taken about Assilt, within which it had become customary to contact recipients by email only, he reported. He expressed his disagreement with this, and asked if someone could be available by telephone at least once a week.

Savi stated that he had not received clear answers to the questions he had asked. He reminded the meeting that he had asked what articles of association had constituted the transfer of La7, and by virtue of what law, or provision of the bylaws, this transfer had been carried out. Regarding whether or not the sale of La7 was advisable, he emphasised that the affirmation that this business generated only losses appeared to contradict the information in the Telecom Italia Media financial statements, which reports on the successes of the television channel. In any case, he continued, if a company wants to dispose of a particular business, it proceeds to sell everything that can be sold, without making further investments. In the case of Telecom Italia Media, however, this was not done, and to the shareholder this appears to be wholly unjustifiable. He wondered who will make good the debt that still exists, and, finally, wondered why on earth Telecom Italia should write-off 100 million euros owed to it by Telecom Italia Media: in his view this is an incomprehensible favour done to the purchaser.

On this point the **Chairman** stated that he would provide a written response regarding the considerations that led the Board to take the decision the shareholder referred to.

Savi thanked him, and recalled, finally, that there had been an expert estimate that had valued the asset that was subsequently sold at approximately 80 million euros.

Marino, from the floor, asked if he too could receive a copy of the written clarifications the Chairman had announced.

Lombardi, **Chairman of Asati**, made the following speech in response.

He pointed out to Mr. Patuano that what the contract, the transaction with the Onda company consisted of had not been explained, and asked if complaints had been made to Telecom Italia staff.

He asked Mr. Bernabè what would a key manager get if he left the Company tomorrow. By way of example, he asked how much Vantellini, the latest arrival, would get, if tomorrow he should be dismissed.

Then, addressing Mr. Bignami, he invited him to carefully investigate the points raised, because there were senior managers on the Board of Directors of Tiglio I and Tiglio II who now work abroad in Telecom Italia companies.

Finally, returning to Mr. Bernabè, he commented on how the emails from Telecom Italia personnel read out in the shareholders' meeting differ so much from the overall satisfaction levels that emerged from the surveys undertaken by the Company. On this point Asati could certainly offer a valid contribution.

Finally Lombardi, proceeding to his voting intentions, invited the other shareholders: to abstain from approving the financial statements, to vote in favour of the issue of shares to employees (since this was the fruit of an Asati proposal), to vote against the remuneration system (which should be comprehensively reviewed, formulating transparent and measurable objectives), and to abstain on the appointment to the Board of Statutory Auditors, since the real reasons for the resignation of Ms. Sabina Bruno were not known.

Fogliati recalled that he had delivered to the Chairman's table a document with many questions, which, however, could be answered elsewhere. However, he spoke about some of the points on which he had asked questions, and in particular on the fact that Telecom Italia S.p.A. to date does not have the necessary cash in Italy to pay dividends: it is known, he stated, that the Group can access 7 or 8 billion euros, and credit lines for similar sums, but he reiterated that it is doubtful that these resources are available in Italy. So one might wonder where the cash needed to pay the dividend comes from, since the subsidiaries in Brazil and Argentina have not distributed profits for two years. Regarding Brazil, he also noted how there is a particularly marked turnover, with 5,000 people entering the company and 4,800 leaving, a circumstance on which the shareholder requested clarification. Telecom Italia, he added, is and still remains an Italian company, and should therefore be focused on employing people in Italy. Again in relation to the presence of the Group abroad, he expressed the hope that Telecom Italia International and Telecom Italia Finance could be incorporated into the Parent Company, since in his opinion maintaining cash in a Luxembourg-registered company was not reassuring. He then recalled that Asati had written a voluminous contribution for changing the bylaws, since there was a desire to introduce a dual system, and since there was also the desire to establish precise rules regarding remuneration policies, such as the rule according to which no-one can be paid more than ten times the average pay of Telecom Italia employees.

Cattano, expressed his thanks for the many answers he had received, especially those in relation to the plan for the payment by instalments of any subscription of shares by employees. As a trade union representative, he continued, he is well aware of the concept of remote working, but he wondered if it really is a tool for female emancipation. Remote working means requiring people to no longer deal with the external world, and there is also the risk of introducing a sort of control at a distance. He also referred to some offices that had been closed because they were considered peripheral, even though rent was still being paid: so the policy seems to be to incentivise the movement of personnel without reducing the costs of occupying the office that is no longer used. As for the questionnaires and the various mappings, he emphasised that in reality the employees had never received any feedback on the data collected. More generally, he reiterated that there is still no policy of any kind to appraise the women in the Group. Regarding the question of the appraisal of people by the colleagues, he considered that the problem is and remains the management of human resources: an efficient system of monitoring needs to be developed, to ensure that only those people who truly deserve it are allowed to grow. And people do not have the impression that there is any serious scrutiny of the recourse made to external consultants: there are very high level professional skills in the company, which often, in fact, are set aside to privilege external professional. Finally, he again asked if the Top Management were aware of who and how the placing of 151 employees on the redeployment scheme had actually been carried out, and in particular, if action will be taken against the HR people who managed this case.

Rencurosi called attention to the fact that any agreements with H3G will necessarily have to be subject to scrutiny by the shareholders' meeting, since it is certainly unimaginable that everything should be decided solely by the Board of Directors.

Barzaghi pointed out that if even just a small part of the termination bonus agreed with Mr.Ruggero had been used to reduce the debt, today the burden on the Company would be a little bit less. He then expressed the hope that the position regarding incentives, including those for pensioners, might be reviewed, because the pensioners still play an important role, especially from a communications perspective. Furthermore, many pensioners have not actually been able to benefit from these plans, since in some cases they have actually lost the money they invested: for this reason too, the shareholder reiterated, their position should be assessed more closely. He also invited the company to pay attention to reducing the costs of, for example, the organisation of the shareholders' meeting; he also asked how much had been spent on organising the Telecom Italia Mobile convention.

Mancuso considered that he had not received an answer to the question regarding the exact number of Group employees. He also complained that few members of the Board of Directors were present, commented that labour costs are particularly high, asked for more details on the amount of the existing debt and the amount paid in interest, recommended that any integration with H3G be submitted to the shareholders' meeting and finally stated that nothing had been said about progress in the current year.

***

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;
- announced that a total of 5,957,567,692 shares were present, entitled to the same number of votes and equivalent to 44.40% of the ordinary shares;
- at 5.13 p.m., put the proposed resolution of the Board of Directors, ranscribed below, to the vote, using the televoters:

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

- *having examined the annual financial report of Telecom Italia S.p.A.;*
- *having taken note of the reports by the Board of Statutory Auditors and by the independent auditor PricewaterhouseCoopers S.p.A.;*
- *having considered that the overall number of shares with regular entitlement on the proposed coupon date will be equal to a maximum of 13,388,293,904 ordinary shares and 6,026,120,661 savings shares;*
- *in view of the authority of the Shareholders' Meeting, in the event of a lack or insufficient net profits resulting from the financial statements to meet the right to increase the savings shares, to meet them by distributing the available reserves, resulting in the exclusion of the mechanism to carry over in the two subsequent years the entitlement to the preference dividend not received by the distribution of profits, as stated in Article 6 of the company Bylaws;*

resolves

1. to approve the financial statements of Telecom Italia S.p.A.;

2. to cover the loss for the year of Telecom Italia S.p.A. (of 1,821,102,656.41 euros) by withdrawing 740,988,391.89 euros from Profits carried forward from financial year 2003 and 1,080,114,264.52 euros from Profits carried forward from financial years 2008 and subsequent;

3. to pay the Shareholders a total dividend calculated on the basis of the following amounts, which will be applied to the number of ordinary and savings shares that they own (thus excluding the treasury shares in the Company's portfolio) on the record date:

– *0.02 euros for each ordinary share,*

– *0.031 euros for each savings share,*

withdrawn from the profit for the year 2010 carried forward, gross of the withholdings prescribed by law;

4. to allocate to the reserve designated "Plans pursuant to Article 2349 of the Civil Code" the sum of 9,581,850 euros, taken from the profits carried forward from previous years, to service the capital increases to be deliberated on by the allocation of profits to be achieved under the 2012 Long Term Incentive Plan approved by the Shareholders' Meeting of 15 May 2012;

5. to make the dividend payable starting on 25 April 2013, with a coupon date of 22 April 2013 (record date 24 April 2013).

The resolution was approved by a majority of the shareholders.

For: 5,881,472,230 shares.

Against: 13,588,561 shares.

Abstained 62,506,901 shares

All as detailed in the annexes.

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

- the financial statements of Telecom Italia S.p.A. for the 2012 financial year;
- coverage of the loss for the year of Telecom Italia S.p.A. (equal to 1,821,102,656.41 euros);
- the distribution of the 2010 profits carried forward by allocation of a dividend of 0.02 euros per each ordinary share and 0.031 euros per each saving share, gross of the withholdings prescribed by law.

***

The Chairman then:

- invited those shareholders who intended to leave the room before the vote to inform the auxiliary staff in the room so that their shares would not be considered present;
- announced that a total of 5,957,002,611 shares were present, entitled to the same number of votes and equivalent to 44.40% of the ordinary shares;
- at 5.18 p.m. put to the vote the proposed resolution regarding the Liability Proceedings proposed by D'Atri transcribed again below, using the televoters:
"The shareholders' meeting resolves to start liability proceedings pursuant to article 2393 of the Italian Civil Code against the Managing Director for not having acted with due diligence, and in particular pursuant to article 2392, subsection 1, in the management of the business of Telecom Italia Media and La 7, during 2012, and for not bringing valid options to the attention of the Board of Directors for debate".

The resolution was rejected by a majority of the shareholders.

For: 31,530,480 shares.
Against: 5,925,400,840 shares.
Abstained/Not voting: 71,291 shares.
All as detailed in the annexes.

The Chairman announced the result.

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

The Chairman:
- announced that a total of 5,957,572,452 shares were present, entitled to the same number of votes and equivalent to 44.40% of the ordinary shares;
- at 5.21 p.m. put the proposed resolution of the Board of Directors, transcribed below, to the vote, using the televoters:
The Shareholders' Meeting of Telecom Italia S.p.A.,
- *given the applicable legal provisions regarding the remuneration report;*

- *having acknowledged the non-binding nature of the resolution required,*

resolves

to approve the first section of the remuneration report.

The resolution was approved by a majority of the shareholders.

For: 4,045,852,941 shares.
Against: 1,901,487,162 shares.
Abstained/Not voting: 10,232,349 shares.
All as detailed in the annexes.

The Chairman announced the result.

Then the Chairman, in relation to the third item on the agenda:
- invited those shareholders who intended to leave the room before the vote to inform the auxiliary staff in the room so that their shares would not be considered present;
- announced that a total of 5,957,245,746 shares were present, entitled to the same number of votes and equivalent to 44.40% of the ordinary shares;
- at 5.26 p.m. put the proposed resolution of the Board of Directors, transcribed below, to the vote, using the televoters:

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

- *given the resignation of Sabrina Bruno as standing auditor and her replacement by Roberto Capone;*
- *taking account of the fact that the mandate of the current Board of Statutory Auditors will expire with approval of the financial statements for the year ending on 31 December 2014 (as resolved by the Shareholders' Meeting of 15 May 2012),*

resolves

to supplement the composition of the Board of Statutory Auditors with the appointment of Roberto Capone as standing Auditor of the Company and Fabrizio Riccardo Di Giusto as alternate Auditor, both with mandate expiring in alignment with those of the other members of the Board of Statutory Auditors and hence until approval of the financial statements for the year ending on 31 December 2014.

The resolution was approved by a majority of the shareholders.

For: 5,902,166,838 shares.
against: 5,291,332 shares.
Abstained/Not voting: 49,787,576 shares.
All as detailed in the annexes.

The Chairman announced the result and, the ordinary part of the agenda having been dealt with, moved on to consider the extraordinary part, which was minuted separately, at 4.29 p.m.

The Chairman The Secretary