-------------------------------------------------------------------------------------------- Telecom Italia 2001

CHAIRMAN’S LETTER

Growth in the world economy, globalization, the new information and communication technologies and

liberalization of monopolized production industries have reasserted market focus as the driving

force for development and have sparked the demand for socially responsible businesses, capable of

fostering an

economic trend, in which equality, balance and respect for the environment figure more highly.

Business management policies and strategies currently reflect two conflicting models.

One sees social responsibility extending no further than its talent to generate profit, with focus

primarily on shareholders and financiers. Business performance is accordingly measured based on

ability to create value.

The other defines social responsibility in broader terms, endeavouring to achieve a network of

relationships that connect the business to a variety of stakeholders. Investment in human

capital and research and development are considered strategic for policies to improve the quality

of products, in order to increase business competitivity.

Along with many other global corporations, the principal voluntary organizations and the

International Confederation of Free Trade Unions, the Telecom Italia Group has supported the nine

principles set by the Global Compact proposed by the United Nations Secretary- General, Kofi

Annan, regarding human rights, labor standards and

environmental protection.

The Telecom Italia Group has always invested in social and environmental values; for five years

it has published a rigorous, in-depth report, refining information contained in it and selecting

from it the most reliable indicators to supplement its annual report.

It stands alongside other big businesses in Italy and Europe which have already adopted this

best practice and serves as

an example for others wishing to profitably embark on this course.

As a leading industry it proposes sustainability as a business value, a tool for programming,

management and control.

Chairman

Marco Tronchetti Provera

-------------------------------------------------------------------------------------------- Telecom Italia 2002

CHAIRMAN’S LETTER

The current international scenario and the

direct effects it is having on social and economic trends place greater focus on the role that

business, and especially large companies, can play in shaping societal development and in directing

change in terms of framework and targets toward a system of values.

Companies which are conscious of their evolving role see themselves at the center of a network of

relationships with a variety of stakeholders who can have a real influence

on their reputation and competitivity. Concern for values consequently becomes an integral part of

company processes and as such can be measured, managed and monitored.

The Telecom Italia Group has performed a leading role in introducing the Sustainability Report in

Italy as a means of integrated performance reporting and transparent communication of corporate

strategies.

The course we have followed, from our 1997 social report to our 2002 integrated report, has been

coherent and compliant with a growing and more qualified commitment to promote Sustainability as

a business value.

In 2002, the Group governance structure was further enhanced through adopting practices and

principles of conduct, formally expressed in codes and procedures. The corporate governance system

was implemented with the Code of Ethics, which is ideally placed upstream of the whole system and

which constitutes, in terms of

general policy, the set of principles which

guides the Group’s activities in relationships with our stakeholders for an ethical business

conduct.

Corporate strategy will be integrated with the Strategic Sustainability Plan, which addresses areas

for improvement in relationships with stakeholders and outlines projects and targets in accordance

with appropriate lines of action, thus setting up a complete process for governance of

sustainability within the Group.

Marco Tronchetti Provera

-------------------------------------------------------------------------------------------- Telecom Italia 2003

LETTER OF THE CHAIRMAN

To the Shareholders,

For Telecom Italia, 2003 was a decisive turning

point in the building of structures that would be

both stronger and more appropriate to meet the

ambitions and challenges facing a large group

committed to an industrial project abounding

with development potential.

What we achieved in 2003 involved radical

restructuring and the re-launching of the industrial

side of the Group. Over the last two years, we have

succeeded in cutting costs by more than euro 2.2

billion, equivalent to 86% of the target set for the

end of 2004. Non-strategic operations were sold

for euro 10 billion. The values of investments in

the corporate portfolio were lowered by more than

euro 12 billion, to bring them in line with fair

value. Net financial indebtedness was reduced by

euro 10 billion. At the same time, more than euro

10 billion was distributed to shareholders between

dividends and tender offers. It is therefore

legitimate that we should feel proud of having

fulfilled the commitments that we made to the

market when we took over the responsibility of

managing the Group.

One of these commitments was to streamline the

corporate structure. In fact, integration of Olivetti

with Telecom Italia last summer resulted in a

company that is more competitive, more flexible

in financial terms, and better oriented to create

value for its shareholders.

While we were working to rid ourselves of the

heavy burden that had accumulated in past years,

we did not neglect to build solid, competitive

foundations for the future. We continued to invest

almost euro 5 billion a year, mainly in the

technological innovation of our networks,

systems, products and services. We focused our

attention even more on marketing and on the

structures dedicated to serving our clientele. We

never failed to continue to improve the level of

professional expertise of our human resources.

Since we were well aware that there could be no

reliable, long-lasting growth without integrity, a good reputation and trust, we took action to make

our administrative decisions even more

transparent, to ensure that the interests of all our

shareholders would be respected, and to establish

a continuous, open dialogue with the financial

community. With respect to corporate governance,

we want to be at the top not only nationally but

also internationally, so that every level of corporate

operations will adopt the kind of conduct that will

guarantee the utmost honesty and transparency. It

is a continuous process: another step forward was

the decision, starting with the Board of Directors

taking office in 2004, that the board should have a

majority of independent directors of the highest

possible standing from both a personal and

professional standpoint.

In more general terms, we have stepped up our

commitment to implement policies of corporate

responsibility that aim to satisfy all the bearers of

legitimate interest – customers, employees,

suppliers, the public at large, future generations –

by supporting the principles of the Global

Compact, the key benchmark at world level

launched in 2000 by the U.N.O. to promote

respect for human rights and labor standards and

the safeguarding of the environment. By making

the Sustainability Program an integral part of the

Industrial Plan, we have planned the measures

needed to assure the ethical excellence of the

whole Group.

The positive economic and financial results of

2003 fit into this general framework. The results

exceed the set targets in a way that places the

Telecom Italia Group in a prime position within

the international telecommunications scenario.

The results achieved are even more impressive

when we consider that 85% of the results was

generated on the Italian market, where

deregulation has been so far-reaching and so

rigorous and where, as a result, competition in

terms of prices and services has been even fiercer

than in other European countries.

The main business segments generated growth.

For the first time in four years, revenues from wireline telephone services increased as a result

of effective strategies to promote customer

loyalty, the ever-more rapid spread of broadband

services, the development of value added services

and the introduction of innovative data

transmission solutions. In mobile telephone

services, Tim continued its commitment to launch

new multimedia services and ever more highly

differentiated rate plans that are better suited to

the various types of customers. Telecom Italia

Media achieved a positive gross operating profit

in the Internet segment, where Virgilio confirmed

its role as the main Italian portal. Meanwhile, in

the Television segment, the re-launching program

enabled La7 to consolidate its broadcasting

image, with a share of the viewing audience that

was consistently above 2%, with a high level of

concentration in the upper segments of the

public. Despite the persisting contraction of the

Italian demand for information technology

solutions and increasing pressure from the

competition, the Information Technology Market

business unit improved its levels of profitability.

With its highly competitive technological

platform, Olivetti Tecnost is also emerging from a

radical restructuring program and the redefinition

of its industrial mission and is already producing

positive operating results.

International operations are proving to be an

ever-more important factor with regard to

growth. We are in the process of leveraging the

expertise and the most innovative solutions

developed on the Italian market in the

international sphere. In mobile phone services, in

Brazil, services using GSM technology were

successfully launched nationwide. In Turkey and

Greece, we have consolidated our respective

positions and are ready to benefit from the

growth expected on those two markets. Thanks to

investments made in France and in Germany,

Telecom Italia Wireline is the first European

wireline telephone services operator to expand

into the market of broadband services outside its

national boundaries.

It is because of these foundations that we can

face the future with optimism.

In front of us lies an exciting period of innovation

which is likely to radically transform the

telecommunications industry. New value added

services, new terminals and, more particularly,

the convergence of telephone services and the

Internet, made possible by broadband

technology, will open up important new

opportunities for growth.

When large quantities of data can be transported

at high speed, it will become possible to bring

movies, music, games and other innovative

services into the homes of millions of customers.

Thanks to digital land-based television, the TV will become interactive. Companies will be able to

conduct their business on-line, thus reducing

costs and improving their level of

competitiveness. The true development of the

”Internet Age” is finally taking place.

The Wi-Fi platform and the technologies of the

third generation, EDGE (the latest development of

the GSM platform) and UMTS, will ensure that

broadband technology and services can be used

everywhere.

Finally, a completely new range of fixed and

cordless phones is about to enter our homes

offering a whole range of new possibilities:

“Aladino” was just the first step. We are now

close to the launch of video-phones which use

normal phone lines to transmit high-quality

images and sounds.

Telecom Italia wishes to fully seize the

opportunities for growth in the most promising

areas of the international telecommunications

market. A considerable proportion of our

investments is being spent for this purpose, two thirds being concentrated on innovation.

Investments, I wish to remind you, that will

enable the companies which collaborate with the

Group and with the TI Lab research facilities to

increase their level of competitiveness and their

chances of expanding onto foreign markets in one

of the few hi-tech sectors in which Italy still plays

a primary role on a worldwide scale.

But we can still make an even greater

contribution to our country. In fact, the growth of

telecommunications makes it possible not only to

offer new services to the public at large, but also

to give a considerable boost to the productivity of

the entire economic system. This is being

achieved amid declining telephone charges and,

therefore, without fueling inflation. Countries

which invested in this sector before us, and to a

greater extent, have recorded a higher growth in

GDP and a strengthening of their national

industry and services. It is, therefore, extremely

important that Italy should succeed in enhancing

the enormous potential of the sector to its

advantage.

We shall do everything we can to take up this

challenge. We have the financial resources. We

have the technologies needed. More particularly,

as the results show, we have the human resources

to sustain such a challenge. The commitment of

our employees has already shown that, at every

level, they are well aware of the responsibility and

the privilege of participating in the growth of a

group which is, and intends to remain, an asset of

strategic importance in terms of the

competitiveness of all the countries in which it

operates. Especially Italy.

-------------------------------------------------------------------------------------------- Telecom Italia 2004

LETTER OF THE CHAIRMAN

To the Shareholders,

When we took over the helm of the Telecom Italia

Group towards the end of 2001, we announced that

the cornerstones of our industrial plan would

involve becoming firmly entrenched in cutting edge

technologies and just as firmly oriented towards

the market.

The results of 2004, which are, once again, in line

with the objectives announced to the financial

community, confirm the validity of that plan.

Revenues have increased, profitability has

improved, operating free cash flows have increased

and indebtedness has been further reduced.

An important contribution to the performance of

the Group – a performance which continues to rank

our Group at the top of the sector in Europe – has

come from precisely the more innovative areas:

from the vigorous expansion of broadband and

from the success of hi-tech services both in

wireline and mobile telephone services.

Thus new patterns of consumption are emerging –

based on the exchange of data, images, sounds –

which are gradually replacing the transportation of

the voice as the key element in the development of

telecommunications. This trend, which applies to

both wireline and mobile telephone services, has

found widespread support in the modernization of

the networks and services, to which we have

devoted a considerable amount of the euro 5

billion we spend on average every year. The

Telecom Italia Wireline Network, in particular, has

been described by authoritative analysts in the

sector as the most technologically sophisticated

network in Europe, the most advanced in the

transition to the IP protocol, that is, in the carrier

techniques that will dominate telecommunications

in a future which is literally just around the corner.

It is precisely the technological level reached by

the networks, together with the confirmation of

new forms of consumption demonstrated by our

customers, which have led us to take an important

step: the merger between TIM and Telecom Italia.

This merger, while in full respect of the restrictions

imposed by the Regulator, will enable us to fully

exploit the innovative potential that lies within the

convergence between the platforms of wireline and mobile telephone services which the manufacturers

of telecommunications systems and equipment

have rendered possible, reliable and affordable in

the last few months.

We now face the prospect of reaching the point

where we can offer consumers and companies, in

both wireline and mobile services, broadband

services which share the same common base, yet

which remain distinct and different in terms of

their characteristics and the specific ways they are

used, according to the communication tools

involved.

The merger between TIM and Telecom Italia will

not only ensure the unitary government of business

processes which are in continuous and often

turbulent evolution, but will make it possible to

create considerable synergies in terms of

investments and operating costs.

However, the purely industrial nature of the merger

has even more far-reaching consequences if we

regard it in the light of the consequences of the

events which have marked the corporate history of

the Group since it was privatized. In fact, the

merger with TIM is the end of the complex journey

that we have made to streamline and rationalize

the corporate structure; a journey which involved

us in the recapitalization of Olivetti in the last

months of 2001 and, in 2003, in the merger

between Olivetti and Telecom Italia.

According to a leading international newspaper,

today, the Group has finally achieved a “normal”

structure. This is certainly the case: cash flows and

debt are now allocated at the same level. This will

make it possible to sustain growth with the

necessary level of investments and to remunerate

our shareholders with an adequate dividend,

reabsorbing, with higher cash flows, also the higher

level of indebtedness resulting from the merger

transaction.

The flattering acclaim given by the market to our

reorganization process is indicative of the

credibility and trust which we have been able to

generate. Credibility and trust have certainly found

solid motivations in the strictness and transparency

of the decisions taken at managerial level and in

the complete sustainability of our conduct.

Furthermore, the reliability of the Group is

confirmed by the fact that it is capable of

generating growth in all its main business units.

In the field of wireline telephone services, our

company is the only one of all the large European

companies which, even leaving aside the persisting

decrease in the level of voice traffic, for the second

consecutive year, has increased its revenues and

profitability. The merit for this must go to the

launch of the new terminals (Aladino and the

videotelephone), innovative services packages and,

more particularly, to an increase in broadband

connections that has far exceeded expectations.

The number of broadband connections exceeded

the 4 million mark, thus doubling the volumes of

2003 and multiplying by a factor of almost 5 those

reported in 2002. It should be emphasized that this

spread of broadband was accompanied and

encouraged by a series of free increases in

connection speed for both residential and business

customers. At an international level, too, Telecom

Italia is beginning to harvest the fruits of the

investments made on the broadband markets in

France and Germany, with an increase in a single

year from 160 thousand to 420 thousand lines.

Despite the fact that TIM has continued to increase

its voice traffic in Italy, it has increasingly entrusted

its growth to value-added services and the

introduction of the new EDGE and UMTS

technologies which also constitute the launch-pad

for broadband in mobile telephone services. The

contribution by the operations in Brazil has been

significant: by increasing the total number of lines

from 8.3 to 13.6 million, the TIM Brazil Group has

become the second-largest mobile telephone

services operator in the country, is the only one to

have nationwide coverage and is the first to offer

GSM technology.

Telecom Italia Media has increased its revenues

and has turned the gross operating profit into a

positive figure as a result of a boost from the

Internet area, with Virgilio, which has become one

of Italy’s leading portals, and in television, with the

LA7 channel which has yet again increased its

viewing audience and consolidated the image of a

broadcaster of quality oriented towards the higher

range of the public. With regard to digital

terrestrial television, where it has achieved a

coverage of 68% of the population, last January,

LA7 launched a pay-per-view package of the home

games of nine teams in the Italian Series A soccer

championship.

Now that Olivetti Tecnost has completed its

restructuring process and redefined its organization

around Office products and Systems, it has

recovered its technological vitality and innovative

enthusiasm by acquiring new international markets

for specialized terminals and significantly improved

its operating result.

Telecom Italia Lab, which plays an increasingly

important role in the innovation of the Group’s

networks and services, has filed 86 new patents and has contributed to the launch of new products

(such as the Turbo Call service, the Videotelephone

and the Alice Mia Access Gateway), thus

strengthening its collaboration with Pirelli Labs, on

the one hand, and with suppliers, on the other.

Looking to the future, the priority areas on which

we intend to concentrate our efforts and our

investments will be the development of innovative

services and the strengthening of our international

presence.

We want to transform the increasing bandwidth

which we are making available on the wireline and

mobile networks into concrete opportunities to

improve the quality of life for citizens – whether we

are talking about new ways for people to interact

with the public administrations, contact the

national health service, access information and

learn, or just have fun – and to increase the

productivity of companies – whether it is being

used for creating innovation in production

processes, new ways of supplying and using

services, distributing resources from one place to

another or speaking to customers.

As far as international expansion is concerned, we

intend to step up our commitment by following a

path that is already there for us to take: by focusing

very selectively on markets with high development

potential. This means France and Germany in the

case of broadband; it means Brazil and Turkey

because of the size of their markets and also

because they offer us the chance to become an

integrated operator of wireline and mobile

telephone services. We continue to be very

interested in Argentina. At the same time, we shall

continue to divest non-strategic operations abroad,

and intend to devote the resources thus released

partly to reduce indebtedness and partly to invest

in key markets.

By concentrating on the innovation of networks and

services and with an international focus clearly

oriented towards the kind of growth that will

generate profits, Telecom Italia hopes to succeed in

maintaining its position as European leader in a

world of telecommunications that is rapidly

changing. With fewer and fewer utilities providing

voice services (which now constitute less than 40%

of traffic) and an increasingly large infrastructure

for producing and distributing services,

telecommunications have now become a hi-tech

sector and, as such, are destined to play a

fundamental and driving role in economic and

social development.

As far as we are concerned, it is a role for which we

feel responsible and which we shall play with the

utmost commitment, sustained by the enormous

wealth of ability, competence and professional skills

of the people who work for our Group. Their

intelligence and their enthusiasm have been crucial

in making the Telecom Italia Group’s industrial plan

into a success in such a short time.

-------------------------------------------------------------------------------------------- Telecom Italia 2005

… we have invented a strategy that relies on five pillars. Firstly, we must exploit the

synergies which have resulted from integration by allocating a large proportion of the

resources which have thus been released for researching and developing innovative

technologies, for strengthening our position on the market and for implementing new

projects to improve customer care.

Then we shall proceed with the continuous development of the network, giving priority to

the development of a single transport infrastructure based on the Internet Protocol, to

bring new technologies to the market and improve the quality of service. As a result, we

shall be able to concentrate our energy and initiative on the importance of the customer,

by providing channels, structures and systems capable of ensuring a rapid, effective,

adequate response to the new technological context. Through the new network and by

giving greater attention to customer satisfaction, we are confident that we shall be able

to maintain the market leadership in all areas: in fixed services, in mobile services and in

convergence based on broadband. The effectiveness of such plans relies, of course, on

the quality of our employees, quality which will be tailored to reflect the new technological

competitive dimension towards which we are heading. It will involve large investments to

enhance and raise the level of their professional skills. Over the next three years, this

commitment, which will focus on training, the development of new jobs and recruitment,

will involve at least 80% of our employees.

In so doing, we intend to augment our level of productivity, which has already risen by

26% since 2001.

This is the basis on which we intend to build the future growth of Telecom Italia, so that

it will become one of the great protagonists of the new world of digital communications:

the most advanced operator from a technological point of view, and the most attractive

from the point of profits.

We intend to pursue this objective while maintaining our firm commitment to respect the

principles of correct conduct, transparency of corporate decisions and responsibility with

regard to the various stakeholders which regulates the governance of the Group.

We intend to reinforce these principles, in keeping with our Code of Ethics and with the

commitments made at a national and international level.

(from the Chairman’s letter to the Shareholders - Annual report 2005) not full!

-------------------------------------------------------------------------------------------- Telecom Italia 2006

The vocation of Telecom Italia to operate in the hi-technology telecommunications industry

blends with the awareness of the fundamental service that a Group like ours provides in

the economic and social development of all the countries in which it operates.

This awareness is closely tied with the firm belief that our business activities have to be

carried out taking into account the stakeholders’expectations, in line with internationally

accredited Sustainability standards.

Telecom Italia, which adhered in 2002 to the Global Compact promoted by the United

Nations, confirms its commitment to supporting GC principles and to spreading them in

the countries in which it operates.

In 2006 the Group has been confirmed in the main sector stock indexes, both at national

and international level; the qualitative targets set for 2006 with regard to the environment

were reached, while quantitative targets relative to Customers, Human Resources, The

Environment and Digital Divide were defined for 2007; two corporate policies were

developed, one related to the safeguard of working conditions and human rights for all

the Group's subsidiaries in Italy and abroad, and the other related to the safeguard of the

values on which the Group’s Code of Ethics hinges, in supplier relations.

In 2007 we will again promote important national and international initiatives in line with

the commitments undertaken with regard to Sustainability, including the attention to the

level of emissions responsible for the greenhouse effect. We will give special support to

the “Alliance” launched by the European Commission in 2006 in order to make our

continent a pole of excellence in the field of Corporate Social Responsibility.

We do believe in our commitments and we will continue to operate with resolution in

order to confirm Telecom Italia as an industrial asset which is vital for the modernisation

and the social and economic development of Italy and all those countries where we are

confirming the quality of our technologies, services and people.

Carlo Buora

Executive Deputy Chairman

-------------------------------------------------------------------------------------------- Telecom Italia 2007

Chairman’s Letter

When I became the chairman of Telecom Italia at the end of 2007, I was very impressed with the

wealth of professionalism, motivation and technological competence I found in the Group. I was

already aware of that, but not up to the level I experienced. I also found it reassuring the

deep-rooted culture of transparency and integrity.

Such culture does not imbue just the system of rules and procedures governing business management,

decision-making and dialogue with the market. More generally it imbues all the relations with the

stakeholders interacting with the Group in its business activities.

This obviously stems not only from ethical or reputational reasons, but from the awareness that the

creation of value is sustainable in time if we are able to effectively integrate the expectations

of the context in which we operate, while pursuing our economic goals.

I see this awareness expressed in strategies and facts.

Let’s consider the environment. We are living in a period of many growing concerns about climate

change, depletion of natural resources, and increasing prices of energy supply.

We are aware of the fact that telecommunication services may considerably contribute to the

elimination or containment of greenhouse gases emissions. Videoconferences, telework, infomobility

services, telemedicine are but a few among the solutions offered by new technologies, permitting

to rationalize and reduce transfers of people and goods and the related emissions. We are also

aware, however, that these services absorb energy.

The more they are used the more traffic on networks increases and the curve of consumptions shoots

up, unless we strive to achieve an ever higher level of efficiency. Telecom Italia is doing this.

In 2007 our eco-efficiency, measured as the ratio between traffic units and energy consumed, showed

further improvement.

We are currently experimenting with several solutions for the use of alternative energy sources,

ranging from cogeneration to photovoltaic plants, wind farms and fuel cells.

The first results are rather interesting, as are the ones coming from interventions on heating

systems, on corporate car fleet (also involving significant reductions of emissions) and on the

handling of technological waste produced by telecommunication activities.

Conducting energy and environmental efficiency pays: it is good both for the planet and for

businesses. You could say it is twice as good for businesses: not only for the economic fall-out

effects but also as an incentive to technological innovation. A sustainable company is a more

innovative and competitive company. The financial market recognizes and rewards it.

We are greatly satisfied with the inclusion, also in 2007, in the most important sustainability

indexes, both at national and international level, and with the inclusion in the group of 20

companies most often selected at European level by “Green Social and Ethical” funds.

I mentioned the environment, but I could just as well recall the great effort made by the Group to

significantly reduce the digital divide in Italy. In Telecom Italia the concept of sustainability

is wide-ranging and involves many applications, as the following pages illustrate with a wealth of

detail, data and quantitative targets on which the Group wants to be evaluated in a transparent

way.

Transparency is one of the main goals of the Alliance, launched in March 2006 by the European

Commission, companies and stakeholder representatives, in order to make Europe a pole of

excellence in the field of Corporate Social Responsibility. Telecom Italia is going to give

special support to this initiative also in 2008.

We mean to continue on this same path: doing business in a sustainable way and create value are as

a whole. Starting from this standpoint we confirm our commitment to support and spread the values

and principles of the Global Compact, the initiative originated under the aegis of UN to promote

the respect of human rights and working standards, to safeguard the environment and to fight

corruption.

We have the honour to be among the protagonists in a sector, such as telecommunications, having a

key role in the economic and social development. This honour involves many responsibilities, which

we don’t consider as a burden but rather as an incentive to do better and better. And this is for

everybody, and for the world which we would like our children to inherit in even better conditions

than the world we’ve found.

Gabriele Galateri di Genola

Chairman

-------------------------------------------------------------------------------------------- Telecom Italia 2008

Chairman’s Letter

The year we have left behind us was, for Telecom Italia, a year of unswerving concentration on the

operational management of the Group, aimed at re-balancing costs and revenues, reinforcing the

generation of earnings and reducing indebtedness. This management effort took much energy and

required great discipline in the use of resources. However, this did not push our commitment to all

the stakeholders into second place. On the contrary, this was further strengthened by its closer

integration with the activities of the business, and by the establishment of the Telecom Italia

Foundation with regard to socially-purposive interventions.

These pages, as ever, present a thorough and detailed panorama of actions taken in support of

sustainability, which encompass the entire company in its many parts.

One example is the progress we are achieving in the environmental sphere. Starting with our own

activities. In

2008, the Group’s indicator of energy efficiency – which sets the service offered to the customer,

expressed in terms of bits transmitted by our networks, against its impact on the environment,

measured in terms of total energy consumed – was once again improved, by as much as 35%. The growth

in traffic was not the only factor contributing to this result. Also very significant was the

overall reduction of electricity consumption, the first in the last four years. This would not have

been possible without the continuous work of rationalisation, modernisation and technological

innovation of the network infrastructure, and experimentation with new systems of energy

production. Optimising consumption, modernising the fleet of company cars and converting the

thermal plant have, indeed, reduced the direct and indirect emission of carbon dioxide into the

atmosphere by about 20,000 tons.

Indubitably, telecommunications in general, and broadband in particular, can play a very important

role in the environmental cause, with significant repercussions too on social front at the national

level. Just think of the passage from paper to digital form of communications between the public

administration, citizens and businesses, eliminating the distances and the necessity for travel.

Think of the benefits inherent in the services of telemedicine, e-learning, telepresence,

tele-working and, when travel is unavoidable, infomobility services for traffic management,

transport and logistics. Now think of the possibilities of using the sensors and connections within

the network for the more efficient control and management of every use of energy resources.

Another sphere of great social importance in which we are working, very often in close

collaboration with local public authorities, is that of reducing the digital divide, in order to

avoid the creation of new forms of discrimination towards those who find it difficult or impossible

to access information technology. This is an issue we are tackling both from the geographical point

of view, by extending network and broadband coverage into the more marginal areas, and from the

cultural point of view, by promoting a wider awareness of digital technologies among the weakest

strata of society.

This year, the Telecom Italia Foundation has become an integral part of the Group’s Sustainability

strategy. We have entrusted to it the task of reinforcing our commitment to the community,

supporting ideas and projects in the fields of education, culture and society, targeted at

improving people’s quality of life and also contributing, in this way, to the promotion of

innovation and modernisation within the country, which is an objective of the whole company.

We are proud to note that the determination with which we pursue this goal led to Telecom Italia’s

place being confirmed in 2008 in all the main global sustainability indexes, which only include the

most deserving companies, selected through a rigorous process of evaluation. A further cause for

satisfaction was the recent admission of Tim Participações to the ISE index (Índice de

Sustentabilidade Empresarial), managed directly by the San Paolo stock market in Brazil. Another

important acknowledgement has been the co-leadership role taken by the Group in the “laboratory”

which – as part of the Alliance between the European Commission and companies launched in March,

2006, designed to make Europe a pole of excellence in corporate responsibility – is working to

develop the criteria and methodology for the effective communication of non-financial performance.

Still in the area of communication and reporting, it should be noted that Telecom Italia was judged

by the Carbon Disclosure Project to be the best company in all Italy for the measurement and

representation of information regarding the emission of greenhouse gases.

This sheaf of positive assessments represents a further stimulus in pursuing our commitment to

sustainability, continuing to disseminate, in all the countries in which we operate, the principles

of the Global Compact, the initiative launched by the United Nations in 2000 to promote the

protection of the environment, respect for human rights and working conditions, and to fight

corruption.

Ahead of us, the foreseeable future will continue to be characterised by the particularly difficult

international economic situation. This will put the corporate system under strong pressure, forcing

businesses to concentrate on the fundamentals of management to a much greater degree than in the

recent past. Those who, like us, see sustainability as going hand in hand with the creation of

value, will draw from this renewed motivation, which will certainly make a positive contribution in

confronting complex circumstances. This will bring benefits for the company’s results, but, first

and foremost, it will bring benefits for all those who demand from Telecom Italia that contribution

of innovation and modernisation that will be the solid foundation upon which recovery and new

prospects for development can be constructed.

Gabriele Galateri di Genola

President

-------------------------------------------------------------------------------------------- Telecom Italia 2009

Chairman’s Letter

While the economic scenario remains contradictory, experiencing a succession of rises and falls,

one phenomenon continues unabated: the spread of communication technology. The International

Telecommunication Union estimates that 90% of the world’s population is now within the range of a

mobile telephone network, with over 5 billion active lines joining the 1.2 billion fixed lines.

There are now over two billion Internet users populating the Web (almost

58% of them in emerging countries), gradually evolving from simple users of communication tools

into citizens of a digital society that uses the Web to work, come together, circulate ideas and

projects, create companies, produce culture, discuss politics, values and religious beliefs. These

technologies are shaping new lifestyles and relationships and reorganising economies wounded by the

recession. In extreme but not rare cases, these technologies provide the momentum and support for

people to demand freedom and reform, as the ex- periences of the past few months have demonstrated

in North Africa and the Middle East.

With its networks, products and technological solutions, Telecom Italia is fully involved in this

global process aimed at building a digital economy and society, which form the basis for the

greater prosperity of current and future generations.

There are therefore two sides to our commitment to sustainable development. As an indus- trial

company, we are committed to conducting our business in an ethical way, which means that our

responsibility to remain competitive is part and parcel of our responsibility towards stakeholders.

This is what we have clearly stated in our Code of Ethics and by signing up to the UN Global

Compact, in which we play an active part, recording the progress we are mak- ing in applying its

principles and promoting the activities of the Italian network.

Like the other main players in the world of telecommunication, we are also committed to achieving a

wider dissemination of digital technologies, in order to serve the needs of people in their private

and working lives, to support corporate development and innovation, to in- crease the efficiency

and quality of public services and, last but not least, to ensure greater respect for the

environment and a more effective fight against climate change. In both these respects, we believe

that the company has made enormous progress in recent years, as in fact has been recognised by the

inclusion of Telecom Italia in all the main international sus- tainability indexes, including its

seventh successive inclusion in the DJSI World and the DJSI Europe indexes.

As is once again demonstrated by the pages of this Report, we showed our commitment to

sustainability in many different fields in 2010. These included continued investment in the network

infrastructure, aimed at ensuring the greatest possible expansion of broadband coverage (which

currently covers 97% of our fixed lines in Italy and almost 84% of mobile lines), while ensuring

economic feasibility and often collaborating closely with the Italian re- gions. Smart Services are

an increasingly important part of this programme. They include the Smart Town platform, which can

be considered as the management nucleus of a digital city (administering its energy requirements,

providing local surveillance and allowing communica- tion with citizens), and Smart Building, in

which ICT applications integrate with new materi- als, considerably improving energy consumption,

comfort and security. Many local authori- ties and companies have now adopted these technological

tools. Alongside these there are home automation solutions designed, among other things, to

optimise the use of household appliances (Green@Home). We have developed forms of cloud computing

that allow small and medium sized companies to access applications and data remotely, cutting the

cost of technological infrastructure as well as energy use and emissions (Ospit@Virtuale). A

contri- bution to a “greener” economy will undoubtedly be made by Biblet Store, Italy’s first

digital bookshop, and by the gradual spread of e-readers and electronic publishing.

Another essential dimension of people’s quality of life on which we are working is health, and more

generally the fight against difficulty and alienation. We are working with the managers of the

Italian national health system to digitise managerial and clinical processes, in order to improve

their efficiency and guarantee their sustainability to deal with the burdens associ- ated with an

ageing population and the imperative of controlling public spending. We are de- veloping original

solutions in the field of home telemedicine and telecare for the chronically ill (MyDoctor@Home).

We are expanding the project to allow children in long-term care, in the oncology and haematology

departments of Italy’s leading paediatric hospitals, to remain in contact with their families,

schools and society in general. One of the main initiatives of the Telecom Italia Foundation is the

Dyslexia Programme aimed at fighting this disorder in Italian schools, benefiting from the valuable

contribution that new technologies can make in this field.

We are also continuing to provide training on the use of digital tools so that everyone, without

exception, can benefit from them as much as possible. We therefore have ongoing computer literacy

programmes for older generations, involving tens of thousands of people every year. A tour around

schools and Italian town squares has also led to the further consolidation of our project to train

children to make an informed and responsible use of the Internet and new media (Safe Browsing),

which plans to involve at least one hundred thousand young stu- dents, teachers and adults.

Environmental sustainability and social sustainability are challenges that we have met at home as

well, within the Group itself.

With regard to the fight against climate change, in spite of the significant progress already made,

in 2010 Telecom Italia used less energy for heating and travel and less electricity (-3.4%) and less paper, and produced fewer CO2 emissions (-5.7%). Our eco-efficiency indicator (measured in bits transmitted per joule) improved further by 29%, a considerable increase that

is added to the ones achieved over the previous six years. Of course the background to

all this is the day-to-day work being done to modernise our technology, rationalise the use of

resources, renew the vehicle fleet and build awareness.

However, our most intensive work last year was in the social sphere, where we had to re- concile

the reasons for competitiveness with the reasons for sustainability. The imperative of

restructuring and relaunching Telecom Italia required us to pursue a business plan that pro- vided

for a reduction in the number of people employed in Italy. We dealt with this change by trying to

reduce the repercussions on our people as much as possible. Open and construc- tive dialogue with

trade unions and the Government identified avenues - including recourse to mobility and the more

extensive application of solidarity contracts in Italy - aimed at re- sponding to the Company’s

efficiency needs and guaranteeing that workers are respected and protected. At the same time, we

launched extensive professional retraining programmes to adapt today’s skills to the professional

profiles of tomorrow.

And as a demonstration of how much we believe in the broad cultural development of our people, we

offered them the opportunity to combine their company training with education unrelated to their

job, attending free university courses online, the first project of its kind in Italy. The success

of this programme has been truly remarkable. The same is true of the em- ployee’s share ownership

plan, to which 16% of potential subscribers signed up, compared to a European average in big

companies of less than 5%. Financial participation is also an important factor of cohesion, mutual

trust and sharing the commitment to relaunching com- petitiveness.

It is with these people, with its massive store of technological capabilities, plus a now well-

established financial recovery process that is freeing up resources for investment in growth, that

Telecom Italia is in a position to strengthen its contribution to the establishment of a digital

society and economy with greater opportunities for development, more inclusive and respectful of the environment.

Gabriele Galateri di Genola

Chairman

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While the economic scenario remains contradictory, experiencing a succession of rises and falls,

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Gabriele Galateri di Genola

Chairman

-------------------------------------------------------------------------------------------- Telecom Italia 2011

Chairman’s Letter

In a macro-economic environment characterised by one of the worst international econom- ic crisis

since the end of the war, which in just two years (2008 and 2009) reduced gross domestic product by

two percentage points, wiping out the slow growth achieved with great difficulty during the

previous five years, we have handled the challenges imposed by the competitive and business

environment with courage and determination.

The arrival of new players in the world of telecommunication has led to a profound rethink of the

way we are required to operate, but we have faced the new competitive environment with awareness of

the values that make us unique.

In the four years just ended, we have worked tirelessly to cut costs and improve the com-

petitiveness of our commercial offerings, for the benefit of customers and the market. We have

dealt responsibly with the staff redundancies foreseen by the business plan, imple- menting

solutions agreed with the social partners that have minimised the impact on em- ployees.

Thanks to the consolidation and relaunch of activities in Brazil and Argentina, we have been able

to rebalance our presence in foreign markets, recovering the strong international vocation that

Telecom Italia had in the past.

Through a careful management of company’s operations we have rebalanced the ratio be- tween debt

and cash generation, bringing it back to normal levels.

We have developed a constructive dialogue with the Authorities, promoting innovative so- lutions

that fulfil requirements in terms of ensuring protection and equality of treatment between our

sales division and alternative operators.

We have continued to act incisively with regard to compliance and behavioural practices,

transforming our organisational architecture in order to build more effective control sys- tems.

Responding to customer needs remains the main priority in the Group's business strate- gies and the

results achieved in terms of improving satisfaction indexes reward the efforts made, although we

believe we can do even better.

All of this has been done because we believe that a sustainable company is a company that takes

into high consideration its own impacts on the whole system with which it has to interact in every

corporate decision it makes.

And it is precisely with the aim of increasing the level of awareness of the importance of

these aspects in the decision-making process that we have launched a sustainability training

plan dedicated to all employees, which will continue throughout 2012. This is a concrete

knowledge development tool based on an e-learning platform and on themed virtual

classrooms aimed at creating a common and shared knowledge base within the Group.

Constant attention to technological innovation and process management improvement

has allowed us to increase our energy efficiency and produce significant results, including

a 6.3% reduction in electricity consumption and a 6.2% reduction in carbon dioxide emissions

into the atmosphere.

Our commitment to supporting the values of sustainability has allowed us to achieve important

national and international acknowledgements, including our inclusion in all the major

global sustainability indexes.

We continue to support the United National Global Compact through our involvement in the

Italian network and our reporting of the progress achieved in applying the ten principles.

In the near future, our Group will be required to make important strategic choices, the effects

of which will extend over the medium to long term. When evaluating choices of this

magnitude we need to consider the interests of today as well as those of tomorrow, assessing

their sustainability from all points of view.

In developing next generation networks, for example, we have opted for an architecture

which, in addition to being economically efficient, is also a solution that allows the greatest

energy savings to be achieved.

In the future, companies and Public Administrations will increasingly be opting for innovative

Smart Service solutions that allow the most efficient use of resources, while at the

same time ensuring a reduction in environmental impact and an improvement in citizens'

quality of life. Telecom Italia intends to play a leading role in this context.

In less than five years, our Group has changed. Its expectations, prospects, behaviour and

fundamental values have changed and its commitment to doing business responsibly has

strengthened, in the belief that this is a prerequisite for the success of the Group in the

long term.

Franco Bernabè

(Chairman & Ceo)

-------------------------------------------------------------------------------------------- Telecom Italia 2012

Chairman’s Letter

In 2012, the sharp decline in domestic consumption led to a more than 2% reduction in Italian Gross

Domestic Product. The worsening of the international macroeconomic situa- tion also had

repercussions in Argentina and Brazil, which experienced a significant slow- down in growth rates.

At such a difficult time for the national and international economy, sustainable businesses are

those that are able to cope with the crisis by improving their efficiency and productivity while at

the same time having a positive effect on the economic and social context in which they operate.

This second aspect is all the more important when, as in the case of Telecom Italia, the bond and

mutual influence between the business and its context are strong.

Telecom Italia has primarily had a positive impact on the economy through the investments it has

made in developing broadband and ultra-broadband fixed and mobile networks. The recent launch of

LTE services further improves the performance of the mobile network, al- lowing the range of mobile

digital services to be greatly expanded.

In recent years, our work has been driven by the achievement of major objectives in terms of

reducing debt, containing costs and relaunching competitiveness. At the same time, however, we have

endeavoured to mitigate the social impact of the efficiency and rationali- sation measures required

through major training and retraining activities.

As a whole, in addition to improving the strength of our Group, our actions have had a posi- tive

effect on citizens and businesses, both by significantly reducing prices and ensuring a greater

focus on service quality and by introducing innovative services, such as the cloud computing

services known as Nuvola Italiana. In this context, Telecom Italia’s offer is evolv- ing towards

solutions that combine economic benefits, flexibility and technological perfor- mance with

guarantees in terms of data security and energy efficiency.

The sustainability report provides a detailed description of the main initiatives undertak- en by

our Group over the past year. In particular, Telecom Italia signed an agreement with other major

European telecommunications groups, known as the JAC (Joint Audit Coopera- tion), to improve the

general standard of sustainability regarding environmental protection, human rights and workers’

rights. With regard to energy efficiency, considering that the Telecom Italia Group is Italy’s

second biggest electricity consumer, we achieved equally significant and important results by cutting our electricity consumption and carbon dioxide

emissions by over 14%.

In an economic crisis, it is essential to support communities and particularly the weakest

members of society. In this context, we continued to implement cultural, solidarity and environmental

protection projects and activities, both directly and through the Telecom Italia

Foundation.

Our commitment to supporting the values of sustainability and the initiatives carried out

have won us major national and international recognition, including our continued inclusion

in all the major global sustainability indexes.

We continue to support the United National Global Compact through our involvement in the

Italian network and our reporting of the progress achieved in applying the ten principles.

Digital networks and services are an increasingly integral part of the social and economic

context in which we live. For our Group, in the context of its activities, being sustainable

is therefore even more important. Achieving ever better standards of sustainability is a

journey made up of continuing headway towards increasingly ambitious targets, a journey

to which Telecom Italia has always been and will always be committed, with all its professional

resources and its technological skills.

Franco Bernabè

(Chairman & Ceo)