

TELECOM ITALIA S P A
Form SC 13D/A
November 01, 2007
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

(Amendment No. 2)

Telecom Italia S.p.A.

(Name of Issuer)

Common Shares of euro 0.55 par value each

(Title of Class of Securities)

87927W10

(CUSIP Number)

Michele Amendolagine

Head of Corporate Affairs

Assicurazioni Generali S.p.A.

Piazza Duca degli Abruzzi, 2

Trieste 34132, Italy

+39 040 67 1111

October 23, 2007 and October 25, 2007

(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of § 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box .

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See § 240.13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

Edgar Filing: TELECOM ITALIA S P A - Form SC 13D/A

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

(Continued on following pages)

NAME OF REPORTING PERSONS

1 Assicurazioni Generali S.p.A.

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

2 (a) X

(b) O
SEC USE ONLY

3 SOURCE OF FUNDS (See Instructions)

4 OO **See Item 3.**
CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) O

5 CITIZENSHIP OR PLACE OF ORGANIZATION

6 Italy

NUMBER OF		SOLE VOTING POWER
SHARES	7	58,560
BENEFICIALLY		SHARED VOTING POWER
OWNED BY	8	3,157,172,623
EACH		SOLE DISPOSITIVE POWER
REPORTING	9	58,560
PERSON		SHARED DISPOSITIVE POWER
	10	3,157,172,623

WITH AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11 3,157,231,183

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See Instructions) O

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

23.6%
TYPE OF REPORTING PERSON (See Instructions)

14 IC

Edgar Filing: TELECOM ITALIA S P A - Form SC 13D/A

NAME OF REPORTING PERSONS

1 Alleanza Assicurazioni S.p.A.

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

2 (a) X

(b) O
SEC USE ONLY

3 SOURCE OF FUNDS (See Instructions)

4 OO See Item 3.
CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) O

5 CITIZENSHIP OR PLACE OF ORGANIZATION

6 Italy

NUMBER OF		SOLE VOTING POWER
SHARES	7	0
BENEFICIALLY	8	SHARED VOTING POWER
OWNED BY		3,157,172,623
EACH	9	SOLE DISPOSITIVE POWER
REPORTING		0
PERSON	10	SHARED DISPOSITIVE POWER
		3,157,172,623

WITH AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11 3,157,172,623
12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See Instructions) O

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

14 23.6%
TYPE OF REPORTING PERSON (See Instructions)

IC

Edgar Filing: TELECOM ITALIA S P A - Form SC 13D/A

NAME OF REPORTING PERSONS

1 INA Assitalia S.p.A.

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

2 (a)

(b)
SEC USE ONLY

3 SOURCE OF FUNDS (See Instructions)

4 OO **See Item 3.**
CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)

5 CITIZENSHIP OR PLACE OF ORGANIZATION

6 Italy

NUMBER OF		SOLE VOTING POWER
SHARES	7	22,755
BENEFICIALLY		SHARED VOTING POWER
OWNED BY	8	3,157,172,623
EACH		SOLE DISPOSITIVE POWER
REPORTING	9	22,755
PERSON		SHARED DISPOSITIVE POWER
	10	3,157,172,623

WITH AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11 3,157,195,378

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See Instructions)

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

23.6%

14 TYPE OF REPORTING PERSON (See Instructions)

IC

Edgar Filing: TELECOM ITALIA S P A - Form SC 13D/A

NAME OF REPORTING PERSONS

1 Volksfürsorge Deutsche Lebenversicherung A.G.

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

2 (a) X

(b) O
SEC USE ONLY

3 SOURCE OF FUNDS (See Instructions)

4 OO See Item 3.
CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) O

5 CITIZENSHIP OR PLACE OF ORGANIZATION

6 Italy

NUMBER OF		SOLE VOTING POWER
SHARES	7	0
BENEFICIALLY	8	SHARED VOTING POWER
OWNED BY		3,157,172,623
EACH	9	SOLE DISPOSITIVE POWER
REPORTING		0
PERSON	10	SHARED DISPOSITIVE POWER
		3,157,172,623

WITH AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11 3,157,172,623

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See Instructions) O

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

23.6%
TYPE OF REPORTING PERSON (See Instructions)

14 IC

Edgar Filing: TELECOM ITALIA S P A - Form SC 13D/A

NAME OF REPORTING PERSONS

1 Generali Vie S.A.

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

2 (a)

(b)
SEC USE ONLY

3 SOURCE OF FUNDS (See Instructions)

4 OO See Item 3.
5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)

CITIZENSHIP OR PLACE OF ORGANIZATION

6 Italy

NUMBER OF		SOLE VOTING POWER
SHARES	7	0
BENEFICIALLY	8	SHARED VOTING POWER
OWNED BY		3,157,172,623
EACH	9	SOLE DISPOSITIVE POWER
REPORTING		0
PERSON	10	SHARED DISPOSITIVE POWER
		3,157,172,623

WITH
11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

3,157,172,623
12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See Instructions)

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

23.6%
TYPE OF REPORTING PERSON (See Instructions)

14 IC

Edgar Filing: TELECOM ITALIA S P A - Form SC 13D/A

This Amendment No. 2 amends the Statement on Schedule 13D, dated October 30, 2006, as subsequently amended (the "Schedule 13D"), filed by Assicurazioni Generali S.p.A. ("Assicurazioni Generali"), a company incorporated under the laws of the Republic of Italy, with respect to the ordinary shares, euro 0.55 par value per share, of Telecom Italia S.p.A., a company incorporated under the laws of the Republic of Italy. Capitalized terms used in this Amendment No. 2 without definition have the meanings ascribed to them in the Schedule 13D.

This Amendment No. 2 is being filed by Assicurazioni Generali and by Alleanza Assicurazioni S.p.A., INA Assitalia S.p.A., Volksfürsorge Deutsche Lebensversicherung A.G., and Generali Vie S.A., each a company belonging to the Assicurazioni Generali group (the "Other Generali Investors") and, together with Assicurazioni Generali, ("Generali"). The relationships between these companies and their interests in the Telecom Italia shares are described in greater detail in Items 2 and 5 below.

Introduction.

On April 28, 2007, a group of investors (the "Investors") made up of Assicurazioni Generali, Sintonia S.A., Intesa Sanpaolo S.p.A. ("Intesa Sanpaolo"), Mediobanca S.p.A. ("Mediobanca") and, together with Generali, Sintonia S.A. and Intesa Sanpaolo, the "Italian Investors") and Telefonica S.A., the Spanish-based telecommunications operator ("Telefonica"), entered into a co-investment agreement (as subsequently amended by an amendment agreement on October 25, 2007 (the "Amendment"), the "Co-Investment Agreement") to establish the terms and conditions for their participation in Centotrenta 4/6 S.r.l., an Italian company with registered office at Galleria del Corso 2, Milan, Italy, fiscal code n. 05277610969 subsequently transformed into an Italian joint stock company and renamed as Telco S.p.A. ("Telco"), an Italian corporation through which they have purchased the entire share capital of Olimpia S.p.A. ("Olimpia"), which in turn holds approximately 18% of the ordinary share capital of Telecom Italia S.p.A. ("Telecom Italia"), from Pirelli & C. S.p.A. ("Pirelli") and Sintonia S.p.A. and Sintonia S.A. (together, "Sintonia") (the "Transaction"). The Co-Investment Agreement also covers the capitalization and funding of Telco in connection with the acquisition of Olimpia and the general framework of the investment obligations of each of the Investors. Among other things, pursuant to the Amendment, the Other Generali Investors became Investors for purposes of the Co-Investment Agreement and the Shareholders Agreement (as hereinafter defined). In addition to Telco's participation in Telecom Italia's ordinary share capital through its interest in Olimpia, on October 25, 2007 pursuant to the Co-Investment Agreement Generali and Mediobanca contributed to Telco the shares of Telecom Italia they held on that date. These shares amount to 5.6% of Telecom Italia's ordinary share capital, with the individual contributions of Generali and Mediobanca amounting to 4.06% and 1.54%, respectively, of Telecom Italia's ordinary share capital, bringing Telco's direct and indirect participation in Telecom Italia's ordinary share capital to approximately 23.6%. A copy of the Co-Investment Agreement was previously filed on Schedule 13D as Exhibit 3, and a copy of the Amendment is filed hereto as Exhibit 9.

On April 28, 2007, the Investors also entered into a shareholders agreement (as subsequently amended by the Amendment, the "Shareholders Agreement"), pursuant to which the Investors set out, among other things, the principles of corporate governance of Telco and Olimpia, respectively, the transfer of Telco's shares and any Olimpia Shares or Telecom Shares (each as defined below) directly or indirectly owned by Telco and the principles of designation, among the Investors, of candidates to be included in a common list for the appointment of directors of Telecom Italia under the voting list mechanism provided for by Telecom Italia's by-laws. A copy of the Shareholders Agreement was previously filed on Schedule 13D as Exhibit 5, and a copy of an unofficial English translation of the by-laws of Olimpia is filed as Exhibit 10 hereto.

On May 4, 2007, the Investors entered into a sale and purchase agreement with Pirelli and Sintonia (the "Share Purchase Agreement") to purchase the entire share capital of Olimpia of euro 4.6 billion divided

Edgar Filing: TELECOM ITALIA S P A - Form SC 13D/A

into 4,630,233,510 ordinary shares (the *Olimpia Shares*). Olimpia in turn owns 2,407,345,359 ordinary voting shares of Telecom Italia (*Telecom Shares*), or approximately 18% of the ordinary share capital of Telecom Italia.

The closing of the purchase of the Olimpia Shares pursuant to the Share Purchase Agreement occurred on October 25, 2007, following the receipt of the announcement of forthcoming governmental approvals from the Brazilian telecommunications authority on October 23, 2007 (the *Announcement*), an unofficial English translation of which is attached hereto as Exhibit 11. Pursuant to the Amendment, the Investors acknowledged the content of the Announcement and each of the Investors undertook, for so long as it lies within their respective powers, to implement the content thereof through appropriate actions.

Items 2, 3, 4, 5, 6 and 7 of the Schedule 13D are hereby amended and supplemented to add the following:

Item 2. Identity and Background.

In connection with the completion of the Transaction, and pursuant to the Amendment, Assicurazioni Generali assigned part of its rights and obligations arising out of the Co-Investment Agreement and the Shareholders Agreement to the Other Generali Investors. As a result, upon completion of the Transaction, Assicurazioni Generali held 11.89% of the share capital of Telco, while the following Other Generali Investors acquired an interest in Telco as of October 25, 2007 in the percentages set forth below:

Alleanza Assicurazioni S.p.A.: an Italian company with its registered office at Viale Luigi Sturzo n. 35, Milano (*Alleanza*), which owns 6.19% of Telco;
INA Assitalia S.p.A.: an Italian company with its registered office at Corso d Italia n. 33, Roma (*INA*), which owns 5.69% of Telco;
Volksfürsorge Deutsche Lebensversicherung A.G.: a German company with its registered office at an der Alster n. 57-63, Hamburg (*Volksfürsorge Deutsche*), which owns 2.08% of Telco; and
Generali Vie S.A.: a French company with its registered office at Boulevard Hausmann n. 11 (*Generali Vie*), which owns 2.16% of Telco.

Pursuant to the terms of the Amendment, although the Other Generali Investors hold their shares in Telco in an individual capacity, they participate in Telco substantially through Assicurazioni Generali, and are to act as a single party vis-à-vis the other Investors. Assicurazioni Generali shall be jointly and severally responsible for any breach of the Co-Investment Agreement, the Shareholders Agreement and the Share Purchase Agreement by any of the Other Generali Investors. Should any Other Generali Investor be subject to a change of control, it must first transfer ownership of its Telco shares to Assicurazioni Generali.

Any references to Generali in this Amendment No. 2 shall refer to the Other Generali Investors together with Assicurazioni Generali and, where appropriate, shall refer to Generali as a single contractual party.

Information with respect to the directors and executive officers of Assicurazioni Generali, Alleanza, INA, Volksfürsorge Deutsche and Generali Vie is set forth in Annexes A-1, A-2, A-3, A-4 and A-5 hereto, respectively. The annexes set forth the following information with respect to each such person: (i) name, (ii) business address, (iii) present principal occupation or employment and the name, principal business and address of any corporation or other organization in which such employment is conducted, (iv) citizenship, and (v) the number of Telecom Italia Shares beneficially owned, if any.

Edgar Filing: TELECOM ITALIA S P A - Form SC 13D/A

During the past five years, neither Generali nor, to the best of Generali's knowledge, any of the persons listed on Annexes A-1, A-2, A-3, A-4 and A-5 hereto, has been (i) convicted in any criminal proceeding

Edgar Filing: TELECOM ITALIA S P A - Form SC 13D/A

(excluding traffic violations or similar misdemeanors) or (ii) a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to judgment, decree or final order enjoining future violations of, or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

Item 3. Source and Amount of Funds or Other Consideration.

The completion of the purchase of the Olimpia Shares pursuant to the Share Purchase Agreement took place on October 25, 2007, following the issuance of the Announcement on October 23, 2007. At the closing of the Share Purchase Agreement, Telco paid total consideration of euro 2.82 per Telecom Share multiplied by 2,407,345,359 Telecom Shares, less Olimpia's total net debt (as defined under the Share Purchase Agreement) as of the closing date. The provisional purchase price for 100% of Olimpia's share capital was approximately euro 4.1 billion. Telco paid 80% of the consideration to Pirelli and 20% of the consideration to Sintonia. It is expected that the Investors will merge Olimpia into Telco.

Pursuant to the Co-Investment Agreement, Telco has been initially capitalized with euro 5,145 million, in the following manner:

Generali contributed to Telco 543.4 million Telecom Italia Shares for total consideration of euro 1,375 million, based on a share price of euro 2.53 per Telecom Italia Share;

Mediobanca contributed to Telco 206.5 million Telecom Italia shares for total consideration of euro 522 million, based on a share price of euro 2.53 per Telecom Share;

Intesa Sanpaolo contributed to Telco euro 522 million in cash;

Sintonia S.A. contributed to Telco euro 412 million in cash; and

Telefonica will contribute to Telco euro 2,314 million in cash.

In addition, prior to the closing of the Share Purchase Agreement, Telco borrowed from Mediobanca and Intesa Sanpaolo approximately euro 925 million (the Facility). Such Facility was made available on an arm's length basis. Immediately after the closing of the Share Purchase Agreement, Telco resolved to increase its share capital by euro 900 million (the Fifth Capital Increase) for purposes of financing the repayment of the Facility. Telco shareholders look favorably upon the potential further contribution of Telecom Italia shares into Telco (up to an amount not exceeding 30% of the ordinary share capital of Telecom Italia), provided that in such an event the right to subscribe further capital increases in cash shall be granted to the other existing shareholders in order to allow avoidance of possible dilutions. See the joint press release announcing the closing of the Transaction, dated October 25, 2007, issued by Generali, Intesa San Paolo, Mediobanca, Sintonia S.A. and Telefónica and filed hereto as Exhibit 12.

Item 4. Purpose of the Transaction.

The principal objective of the transaction is the creation of value over time for all shareholders, by accompanying Telecom Italia's business growth strategies which will be defined in full autonomy by the Board of Directors and the management of Telecom Italia.

A fundamental assumption of the Co-investment Agreement and the Shareholders Agreement is that the Telecom Italia and Telefonica groups will be managed autonomously and independently.

Item 5. Interest in Securities of the Issuer.

Edgar Filing: TELECOM ITALIA S P A - Form SC 13D/A

Pursuant to the Share Purchase Agreement, the Investors purchased Olimpia through Telco. Olimpia currently holds 2,407,345,359 ordinary Telecom Italia shares, or approximately 18% of the ordinary share capital of Telecom Italia. In addition to this purchase by Telco, pursuant to the Co-Investment

Edgar Filing: TELECOM ITALIA S P A - Form SC 13D/A

Agreement, Generali and Mediobanca contributed Telecom Italia ordinary shares they previously owned directly to Telco in the amount of 5.6% of Telecom Italia's ordinary share capital (4.06% of which was owned by Generali, and 1.54% of which was owned by Mediobanca), bringing Telco's total participation in Telecom Italia's ordinary share capital to 23.6%.

As a result of the Transaction, the Italian Investors hold a total of 57.7% of Telco's share capital, divided in the following manner:

Generali, 28.0%;
Mediobanca, 10.6%;
Intesa Sanpaolo, 10.6%; and
Sintonia S.A., 8.4%.

Telefonica holds the remaining 42.3% of Telco's share capital.

In connection with the Fifth Capital Increase, in accordance with the Co-Investment Agreement and the Shareholders Agreement, Intesa Sanpaolo may select new Italian investors, other than telecom operators, to subscribe newly issued shares in Telco for cash consideration of up to 5% of Telco's share capital for each new investor, provided that such selection is made in agreement with the other Italian Investors and is accepted by Telefonica, such agreement and acceptance not to be unreasonably denied.

The preceding summary of certain material provisions of the Share Purchase Agreement (filed herein as Exhibit 8), the Co-Investment Agreement and the Shareholders' Agreement (the latter two as previously filed Exhibits 3 and 5 to Schedule 13D, respectively, and incorporated herein by reference) does not purport to be a full and complete description of such documents and is entirely qualified by reference to the full text of such documents.

According to publicly available information reported by Consob (the Italian financial market authority), as of October 25, 2007, 13,380,751,344 Telecom Shares were outstanding (the Outstanding Telecom Shares).

Assicurazioni Generali and the Other Generali Investors may each be deemed to beneficially own 3,157,172,623 Telecom Shares, representing approximately 23.6% of the Outstanding Telecom Shares, through grouped ownership of an aggregate 28.0% interest in the 3,157,172,623 Telecom Shares held by Telco. Assicurazioni Generali and the Other Generali Investors may each be deemed to have shared power to vote or to direct the vote and shared power to dispose or direct the disposition of such Telecom Shares. Such 28.0% interest in Telco is divided among Assicurazioni Generali and the Other Generali Investors as follows:

Assicurazioni Generali	11.89%
Alleanza	6.19%
INA	5.69%
Volksfürsorge Deutsche	2.08%
Generali Vie	2.16%

In addition, Assicurazioni Generali may be deemed to beneficially own 3,157,231,183 Telecom Shares, representing approximately 23.6% of the Outstanding Telecom Shares, by virtue of it individually holding an additional 58,560 Telecom Shares for which it may be deemed to have sole power to direct the vote and sole power to dispose or direct the disposition. Similarly, INA may be deemed to beneficially own 3,157,195,378 Telecom Shares, representing approximately 23.6% of the Outstanding Telecom Shares,

Edgar Filing: TELECOM ITALIA S P A - Form SC 13D/A

by virtue of it individually holding an additional 22,755 Telecom Shares for which it may be deemed to have sole power to direct the vote and sole power to dispose or direct the disposition.

The beneficial ownership of Telecom Shares by the persons listed in Annexes A-1, A-2, A-3, A-4 and A-5 to this Amendment No. 2, if any, is indicated next to such person's name in such Annexes. To the best of Assicurazioni Generali's and each of the Other Generali Investors knowledge, as applicable, and except as otherwise indicated in such Annexes, such persons have sole voting and dispositive power over the Telecom Shares that they beneficially own, if any. Other than as disclosed in such Annexes, over the last sixty days, the persons listed in Annexes A-1, A-2, A-3, A-4 and A-5 have not effected proprietary transactions in Telecom Shares.

Item 6. Contracts, Agreements, Understandings or Relationships with Respect to Securities of the Issuer.

SHARE PURCHASE AGREEMENT

The following summary of certain material provisions of the Share Purchase Agreement does not purport to be a full and complete description of such document and is entirely qualified by reference to the full text of such document, filed herein as Exhibit 8.

The Investors, Pirelli and Sintonia entered into the Share Purchase Agreement to establish the terms and conditions for the transfer of the ordinary share capital of Olimpia from Pirelli and Sintonia to the Investors. The Share Purchase Agreement required, among other things, that the Olimpia Shares be purchased and sold with the right of the Investors to receive any dividends distributed by Olimpia after the closing of the transaction, even if accrued prior to the closing. The Share Purchase Agreement also required Olimpia, Pirelli, Sintonia and the relevant Investors to terminate all existing shareholders' agreements concerning Olimpia and Telecom Italia upon the closing of the Sale, and such existing shareholder agreements among themselves have been terminated as of October 25, 2007.

The description of the Share Purchase Agreement in the Introduction and Item 3 are incorporated herein by reference.

CO-INVESTMENT AGREEMENT

The following summary of certain material provisions of the Co-investment Agreement does not purport to be a full and complete description of such document and is entirely qualified by reference to the full text of such document, previously filed on Schedule 13D as Exhibit 3 and incorporated herein.

The Investors have entered into the Co-Investment Agreement to establish the terms and conditions for (i) their participation in Telco, (ii) the acquisition through Telco from Pirelli and Sintonia of 100% of the share capital of Olimpia, which in turn holds a stake of approximately 18% of the ordinary share capital of Telecom Italia, (iii) the capitalization and funding of Telco in connection with the acquisition, (iv) the division of Telco's share capital into two classes of shares (Class A and Class B shares), (v) the corporate scope of Telco, and (vi) the general framework in which the respective obligations of the Investors under the Co-investment Agreement.

The description of the Co-Investment Agreement in the Introduction and Item 3 are incorporated herein by reference.

SHAREHOLDERS AGREEMENT

The following summary of certain material provisions of the by-laws of Telco and the Shareholders Agreement does not purport to be a full and complete description of such documents and is entirely qualified by reference to the full text of such documents filed as Exhibit 13 hereto (such Exhibit superceding the draft by-laws of Telco previously filed on Schedule 13D as Exhibit 4), and previously filed on Schedule 13D as Exhibit 5, respectively.

Classes of Shares

The share capital of Telco is divided into Class A and the Class B shares. Telefónica holds and will acquire (through share capital increases or exercise of the pre-emption right set forth in the Telco's by-laws and as described below) only Class B shares or Class A shares to be converted into Class B shares, while the Italian Investors hold Class A shares, and have the possibility to acquire Class B shares in case of exercise of the pre-emption right to be converted into Class A shares, which is described more fully below. Class B shares will have exactly the same economic and administrative rights as the Class A shares, save as provided for in the Shareholders Agreement and in the Telco by-laws.

In the event of an increase of capital of Telco, the shareholders who hold Class A shares shall have the right to receive and subscribe Class A shares and the shareholders of Telco who hold Class B shares shall have the right to receive and subscribe for Class B shares.

In the event that any holders of Class A shares have not fully exercised their pre-emption right, the other holders of Class A shares shall have the preferred right to exercise the pre-emption of the Class A shares that have not been opted for by the other shareholders. Similarly, in the event that any holders of Class B shares have not fully exercised their pre-emption right, the other holders of Class B shares shall have the preferred right to exercise the pre-emption of Class B shares that have not been opted for by the other shareholders. In the event that after the offer of such Class A shares has been made to the holders of Class A shares (whether or not such pre-emption rights have been exercised), there remain Class A shares not purchased by the other Class A shareholders, such shares will be offered to the holders of Class B shares in proportion to their shareholding of the total number of Class B shares issued by Telco, subject to the automatic conversion of the aforesaid Class A shares at the rate of one newly issued Class B share (having the same characteristics as the Class B shares in circulation) for each Class A share purchased. In the event that after the offer of such Class B shares has been made to the holders Class B shares (whether or not such pre-emption rights have been exercised), there remain Class B shares not purchased by the other Class B shareholders, such shares will be offered to holders of Class A shares in proportion to their shareholding of the total number of Class A shares issued by Telco, subject to the automatic conversion of the aforesaid Class B shares at the rate of one newly issued Class A share (having the same characteristics as the Class A shares in circulation) for each Class B share purchased.

Shareholders Meetings

The shareholders meeting of Telco will resolve with the vote of (i) at least 75% of the entire share capital on (x) share capital increases with the exclusion of the option right pursuant to article 2441, 4th and 5th paragraph of the Italian Civil Code, (y) mergers and de-mergers (except for the merger between Olimpia and Telco) determining a dilution of the shareholders, and (z) amendments to the provisions of the Telco by-laws regarding the appointment of the board of directors and the quorum of board of directors and shareholders meetings; and (ii) at least 65% of the entire share capital on the following matters:

any other matter pertaining to the extraordinary shareholders meeting of Telco; and
the dividend policy of Telco.

Edgar Filing: TELECOM ITALIA S P A - Form SC 13D/A

However, in cases where one or more shareholders holding more than 30% of the entire share capital abstain from voting or remain absent from the relevant meeting, the quorum will be reduced to the vote of at least 50% plus one share of the entire share capital.

In accordance with Telco's by-laws, acceptance by Telco's board of directors of any tender offers having as their subject the shares of Telecom Italia will be subject to the approval of the shareholders' meeting. In case of any such approval, any dissenting shareholders shall become entitled to purchase all of the shares of Telco held by the approving shareholders.

Board of Directors

The board of directors of Telco is comprised of ten members. The Italian Investors, as holders of Class A shares have designated, and for so long as they hold more than 50% of the share capital of Telco, shall be entitled to designate, six directors, including the Chairman. Of the six Telco directors designated by holders of Class A shares, two directors have been indicated by Generali, one director has been indicated by each of Intesa Sanpaolo, the Sintonia Buyer and Mediobanca and one director has been indicated unanimously. Telefónica, as holder of Class B shares has designated, and so long as it holds a percentage of at least 30% of the share capital of Telco shall be entitled to designate, four directors, including the Vice-Chairman. So long as Telefónica holds a percentage of at least 20% of the share capital of Telco, Telefónica shall be entitled to designate two directors. Should (x) the holders of Class A shares hold less than 50% plus one share, and/or (y) Telefónica as holder of Class B shares holds more than 50% plus one share, the Investors shall designate the directors of Telco in a manner that grants the majority of the directors to the class of shares representing at least 50% plus one share of the entire share capital of Telco and seven out of ten directors to the class of shares representing more than 70% of the entire share capital of Telco.

The board of directors of Telco will pass resolutions by vote of a majority of its members, except that, subject to certain exceptions, it will decide by vote of at least seven directors on the following matters:

- the acquisition, disposal and encumbrance (directly or indirectly in any form or manner) of Olympia's or Telecom Italia's shares or any rights attached thereto;
- the carrying out of investments other than in Olympia and in Telecom Italia;