

Telecom Italia Analyst & Investor Briefing

Milan – March 7, 2008

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Mr. Gabriele Galateri

Good morning, can we start? Ok ladies and gentlemen, good morning and welcome to all of you, including those who are watching us through the web and the thousands of Telecom Italia colleagues connected with us through the internet.

We are very busy today so I will be short and brief and leave a lot of time for discussions on the guidelines strategic and operational for the following three years.

As you know Franco Bernabé and I have recently assumed the role of CEO and chairman of the company with very distinct roles and responsibilities.

My task is supervising governance and the relationship with shareholders, as well as heading the functions of Internal Affairs, General Counsel and Public Affairs and Internal Audit.

Franco Bernabé has the task of leading the Group's entire operational system, defining and developing plans, controlling and executing strategies.

During the last three months, through a deeper insight we have achieved a better understanding and focused on our Corporate challenges.

And I have to say that my first impression is that Telecom Italia is a great franchise with great opportunities ahead.

However, as you well know, in recent months the Group has been subject to much speculation, especially in two areas: Corporate Governance and Industrial Strategy.

I would like to make, therefore, a few comments on both these points.

As regards governance it is worth saying that Generali, Intesa San Paolo, Mediobanca, Sintonia and Telefónica are certainly a solid, sound and reliable group of core shareholders.

They share a common interest with the market: they want to see Telecom Italia grow.

No limits or restrictions have been placed on the actions of us, of the Management.

The soundness of our core shareholders will certainly allow us too pursue a corporate strategy for the medium-term long perspective and it is a considerable competitive advantage.

Telefónica.

Telefónica's stance has caused a variety of comments, inferences and rumours.

Actually there is no hidden agenda.

The relationship with Telefónica is clear and transparent. Telefónica is a great company that made an investment in the group to increase the value of both companies and develop all possible synergies, obviously in compliance with the rules and limitations set forth by the authorities.

The Management of each company is, remains and will remain absolutely independent.

Any other comment is groundless theory.

When we talk about governance, we include obviously Telecom Italia's system of corporate governance. At Telecom Italia we found a system of rules and procedures that is best in class and the internal organisation of the Board of Directors is particularly effective. The Committees for internal audit, compensation, strategy, work well and guarantee an easy and smooth relationship between the Board and Management - and let me say that yesterday's management was another proof of a very cohesive, very interesting and - let me say - very exciting situation for discussing between competent people.

I said that we flow of information is well structured, but we want to improve it. For example, we have already made the rules for related party transactions more stringent, bringing ourselves even more in line with international best practices.

With regards to compensation we are devising a program of stock options to be included in our package. I have only one comment, we have to reduce the number of papers that circulate in our company because sometimes it looks like a paper company and not a telecommunications company. All of this in my view goes into a single direction. Bringing the interest of stakeholders, co-shareholders, management into line. To develop value we will develop the goal into one that is really market friendly. This is and will be our guiding star.

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How do we intend to pursue this value creation? Indeed Franco will talk about this in detail. I want to point out that we have chosen a specific corporate plan, which requires time and method to be planned. Therefore we need to be both impactful and persistent, and let me say it again, I believe we are going to make it. We have one priority resetting our focus on customers, I know it perfectly well, we want to deliver a top quality service to a better interaction with our customers, as well as providing the technology, products solutions. We will also work hard on efficiency we are targeting a constant reduction in costs and I have already taken significant steps in that direction through the reorganisation of the network, we will also continue to develop synergies both inside and outside the group starting with Telefónica but continuing with our very good friends of the other companies we have around the world, in Brazil , in Argentina in Germany. To grow revenues we will invest a significant resources in innovation, Telecom Italia will leverage its strength in technology and its proven skills in research and development. I visited last Friday the TI lab in Torino and even though I am not a scientist I was really impressed by the quality, the level of our researchers, the resources available to develop such a research, so I'm pretty confident we can do a very good job in that direction.

This will be the basis for our offering on both domestic and international markets.

While the group international presence may have diminished in the recent years, the markets where we are remain strong and dynamic. Germany, Brazil, Argentina are extremely important for us and our international development will focus initially on these markets. We will also evaluate other opportunities, but maintaining a stringent financial discipline.

One last and brief but important consideration. With Franco over the past three months we paid a great lot of attention to our relationship with institutions, regulatory authorities, both Italian and international (in Europe and in Latin America) with Unions, and, last but not least, with Consumers Associations.

In all our meetings, we shared feelings of openness and dialogue, which most hopefully will continue.

In conclusion, we accept the challenge of being competitive in a market with precise rules shared by all.

We aim to demonstrate that we are the best in the market through strong corporate governance, strong commitment by Management, full satisfaction of our customers, great technological skills, and our people's willingness to work hard and do well.

Let me repeat it again, Telecom Italia is a great franchise. I believe that by placing the market and customers at the centre of our efforts the Group will regain the value and image that it deserves and that its business outlook justifies. Thank you all and I leave now the floor to Enrico Palazzini.

Mr. Palazzini

Good morning to everybody, I will comment for you the financial results of Telecom Italia in 2007. First of all some general highlights that are the key of the results of 2007. Revenues were in line as compared to 2006 both reported and organic growth, as a matter of fact the growth in the international area were practically offset by the pressure on domestic revenues n..? for regulatory discontinuances that I will come on later on.

EBITDA reported was affected by non-recurring items for about eight hundred millions, six hundred of which occurred in the last quarter and more than four hundred million occurred in the last part of the month of December unexpectedly, and were mainly related to claims. I will go deeper on that in the following charts. EBITDA image organic nevertheless was 39.6, declining in the range of our target by 1.8 percentage point as we declare one year ago. Passage 206. EBIT margin reflect what I said before. The better financial performance and test performance allowed us to improve, I think as compared to our target even if slightly

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lower than the previous year. Net financial position was improved by 1.6 billion as compared to the end of 2006 and was six hundred million better than our budget. Nevertheless, the Net financial position was improved by 1.6 billion as compared to the end of 2006 and was six hundred million better than our budget. Nevertheless, the ratio net financial position to EBITDA was lightly higher than the target of below 3 that we stated at the end of the year, at the end of last year, just for the effect of the unusual items of the end of December, nevertheless we consider this an accident that doesn't compromise our policy to focus on a target of ratio net financial position EBITDA lower than 3.

Now, let's have some more details on the P&L. Revenues, as I said before, were 31.3, practically stable as compared to previous year, but with a strong increase in the international area (+20%), the change in the mix of our revenues at the end of 2007 22% of revenues come from international as compared to 16% at the end of 2006.

This growth was offset as I said before by the pressure on domestic area, where regulatory discontinuances for about 1.4 billion, 1.1 net of the elasticity of the Bersani Decree practically offset the growth in the international area.

Such discontinuance of 1.1 were the following, 400 million is the rate of exchange in the accounting because up to the end of 2006 we included in our revenues the billing on behalf of other operators, just because we carry the responsibility for credits. Starting this year 2007 in accordance with the regulatory authority as no longer carry the risk of credit, we do not include this revenue in our report, so this is just an accounting change, in addition to that other main discontinuances related to the Bersani Decree, for 400 million net, the roaming and the termination fix to mobile.

The profitability is once more the highest in the industry; in 2007 the group was 37,1 or 39,6 on organic growth cleaning up of the non recurring events. In the following chart I will comment in more detail this fact. Net income, 2,5, lower than last year for the operating evolution that I briefly comment before, and better than our target, pretty in line with what I say the last November in our last conference call where we expected about 2,5-2,6 and this was affected by the non recurring items occurred in the last part of the month of December. The sound cashflow generation combined with a positive MNA balance deriving from the disposal of a non strategic asset allowed us to reduce our debt by 1.6 billion as compared to the previous year, after paying 2.8 billion dividends.

Now a brief look to a comparison to our target. As I said before, the revenue target was not met. On a comparable basis, we just grow (grew?) the revenue by 0.1%, so pretty flat, the reduction is mainly done to the change in the accounting for the billing on behalf of the other local operators.

The EBITDA margin: the target was a reduction between 2 and 2.5 points, the reduction was 1.8, so we reached our target for what regards profitability EBITDA and the same for the EBIT margin, even if we have to say there is ??? very close to the lower range of our target.

Net financial position was reduced and the ratio to EBITDA due to the no recurring item affecting EBITDA was pretty lower than 2.7 ??? 2.9 adjusted for that, anyway, our policy is to stay below 3.

Now let's enter in more details for what regards the revenues. Starting from the left you see the 31271 reported figure for 2006, the change in the consolidation area mainly relates to the acquisition of AOL Germany in February 2007, was not included in 2006 this adjusted revenue, plus the small effect of the exchange rate mainly due to Brazil. Comparable basis is 31732, 31322 at the end. Here you see very very clearly the effect of the growth in the European broadband in mobile Brazil, let alone Mario Sisal? will comment about the growth and the success of our Brazilian operation. The negative in the domestic: 1.5 negative. Here you see in the callout where comes this variance. 1.1 is due to discontinuance affecting 538 the fixed, 654 the mobile, mainly because of the Bersani Decree. You see at the bottom of the page

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the note that detail these continuities. Nevertheless, the performance also was down, 376, of which 700 million affected the revenues in the fixed while in mobile we benefited for a ? of 400 million revenues. More detailed and simplifying a lot, the decline of the performance in the fixed was mainly due to the Voice, retail, offset by the Voice, the wholesale, national. International voice wholesale was affected by discontinuancy of a major customer. ICT contributed for 43 million and internet also contributed for 128 positive.

And for what regards the mobile, the positive effect mainly came from value added service outgoing, mainly. EBITDA again we have a comparison with the previous year, the effect of the change in the consolidation perimeter, rate exchange and then the unusual items that last year affected 2006 mainly restructuring costs and some arbitration, compatible figures stand at 13140 in 2006, compared to 12.4 in 2007, here again you see the positive contribution of the international area, both European and Brazil, but this was not enough to offset the erosion in the domestic market mainly coming again for discontinuancy for 487 totally affecting the mobile business and the performance that was down by 653 million. Also here trying to simplify the effect of this reduction, we have to mention the effect on the access, on the partial effect on the whole sale, the profitability that is negative also affect the domestic profitability, and the cost contributed positively with the reduction in the central function cost.

At the right end of the page you see the key items that affected our profitability in 2007 for about 800 million. As I said before, 600 million occurred in the last quarter, and more than 400 were related to litigation with other local operators. Of these 400 million we suffer from an adverse arbitration with free j about the termination fee - this was surprising and unexpected - came at the end of December, after Christmas, and accounted for about more than 200 million, then in the second part of December we received complaints by Fastweb Wind, again on termination fee on roaming back, we examined according to our procedure with our legal department , legal advisory and we accrue for that a risk for about 140 million, other were accrued on Tele2 and other minor for a total for a total 248 million, mainly occurred in the second part of December. The structuring cost is usual for 177, the termination fix to fix 92, and some restructuring changes minor from Olivetti multifunctional Printer provision for antitrust fines and other. But the main effect was the 400 for the complaints from other local operators. EBIT there is nothing more to say than EBITDA, the effect are all the same, in addition we have the depreciation for about 5.7 billion. Net income now, from 3.0 to 2.4 billion the reduction came mainly from the operating operation, then we had positive effect coming from net equity and investment financial income. You see (??) the main effect, we had reduction in the financial expenses and the profit from the gain on disposal from Solpart, 200 million; Mediobanca, Augè Telecom, Capitalia, Brazil Telecom, and we didn't have the effect of the previous year disposal, Neuf Telecom and Avea and release of some funds; as a matter of fact the positive effect was 461 for this year disposal, VS 210 of the previous year. As a balance 259 positive and of this most part came in the last quarter. Positive effect of accrued taxes for 800 million, and this is coming mainly from the lower taxable income, for more than 600 million, plus 140 is a positive effect of a withholding tax reimbursed in the month of December - we explained this in the first half results, and then about 50 million coming from the application of the so-called Financial Act, where we benefit about financial ??? due to the fair tax effect of the anticipated depreciation. As a total 800 million accrue in the P&L. That laid down the rate of Profit before taxes to 41% as compared to 46, and the reason is just what I said before.

Then minor effects from discontinued operations and minorities.

CAPEX, increase from 5.1 to 5.5 of which 4.1 in the domestic area. Five and half billion in European and eight hundred million in Brazil, and CAPEX were directly to the support of the network providing new service and strengthen our network.

Net financial position.

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Net financial position, as I said before improved by 1.6 billion from 37.3 to 35.7, including the acquisition of America Online Germany for six hundred and sixty-six million in the beginning of the year. Then we paid 2.8 billion dividend. We had the benefit of the disposal. This is the cash effect previous in that I think my comment on the P&L. Cash effect was four hundred and sixty-two in OJ Telecom, three sixty Solpar of Brazil Telecom, two hundred and thirty six million Banca d'Incapital (?), Brazil Telecom and other. And then the Italia, Brazil Telecom and other. And then the cashflow was strong as usual, coming from operating free cashflow 6.3 billion, then we paid financial charges and taxes of 2.5. Of these 3.7 million, 1.7 came in the last quarter, of which 1.0 operating and 600 million from disposals.

The structure of our debt. This has not changed significantly, the significant change was that during 2007 we were able to strengthen our debt structure, renewing our facility from 212 to 214 for 6.5 million? undrawn, and in 2007 also we refinanced by half a billion with private placement in the month of May and in the month of June. The total gross debt amount to 43 billion, 7.9 financial assets net of 45.7, mainly constituted by bonds, and other liabilities are bank financing, mainly BEI (?) and other institutions. The average maturity stands at 8 years as an average, financial charges are fixed for 70% and more than one third is not Euro denominated but dollar denominated, even if it's dangerous (?) because we don't care of this(?) for its exchange rate impact.

This is the profile of other maturities, it's pretty balanced, 4.6 into '08(?), of which 1.6 expired in January and was refinanced was repaid, 2.9, 4.6 in 2009, 4.8, 4.6, 3.5. And these represent 50% of our debt. The other 50, 45 to be precise is after 2012. 6.8 Billion liquidities, 6.5 undrawn (?) facilities, give us (?) a liquidity margin of more than 14 million. These allow us to look at our debt, stay out of the market in this time, where the cost and the condition is impossible, and we - as usual - look for possible windows to enter to the market to refine us our debt at the best condition that allow us maintain our duration and to maintain the total cost of that in the range of 6, even if the new that very likely should be more than the average 5.6 that we have.

So it's a solid situation.

We didn't incur any losses because of financial turmoil in the second part of the year and now. We have no covenant, and is pretty manageable and managed level of debt.

I have now finished my presentation and I am ready to take your questions. Thank you.

MODERATOR

Thank you very much Enrico, so I think that now we open the Q&A session that should last 15 minutes. The way it goes: you raise your hands, and the girls will stick next to you and I'll call the numbers as soon as I see anyone wishing to ask a question.

Ok number 3.

QUESTION

Yes, good morning it's Carola Verdelli from Deutsche Bank. So from what you were saying Mr. Parazzini, can we assume that the average cost of debt in 2008 would be approximately 6% and the other question would be if you could help us to do the adjustments that for example Standard & Poor does to your debt so for example I think in 2006 they added approximately 6.7 billion liabilities to your debt - could you give us your estimate or what their adjustment would be on 07 and always on Standard and Poor as an example of a credit rating agency, I think they want you to go to 3 times EBITDA after their adjustment - can you tell us by when you should go to that kind of target, and finally, in the worst case scenario, when you were downgraded, what would the increase of the cost of that be?

Thank you very much.

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PARAZZINI'S ANSWER

Thank you. Well, we think that the cost of our debt will remain at about 5.6, because 70% of the cost of our debt is fixed, and the variable portion still have discounted in the 5.6 average the evolution of the interest rates currently, so we expect that the average cost should remain in that range. This doesn't mean that the P&L effect still remain in the range. This does not mean that the P&L effect remains the same, because we have to remind that in 2007 the financial charges and income benefited from the effect of the disposal, or the disposal review as a positive effect of 400 million, we have said it before, and this reduces our financial charges in the P&L to 2 billion, excluding for that the financial charges that are in the range of 2.4. Anyway it is the cost of 5.6. When I say that I want to maintain the level of cost below 6 in anyway I mean that even if there is a window in the next months very likely should cost more than 5.6 but as an average we will not exceed that at the worst, but for the time being it remains at 5.6.

For what regards the S&P rating, they make some adjustment to our debt, and in their calculation our ratio is now about 3.4-3,5 if I'm correct, and this consists now with the rating that they allow to us triple D plus negative ???

We had a meeting last week with Mood DSNP and Fitch we explained our plan more detailed than we used to do, we had an attitude of complete transparency versus (towards???) them. They examined our figures, we discussed about that, they will have a rating committee in the next couple of weeks. We know that there is pressure on our rating. We will discuss with them and support our rating. We feel that our situation now is not worse than the previous year, even better, so we will support our rating.

Anyway, we have to wait the rating committee in a couple of weeks from now.

QUESTION

Thanks sir.... Nick ??? from ??? Stanley: Just a couple of accounting points. Could you tell us what the EBITDA would have been in '07 if you'd have not capitalized as subscribe acquisition costs in mobile in Brazil and Italy. And also is the margin declined that you showed in domestic, the 1.8% points, is that adjusted for the non geographic numbers, what would have been if you adjusted for the change in revenue from non geographic numbers?

PARAZZINI'S ANSWER

Thank you. Well, for what regards acquisition cost, the effect of the acquisition cost capitalisation is about 400 million, 300 hundred and 95. The fact that we capitalized a portion of the acquisition cost that's mainly related to the mobile offer that is called relax, is related to the special offer that we have where we deliver an asset (???) that is supported by a 2 year or 18 months contract we charged in the credit card of the customer and protected by legal penalties, de to this fact we use to defer these costs according to the revenue stream, a better interpretation, a restrict interpretation at the end of 2006 by our auditors suggested to move from deferral in two years or 18 months to a capitalisation than depreciate over a period of the company. This is what we did, this has no effect on the cash flow has no effect on the P.... is just a translation in line between EBITDA and debit for 395 million.

To be more exhaustive with you security Exchange Commission that usually asked us, also asked some details about our practices we answer ed with the support of our auditors with their United States Department, we had full compliance from the Security Exchange Commission - in writing - that our policy is correct. That doesn't mean that other operators do

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that. This depends on the kind of offer that they provide to the market. If we made comparison, we'd be aware of what we talk about. Our offer is that. Other vendors use to do in the so-called "comodato gratuito", in this case they capitalize the cost, if they don't do that they expense the cost. If don't protect their contract with penalties very likely they charge it, expense if they protect very likely they capitalize, as we did. It's just proper accountability. Then there was another question, sorry...

ENGLISH JOURNALIST'S QUESTION:

Just on the margin in domestic... is this 1.8 percentage point to ??? is that adjusted for non geographic...???

PARAZZINI'S ANSWER

No, the change in the accounting on non-geographical number has no effect on the EBITDA because it's just revenue equal the cost.

MODERATOR

Are there other questions? Everything is clear then...
Number four.

QUESTION

Excuse me, I'm Justin ??, Credit Suisse, I'm just wondering if the credit markets stay where they are and never change, how long it will be before you would have a bond financing problem. You've obviously got quite a lot of cash on your balance sheet, can we literally look at that cash versus the bonds that come up for renewal and see that as the amount of time you have, or I'd assume things are getting away with that.

PARAZZINI'S ANSWER

I'm not sure to have (*che possibilità prevedi di emettere dei bond se i mercati rimangono come sono*)

If I understand correctly your question is if we plan to go to the market issuing new bonds if the market stays as it is? No, no.

QUESTION

To clarify, how long can you just continue to wait like this, can we talk about two years?

PARAZZINI'S ANSWER [?]

You are seeing, you are seeing in my presentation that due to the cash we have in our hands and Androw financial facility for 6.5 to 6.8, technically we may stay out of the market up to 2010. Of course this is not what I plan to do. Of course we will look at the market. I don't think that the market should stay in this present position for a long while. After this conference, after having closing the book, after communication to the market, having official numbers, we will look for possible windows, and or in United States or in Europe we will finance our debt according to the best conditions that we may have for once regards the cost

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for once regards the duration. Very likely we will go to the market this year. In these days I don't see it's wise to go there, having the possibility to stay out.

Other questions? Number 8, OKAY

QUESTION

Yes, good Morning, Martin Obillard, Exam Paribas. Two questions for our Patschulian (?) on the debt position and liquidity position. Can you tell us exactly on what your cash is invested, is there any risk attached to the instruments in which it is invested, and the second question has to do with the credit line, are there any financial covenants attached to the undrummed credit lines that you may use if you contact the bond markets? Thank you.

PARAZZINI'S ANSWER

Well, the liquidity is invested in deposit in banks of financial institutions with A, AA, AAA. This is our policy, approved by the Board of Directs years ago, and we complied with that. The length of this application is no longer than three months and is cash-on (casual?) cash equivalent. I may provide the list of the banks but our primary banks, primary financial institutions, is AA, AAA. We have no governance, and as I said before, we have no governance on our debts.

Number 4 ?

QUESTION

It's Nick Lyle from UBS, can I ask on the financial effects of step-ups, please.

If the rating agencies went to B, AA, 3 and treble B minus, for example, could you give us the exact effect of the step-ups, including the bank lines as well, which seem a little more difficult to work out. What's the actual Euro millions impact to your interest charge? Could you give us a rough idea? And then secondly, you've obviously cut the dividend today for the savers as well. Could you update us on your thinking on the savers as well. Could you update this on your thinking on the savers as a form of finance as well? Thank you

PARAZZINI'S ANSWER

Well the effect of a change in the rating should affect about 25 basis point or roughly 700 million. The second question was about the dividend?

QUESTION

Yes sorry, it was about the you've cut the savers' dividend today unpleasantly so what are you thinking now about the savers as a form of finance? Is this "are we over on the savers" do we not have to talk about them again for a year or two; or are they sort of ongoing in your thinking of only financing.

PARAZZINI

About the savers you say?

QUESTIONER

... the savers' shares. Would you think about conversion?

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PARAZZINI' S ANSWER

We had not a special action about this subject for the moment.

QUESTION

Can I just say, you mention the number, could you give us that number again on that step up, please. I didn't quite catch the number that you mentioned on the step up.

PARAZZINI'S ANSWER

The step up language. We had about less than five billion bonds issued by TI Finance, that have a step-up language that, in the case of downgrading the rating - as I said before - will cost us 25 basis points or 7 billion as a financial charges cost.

Thank you

Ok, we can take one more question, if you don't mind. Is there a question? Oh yes. Nine.

QUESTION

Thanks, it's Damian Nolton from Cas ??? A couple of questions on the tax clarification. Could you explain why the tax reform doesn't have a cash benefit until 2009 ...??? benefit in this year.

And the second question: you refer to a cash outflow? to 2009 on the elimination of advanced depreciation. Could you just quantify that, please?

PARAZZINI'S ANSWER

Well, on taxes we had an average rating 2007 of 41%, , in 2007 we benefited as I said before, 800 million, as compared to previous year of which the major portion was related to the lower taxable income, but we also benefit a withholding cash reimbursement, then we benefited in 2007 for 50 million by the application of financial law and this was rated to deferred taxes on the accelerated depreciation. According to the financial law in 2007 was still accelerated the depreciation that allowed us to benefit in the cash outflow for taxes in 2008, the effect of the financial law and the P&L of 2008 should be in the range of 200-250 million, and the cash will be later on in 2009, the benefit of accelerated anticipation in 2007 allow us to reduce our case dis.. for text in 2008 at 1.4 billion as compared to 500 million we paid cash in 2007. Up to 2007 we benefited from the credit, text credit we generated in the extraordinary transaction the previous year. This is expired, completely utilized so we now enter into a period when the cash out-rush will be very close to the cash accrued. In 2008 we still benefit from the anticipated appreciation and the cash disbursements will be 1.4. In the following years this should increase and should go around the accrual and the cash payment. The 1.4 cash disbursement in 2008 accounts for about five hundred million that relates to the opportunity we have to pay the substitution tax in order to re-evaluate the exit and start depreciating again the following year.

We have to decide about that by June: if we decide for yes, our case is mostly should be 1.4 with future benefit in 2009-2010, if not we have a saving of about 500 million in case this was 28???????????

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MODERATOR

Ok, thank you very much Enrico and thank you all. We would go now for a short video before the presentation of the Managing Director Franco Bernabé. Thank you.

VIDEO

Mr. Bernabé

Good morning everybody and thanks for being with us today. I thought it was a good idea to show you the advertising, the concept of the advertising that we will be showing in the next few months because it conveys the idea that certainly we care about numbers, and we hope that in the future our numbers will be as good as the numbers that the Beatles were singing some years ago, and we certainly care about people, and that's a key message that I think we want to give. We care about our customers first, we care about our shareholders, we care about the management and the workers of this company, that have kept this company afloat in difficult periods of time and that have preserved a number of good assets on which we can build the foundation for our future growth, what kind of growth are we talking about, not a growth that will come next year or the year after, so I have to invent a definition for the story I want to tell, because normally when you start in a new job as a Chief Executive you have a few very good options to tell to the market, you have a growth story if you are in an exciting sector, you have a restructuring story if you are in a poor sector, but when you are in a company like ours which is a good company, profitable company in a fairly exciting sector, what kind of story do you tell? and I christened the story that I want to tell "A Transformation story", what does transformation mean? it means a transformation to a much better company, a much better company for our shareholders, a much better company for our people, a much better company most of all for our customers.

Now, what are the assets on which we can build ?

I think that what we have been doing over the last few years has been to preserve three key assets that are still there in the company.

First of all, it's from a domestic market position. Second, world class confidence is in the core business. I think that despite all these squeeze out and the trimming down of our company we are still best of class in the world in mobile communication and in a number of sectors of technology. And we have still a good presence in a number of international markets, not many, but a few, and good. And we have had very good people working on them and making them go. So we can work on these assets.

We can concentrate on quality to serve better our customers and you will see why I give so much emphasis on quality and customers. We can increase the total share of wallet. I think that given the fact that there are other competitors coming from outside the telecom world, we can attack through our technology other sectors, we can leverage innovation and entrepreneurship in our organisation, we are not a sitting company, we are not a declining company, we are a company full of energy and entrepreneurship, and we want to leverage this entrepreneurship. And then, in the international market, we don't want to do much expansion, because we don't have the means. You know better than I do - you have been following the sector very carefully over the years, and you know very well our company, we don't have the financial strength to build a different position, but we have good positions internationally and we want to build a solid growth platform in these international markets. But at the same time we want to maintain a very strong financial discipline. I think that what they have read today on the financial market is exactly what they think. I mean, don't expect from us fireworks, don't expect from us bizarre strategies, we are down to earth managers, I think we are very realistic. We think that we know what needs to be done. We need some

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time to do it because the company is big, problems are many, and we need time to focus and attack the weaknesses that we have and work on our strengths. But we want to do it in a very financially disciplined way. We will raise cash from non-strategic assets. We will select investments on a very rigid payback period and return ratio, and we will mine efficiencies. Of course there has been a lot of work that has been done on the restructuring, I think that good work has also been done, but in a big organization, in a large organization there is always areas, there are always areas on which you can work and where you can mine more efficiencies and better organization, a much more lean organization. And then we have to focus on the leveraging. I think that we have enough of leverage, I think we have enough of that, we want to give not an absolute priority, but we have on the top of our mind the need to be (?) leverage our company.

I know that telecommunications now are out of fashion. We have all seen what has happened in the last two months. I think we have suffered more than others, because unfortunately we could not talk too much. By the way, we didn't talk at all. But waiting... first of all because we... we started working 75 days ago more or less, and so we didn't have much to say before knowing and understanding what was going on in the company, and then because we were preparing for the investor day and we gave that a great deal of attention and a great deal of work to the preparation of the Investor Day.

But, in the meantime, the market had all these problems, the telecom sector was perhaps one of the worst hit and within the TelCo sector we were one of even the worst hit because, as I said before the TelCo sector is out of fashion, and there are several reason why the TelCo sector is out of fashion: market saturation, new competitors, environment, regulatory environment; but I think that the TelCo sector will come back very aggressively in the future. I think that we've seen a transformation, there has been an intermediate period where things have changed, competition has come in, competitors had been emerging, competitors from within the industries, and competitors from outside the industry. But I think that what we've seen and what we keep seeing is a dramatically increasing amount of physical demand for communication. Bits are increasing dramatically, and you can be that we don't want to remain simply bit carriers along our pipes in a market where volumes are going up remarkably and prices are going down remarkably. This is not something that can be sustained for a long period of time. I think we will go back to a more normal period where technology, where competence, where market share will command a premium. And therefore I think that the market not only will consolidate, but will show interesting opportunities, also for the non-believers. I think that we want to position ourselves for the moment in which the market will come back and a company as big, as competent, full of good manager, full of competent people as our company can be brought back again on top of the recognition of the industry. There are several things that happen, I don't want to elaborate on this because you are much more expert than I am, but I have a little knowledge having seen the industry from within and from the outside, in different positions over the years, but there are several things that are happening here, innovative services that are growing, broadband is driving the growth, we have ICT that is changing, the kind of paradyme (paradigm ?), we have value added services that are ramping up dramatically, so we have growth in here, and this growth is accompanied by a market situation that is driving down process (?), but the growth is there, and the growth is there in a number of areas, the growth is there in the adjacent markets where there are competitors, but there is a complete change in the paradyme (paradigm ?) and we are well positioned to tackle also these markets in a different way but growth is there in the industry at large, but the industry has too many competitors, we will see consolidation in the future and the fittest will survive and we want to be among the fattest in this industry.

Now let me go to the core of our strategy, to what they call the pillars of transformation and growth for Telecom Italia. Strategy as I said is very simple: we have 3 columns, we want to

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transform our domestic business, we want to consolidate our international presence and we want to mind??? efficiency across regions and business lines.

Down towards management. Nothing new, nothing exceptional. Just something that needs to be done.

What you will see is people rolling up their sleeves and going back to hard work, and this is what I'm expecting from my people, and this is what I am expecting from people that are working for this project.

This project is based on solid base, we think we have a very solid network system, technology, infrastructure. We will watch very carefully at the financial policy and we will be very, very careful not to, not to take unreasonable action.

The first point that I want to stress is the one that concerns quality.

We will defend quality as a value driver. We have had problems in the past on quality and I think that we need to go back to our duty as an incumbent. We are not an attacker, we are not a newcomer in the industry. We are an incumbent and we need to do the things that an incumbent has to do. We have to defend the mobility premium. We have to defend the fixed line. The fixed line is a very..., it's not something that is inevitably going down and something for old people that want to be reassured that the telephone works even when they are out of coverage. The fixed line is a value that we want to preserve. And bandwidth, we want bandwidth to be paid. I mean you read in the industry, you read in the blogs, you read in the papers all about the philosophy of giving away things for free. I think that at some point we will see that there is nothing for free. There is no free lunch, there is no free banquet, the pipes are being fed up with people who are downloading things. I think that we want to serve them appropriately, we want to give them a good service, but this good service needs to be paid. I think that we have a long way to go to re-catch the position of the industry because there has been too much downgrading of what we do. There is nothing for free. We think we want to be paid, but do we want to be paid because we give a quality service? Of course you know that the paradigm (paradigm ?) of the industry over the last ten years has changed, the good enough concept has come to emergence, there is the best effort concept has prevailed over the traditional quality of service it was typical of the telecommunication industry I think that we need to go back to basis, we need to go back to value and we need to go back to quality of services. And this is more important because we want to manage a number of phenomena that are happening and have quite a big impact on the business; the fixed-mobile convergence; as I said before we want to control the wireline (??) we want to leverage the price up of voice and we want to control broadband development. But controlling broadband development is another key point for us. I mean, broadband is dramatically expanding; and we've seen this thing starting a couple of years ago, it is accelerating; we have at the same time a strong role in fixed line broadband. You see the figures there, you see our own figures. The market is growing, will be growing from 2007 to 2010 from 10 million to 14.6 million customer access and we will be growing from 6.4 to 8.3 million.

But at the same time, if you look at the right end side, on the mobile broadband market, we are starting almost from nil, we are starting from 2.7 on the market, which has already been accelerating in the last 2 years, and we are 1.1, and we will be growing to 15.4 total market in 2010, with 7 million of our own customers.

Now, this is a dramatic change, so we have to check, we have to face two converging challenges. There are three, in fact, because there is also the management of the shift from domestic to international, but we have to face two dramatic changes: the fixed to mobile broadband migration, so, so we have strong challenges ahead of us, we know precisely that the challenges are we know there is an opportunity there, there is not simply a track, there is a big opportunity because we see people that want increasingly bigger bandwidth better services, bigger opportunities as a customer, and we will be leveraging this dramatic broad that is taking place in the broadband both fixed and mobile broadband, then there is something

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that is not very big in terms of what we can achieve probably in the next few years but gives an idea of how we will be leveraging our entrepreneurship on the shrewdness of our people, on the skills of our people, what is happening thanks mostly to the broadband revolution that we are seeing in place, is that the adjacent markets are changing, the paradigm is changing. We were used to think about the ICT industry, software industry, the hardware industry and then the media industry, and then the TelCo industry, all different industries with different kinds of business models. The business models are changing thanks to the technological enabling factor that changes completely the paradigm and gives us the opportunity to attack small segments of this market not using the traditional business model but introducing innovating business models and there we have areas where we want to expand. We have small market shares, I think we will give ourselves very realistic but also ambitious targets there and we think that we will be able to leverage both on the growth of the broadband, on the broadband revolution that is taking place, and to the changing in the business paradigm that is being introduced by the fact that you have adjacent sectors that are being addressed, that are addressable by the telecom industry.

How are we doing all this? How we'll be achieving all this? Now, as you know, we are organized still with a mobile and fixed line of business. This is changing. I will introduce in the next 12 months a completely new organization of our business. We will go towards a customer-based organization, focusing on consumers focusing on the corporate business, focusing on the other licence operators.

We are preparing ourselves from a technological point of view... we have already... and this is what I did almost first when I came into the company with Gabriele Galateri. We re-organized the network system, and the network system is already based now, the reorganization will take place. We expect efficiencies coming from this, we expect a leaner organization, we expect cutting costs, but we have given already an indication that we want to move there. There was an old project, which is the one company model. We are taking the best of that project and we will take it forward very aggressively. Here we have already in place the technical infrastructure. We have started putting in place the organization in customer segments. This will come in the next eight months but we are taking steps already and the people you will see in the next section will be the people that will manage this transition. It will be complex but I think it will reward us very handsomely. These are a few indications of where and when you will see results. We will implement this change from today till the end 2008; we will continue on fixed-mobile reporting in 2008, we will have a pro-forma representation of revenue by customer segment from the second we hope or from the third quarter of 2008, and the management countability will remain during 2008 in order not to have disruptions, but we will have an assigned responsibility of consumer convergent offer that will be assigned to the mobile sector. And the 2009 budget will be based on the new countability by segment. This leads us to, as we think, to a complete change in the trend that has seen declining domestic revenues over a number of years. I think in the next three years we will stabilize and then reverse the following trend in revenues. We are very focused on this and we bet very much that if the right organisation is put in place, if the right motivation of people is there we can achieve this, I think that there is a long way to go but we are very concentrated and very focused on this. We will concentrate on international business but you will not hear today very much about the international business, because we think we have two sessions dedicated to this, we think that our management and you will have the presentation in the next couple of hours, our management has done an excellent work in Brazil, has done an excellent work in Argentina, has done an excellent work in Germany we have a sound base always to build and we will be concentrating on this, no distraction nothing we will be concentrating on this area where we expect to be given great satisfaction, and then we will be concentrating on wholesale, on international wholesale with a number of options that we will be exploring in the next few months.

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We will keep going, no doubt about this. And, however, I must say here, that we don't rule out completely, if the opportunity comes, to do something else, but we want to do it on a cash-list basis.

The media opportunities for consolidation, the media opportunities for growth - I think that given the fact that we don't have many resources, given our level of leverage, but there are people around the world that have the money, and we have the skills, why not leveraging on our skills to do something that may be anathema from the point of view of a company that wants to build an empire. We are not empire-building, in an empire-building exercise. We want to make money, we want to make... we want to remunerate our share-holders. We want to build a sound basis ??? the skills of our people, the entrepreneurship of our people is something that can be put to work, and putting to work this means allowing ourselves to expand perhaps in collaboration with people that have the money - there are so many entities around the world that have much money and little opportunities, we have many scales and few opportunities, why don't we combine it?

And then I think this will be another key-word of our strategy: collaboration. We are not scared of collaborating. We have indicated and I must say that we have started on a very good foot with Telefónica. We have an admiration for what Telefónica has done, for its management, for the things they have done, I think we have a lot to learn from Telefónica. It's not pride that takes away from looking at the others, looking at the best practices, looking at what people do best, and learning. I think that nobody has ever done anything wrong when it had learnt something from someone that knows things better than you do. And I think that this is what we will be doing, not only with Telefónica - collaboration with Telefónica is in a very strong foot - we will be expanding this, because we feel well with them, we do things well with them. I think that there is a very sound ground on which to build, but we will be expanding collaboration wherever there are opportunities,, opportunities in international investments, opportunities in domestic investments. I think that the message that we want to give, and Gabriele Galateri when he made his presentation gave it already very clear and strong, the message we want to give is that we want to collaborate with people. We don't want to fight, we don't want to compete by litigation, we don't want to entertain bad relations with our competitors, with the authorities, with the politicians, we want to upraise (?) things, we need a quiet environment, we need people to cooperate, to collaborate in order to make decent earnings for our shareholders, for the assets that we have built and for the new assets that we will be building, if there is an opportunity to collaborate, why not? I think we will be pursuing this and we will be pursuing this very much, not only in the international area which you see here but also in the domestic area. And then of course there are opportunities for improving the cost structure. I think that something has been done, I think that we started almost immediately an organization of improving costs on the technical infrastructure, we think that we will be mining efficiency in the optimisation of field service costs, on the cash cost reduction in IT we have reorganised completely the IT services sector, we can mine efficiency in the optimisation of technical infrastructures, we have already, this is already in place, we started immediately and we are already at work on this, then we started working with Telefónica, I mentioned this, we have for the time being indicated synergies that you have seen, very interesting ones, to us we are happy with the synergies that are coming out but these are what I have been calling the low hanging fruits, the synergies that are quantified and are indicated are the low hanging fruits, I think that there is much more to do and this excludes completely given the regulatory environment and the respect that we have for the authorities in Brazil and in Argentina, this excludes completely potential synergies in South America. In South America we are competitors, fierce ? competitors with Telefónica, but we are competitors, and we respect all the regulatory environment which we are subject. So there will be more efficiency to come. I think that the collaboration with Telefónica is just at the beginning. We have good personal feeling with Allierta, with Dinares... I think they are

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excellent people and we want to work very deeply with them to the benefit of our organizations.

But I think we have more to do. On the overhead costs, I think there is a great deal of work on the overheads to do. I think we have a fairly heavy overhead structure, we can do much to improve this. I don't want to quantify because you will ... I mean, I've been out of the financial market for for some years now because I worked as a private entrepreneur and then as a banker, but I've been working in my life for several years on a listed company which you know very well, ENI, I created a lot of value for my shareholders, when I left ENI I had created the equivalent of what is now 50 billion euro of shareholders' value, and I've done it in a very, very consistent way. I don't want to give figures when I've not dugged deeply into the organisation. I don't want to promise and then not to deliver. What I promise, I will deliver. And I think you will see this.. you don't have to be anxious, I think that although you've been without news, the company has been.. in the sense.. the things hat have happened mostly in the year 2007 without clear indication of where to go, but you will see that you will have very detailed objectives, whenever I have the certainty that I can achieve it. Be sure that I will give myself and I will give to my Management very ambitious targets.

I think that one other point that want to stress is the fact that we're not out there for investing in fancy technology, in being first of class, in doing things. We think that whenever we invest we will invest looking very carefully at return and at pay-back periods.

I said before that the key indicator of our star, the star of our action will be financial discipline. I put priority of that reduction first. We will monetize and dispose of non-core assets. We will have attitude towards our shareholders which will be fair. I think that, as I said at the beginning, we care about our people, we care about our customers, but we care most of all about our shareholders, and we want to be fair to them. I think that what they hare read on the papers in these days is a little bit crazy. I think I am not either myself or Gabriele Galateri are used to do crazy things. We want to do fair things, sustainable things, we want to do things that can be promised and then delivered in the long period, and our attitude towards shareholders will be fair in terms of dividend, but most of all, I hope and I promise, in terms of the total shareholders value and total shareholders return.

Cash of course will be used prudently for organic growth and then, as I said before, we'll be strengthening our position in key international assets.

Let me give you a few targets. I don't want to give you many targets, of course, and only for problems of disclosure, but most of all because I don't want hear to make a disclaimer because I don't need a disclaimer and I don't want to do it. But we have been in place for 75 days more or less, including Christmas vacations. We need... I don't ask for time. I think we have done what we needed to do. I think at some point people were asking: "But you are... you think you will be doing the Telecom day or you think you will be talking to your investors? It's too early. You don't have all the elements." I think we have done our homework. Gabriele and myself have done our homework, have gone into the organization, have seen what's happening. Of course, we know part of it, we know what we have seen, we have not digged very deeply into the organisation, but this is what we will want to do in the next few months, and at the end of this work we will be much more confident and I think much more aggressive in the terms of the targets we will be presenting so what I will present you today is not a sort of preliminary target, or good enough targets, we have done a hard work because we have started with a initial budget and plan, we have worked on this, we have changes, we have seen some results, we have committed people to growth in revenues and to cut in costs, but we think it is not yet enough, we will have a new planning exercise, the next plan will come earlier than this one, we hope to do a new plan and a new presentation well ahead of the one that we are presenting today, in order to give you a sort of track record of what we have seen, what we have done, how did we go into the organization and what kind of results we can deliver. These are the group targets in 2008 and the guidance for 2009-2010. What we

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forecast is revenues organic for the group which are fairly stable in 2008 and, as I said before, we aim, we want to go back to growth in 2009-2010. The EBITDA margin, excluding the 1998 licence fee income for approximately 500 million that Parazzini has mentioned before in his presentation, will go to 38.5 approximately, and then we aim at increasing marginally our EBITDA margin. CAPEX will be decreasing because of the impact of the much more focused and much deeper analysis that we will do on CAPEX. But we will not sacrifice opportunities if the opportunities are there. As we see the opportunity of the license in Brazil I think that given the work that has been done in Brazil and given the potential that we have there, it is money which is well invested. I told you that I will be looking at opportunities with partners, I will be looking at opportunities at sharing infrastructure. So don't think that this figure of investment means that we are less focused, and we want to downsize the company. Quite the contrary. But given the fact that I've not always, as I said before, managed big entities, and big entities are normally rather grandiose. They want to spend money they, everybody is focused on his budget. I have been also at some point of my life a small entrepreneur and I know the value of money, and I know the value of cooperating with others and this is a great benefit. You can do many things, even if you don't have absolute control, if you have to share, even if you have to convince your technical people that they do not own the best solutions, probably discussing with others there is always something that you come up with that is in the interests, not only of the customers but also of the shareholders. Going back to the last point, which is the net financial position, we have a target that we want to give now. We want to go back to 2.5 net financial position to EBITDA. This we will keep very stable in my mind. This is something that I have always done in my life when I've always done in my life. When I took the responsibility of ENI in 1992 I had an amount of debt which was massive. It was completely out of scale to the kind of reasoning that you have now with low inflation and so on and so forth. And I took it down consistently until ENI became one of the most cash-richest company in the Oil and Gas sector.

We promise here that we want to re(de?)-leverage the company and go back to a normal net financial position to EBITDA.

In terms of domestic targets because of course you want to hear them. In terms of 2008, organic, you see it on the figure, EBITDA we will remain about 44% excluding the license fee income, the reimbursement of the license fee income, that we got a few weeks ago, this we had promised you because that is approx. 5 billions, so the reported will be higher and then we will maintain the EBITDA margin broadly stable, with a CAPEX that is in the order of the amount you see below, 3.5 and the cumulative 2008-2010 which is approx. 11.

So this is the overall roadmap that we have, transform domestic business, consolidate international business exploit deficiencies and synergies and financial discipline, I think we are rolling up our sleeves to deliver what we promise. Thank you very much!

GALATERI

Thank you very much Franco and now we open again the question and answer session. So please, who wants? Number 4

ENGLISH JOURNALIST'S QUESTION

Thanks very much Sir, Nick from Morgan & Stanley. Two questions: on '09 and 2010 could you give us a bit more detail of how you expect to grow the business, giving the fact that the fixed line in general in Europe is still a declining business and losing quite high margin revenue at the top line? And, in addition, where do you think mobile termination rates would be in later '08 and also 2009?

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BERNABE'S ANSWER

Well, I don't think I want to focus on where termination rates would be because I don't want to give any guidance to anybody on where termination rates would be. So I won't answer to that question, but on the first question I think that, as I said during my presentation, there are several things we can do.

First, what I have seen in the past is concentration on win back in the fixed line, which has been quite successful. I think that what we have seen in the last year or so was in deceleration as a consequence of a number of factors, deceleration of the reduction in fixed lines, and I think that there are a number of reasons that we are working on right now, that explain other than the commercial policy that we have adopted for this deceleration. We think that there is an area where we can work in order to smooth down the process, and I think that we have to manage better the fixed to mobile migration. This is an area where we are concentrating, we are working precisely these days on this, trying to define the best strategy for tackling that problem. I think that an area of growth, will be broadband. Of course broadband is expanding in fixed line, quite aggressively; I think that perhaps the commercial policy in the past has been a little bit too aggressive in terms of pricing of broadband, pricing of fixed broadband, I don't want to repeat this in the pricing of mobile broadband; but you see, if you have a sector where you have such dramatic growth in terms of quantities, in terms of volumes, there is always something you can do in order not to have your prices falling down to hearth. So it's the kind of commercial policies, the kind of pricing voices, the kind of quality focus that you want to give your customers, in order for your customers to be happy for the service you give them at the price you give them. So I think we have no problems in terms of quantity, in terms of volume growth, we have problems in terms of how much the pricing is eroding this growth. So we are addressing this, and we will be concentrating on this in the next months.

Thank you. Number 6.

QUESTION

Buongiorno sono Franco Lombardi, sono il presidente di Asati, che è un'associazione di piccoli azionisti dipendenti, azionisti esterni di Telecom Italia. Siamo circa 2.000 iscritti. Io sono un po' meravigliato, dottor Bernabé, perché questo scenario così bello, mi aspettavo un video su come sta andando l'andamento del titolo in borsa. In questo momento perde il 7%. Quindi io vorrei, prima considerazione, andare sull'andamento del titolo. Negli ultimi tre mesi il titolo ha perso 28%, depurando dallo stock TLC europee, oggi Telecom Italia deve essere 1.82, quindi quello che volevo sapere da lei, conoscere nel breve, entro un mese, un anno, quali sono i singoli progetti innovativi che contribuiscono i vari delta per la crescita del titolo, per riportarlo almeno a quei valori di 2.2 euro che era ai primi di dicembre del 2007. Ci sono a mio parere quattro modi per far crescere il valore della società, il primo l'aumento delle quote di mercato domestico, e come già ho detto, si è perso 7 punti, l'ha detto il Dr. Parazzini, perché oggi praticamente avevamo l'85% quindi praticamente è difficile, impossibile aumentare, secondo l'offerta di nuovi servizi, il terzo nuove iniziative internazionali, quarto ulteriori riduzioni di costo, ecco ci auguriamo che questa volta non si vada sempre nella strada solo dell'ultimo punto, cioè dell'abbattimento dei costi, quindi vorrei sapere in particolare quali sono i contributi sui nuovi servizi e lo sviluppo internazionale, cioè come questi contributi aumenteranno cercando di contribuire all'aumento del titolo nel medio termine.

La seconda questione sono le offerte commerciali. Nel 2005 tutte le offerte commerciali fisso e mobile furono di fatto bloccate dall'Authority. Quali sono oggi le motivazioni che rendono credibile una nuova organizzazione commerciale integrata come da voi proposta?

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L'ultimo tema: i rapporti con Telefónica. Noi abbiamo letto da tutte le parti che il dottor Allierta è *encantado* dei rapporti di Telefónica, oggi il dottor Allierta forse è meno *encantado* perché perde circa 1.9 miliardi di euro da quando è entrato con i valori di Borsa, eccetera. Comunque, le osservazioni che vorremmo fare è che Telefónica ha anche impedito lo scorporo della rete, che poteva essere una delle possibili fonti di finanziamento. Con Telefónica si fanno risparmi annunciati di 2 miliardi di euro dopo lo stop dell'ANAT sono diventati 1.3, quindi molto più modesti di quelli iniziali. Ma comunque, siccome tutti siamo contenti di questo rapporto e Telefónica sappiamo che è molto forte sul mercato internazionale, dove detiene il 65% del mercato. Allora la mia domanda è : ci può dire quali sono le sinergie sui mercati internazionali, e come queste possono contribuire ad essere aiutati; io ho un partner forte, per fare delle sinergie industriali dei costi, non è che devo entrare nel pacchetto azionario della società, se io faccio delle sinergie forti posso farmi aiutare da un partner molto forte, che è anche nel suo interesse. Grazie dottor Bernabé

BERNABE'S ANSWER

Grazie mille. I think I will be answering in English although perhaps not many of you have understood. There is a simultaneous translation, so everybody has the question. The question is on why the market, the stock, is performing as it is performing. I don't know why it is performing as it is. I have seen that there are a number of positions that have been sold in the last months, and maybe other positions, I don't know, I don't want to elaborate, I don't have any reason to elaborate on the present situation of the stock price. I think that what we see is, what I see is that we have a lot of long-term investors and what I will do is to work very hard on our road-shows together with Gabriele Galateri in order to convince long-term investors that have all disappeared from the shareholder base of our companies to be confident in our company on its potential, and all things that we are doing. So I will embark in a very long and extensive trip to visit the long shareholders to tell them the story.

Now, I thank you for your indications on what needs to be done on the domestic market in order to improve the outlook for the stock price. Be sure that we are considering all the options and we are working very much to get these options delivered. But of course the first thing to do is to say very simply what is the state of the company. I mean the company I found is a very different company from the company I left. I have found a company that has no international portfolio, almost, except the one that was brilliantly preserved by our management, a company that has divested over the last eight years all the international assets, and we have very good assets, and as you have seen all other companies are bridging this gap, with the declining market and international expansion. Most of our sisters in the industry have built over the years and extensive international portfolio while we were reducing this international portfolio. So there is not much we can do to change the shape of the market except the heroic things that I described. The market is there and to change it we need to work very very hard. There are no miracles, there are no fireworks, there is nothing that can change this in a short period of time. So I don't, can't embark in an international expansion because I have high leverage, I think that the option for divesting something else is very very limited, so this is the situation I have. It's not a very exciting situation. When I said I have a problem in telling the equity story, that's exactly what I meant. I have had little worth opportunity, the restructuring will need to be done and will be done quite aggressively. But we are working on this. So I think I did a fair representation of what the company is, I did a fair representation of what the potential outlook of the company is, I think that I'm focussing on the shareholders' value, that's for sure, but I think we need to pass this storm. We can do nothing neither to describe nor to explain what is happening now, except saying: this is the situation I found, on this situation I will build, I'm not looking at long term to do things, I've

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started together with Gabriele Galateri working from 7 o'clock to 11 o'clock at night so that I think is a good promise that whatever is in our power to do we will do.

GALATERI

And certainly if we can add, there is a nervous in the market which is creating a lot of situations, some unjustified, evolution of the stock. I think that what Franco said is very correct, we are basing, we are creating a solid base to recover even of that value. I am very convinced that the atmosphere in which we are going to operate the relationship with the shareholders, the relationship with the authorities, both international and national. The clarity of the industrial strategy will allow the stock to move in the correct direction so that it's not a one day game, it is not maybe a two weeks game, but it's a medium term strategy that will pay because the company has been deconcentrated in the last few years. As you better know than me there has been a lot of speculative elements in the value of the stock before, now we are building a solid valuation that will certainly give satisfaction to the shareholders.

WILL DRAPER (Execution)

If I could just ask you to elaborate on what you mean by fair shareholder remuneration, does that mean fair 8 euro cents a share is a fair place to be, or do you mean that you will grow it from here in line with earnings, is that fair? do you have a pay out ratio of earning or free cash flows, is that how we should look at it? Or should it be in reference to the pay group, where do you want to be relative to your token pairs in shareholder remuneration.

BERNABE'S ANSWER

What I mean by fair, it means consistent with what the rest of the industry does and consistent with their own situation, so what we decided to do this year was to pay our exactly what the average of the industry pays out, although we could consider also different options, but we meant to be fair to the shareholders, despite the fact that we have a high leverage, despite the fact that we have also ? problems and we think that remuneration was deserved, and we could not go below that remuneration. And I think that we will be keeping consistently that kind of attitude: we will be fair to shareholders and the guidance at least on the floor can be assumed starting from what we did this year. I think this year is a sound base, is a fair dividend that we are paying, given the results of the company, and going forward we hope to improve it, if the conditions are there, but we will be looking very carefully at what the others in the industry are doing and what the situation of the company is.

Number 5

QUESTION

James ? from Citygroup. I've got two questions if I can. The first one relates to network separation. Mr. Bernabé you talked about de-leveraging, cooperation, etc. etc. Should we from that take the possibility of selling a stake in the network is still on the cards?

My second question relates to the saver shares. It was sort of a rephrasing(?) of an earlier question. How do you personally view those? Are they just an expensive form of debt financing or are they an integral part of the long-term capital structure?

BERNABE'S ANSWER

On the first question, I must say very clearly that what we have done... I've read many things on the separation of the network, on the benefit, on the financial benefits and so on and so forth. What I note is that nobody in the world, except Singapore, has done a structural

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separation of the network, and Singapore has done the structural separation of the network, and Singapore has done the structured separation because it wanted to in practice support with State funds the building of 100 megabit network in the country, so this is a unique solution, there is no other company that has engaged in that. There must be reasons for not having engaged in a structured separation of the network. When we created Open Access a couple of months ago it was because we thought that increasing transparency, serving better our other licensed operators, serving better customers was something that could improve the wholesale part of our revenues, and this is what we are doing. We want to create a lean, efficient organisation, an organisation that has a transparent profit and loss account, where we can see how it performs, and we have at the time, at the moment, no options for the future. As the savings shares are concerned, again, we have no option. Of course the savings shares are unexpensive kind of equity financing, but at the time we have no plan for the savings shares.

Number 3.

QUESTION

It's Carola Bardelli again. Cashless expansion, I think you mentioned something about cashless expansion during your presentation. Should we imply that you could potentially use Telecom Italia paper acquisitions given that you don't have cash available? And the other thing I was wondering is if you are going to exercise the call option on Telecom Argentina and finally if there is any interest, I think Tiscali is up for sale, if there is any interest in the UK business of Tiscali.

And maybe a very final question: you started a negotiation with the trade unions, when should we expect any outcome from that? Thank you very much.

BERNABE'S ANSWER

On the cashless expansion it's... I think, a very important question because, of course, the indication that we gave from our shareholders is that there is an interesting opportunity. They are not obsessed about the share of the company that they control. I wouldn't even call it control, the amount of equity capital that they have. They are available, but of course at these depressed prices I don't think that we want to dilute our shareholders with expensive acquisitions, so it's something that will come when this situation in the market will go back to normal, people will start reasoning again making the right calculation on the value of the Company, and at that point a stock which reflects the true value of the company, I think that our shareholders will accept some delusion if the opportunity is there for creating value to our shareholders. As far as Gettini is concerned I think again, as it happened in Brazil, in Argentina we have done a very good job because our management there has performed very very nicely. I think that we will exercise our options. Of course, you know, because it's been in the papers that there are different point of views among the controlling shareholders of what the situation is and what it will have to be, therefore we are discussing with our partners the options that are available, but we definitely will exercise the options in the future.

GALATERI

I would like to take up the question also, adding that as I said before that we have this global core shareholders, we really should interpret that in my experience in the different companies where I have been, these shareholders are really there to support whatever management thinks being in the interest of everyone in terms of company development, so what Franco says is part of this attitude they want to see the company grow and they are not

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precisely linked to any specific need be it financial, be it a particular stake, they really are there with a cohesive view to create value for the company, I really think that this is an enormous sign both for the company and for the market, because it is one of the first time in which in Italy I find this kind of attitude by a group of very important institutional investors.

Number four, thanks

QUESTION

Just firstly, Mr Bernabe you mentioned a couple of times now that you see fixed to mobile broadband substitutions as a potential threat. What do you think the strategy is to try to fix it. Is it trying to take a dominant share of the mobile broadband market, or is it to cut fixed line pricing, or both?

And then secondly on CAPEX. You seem to be cutting back domestic CAPEX, at a time when some of your peers seem to be increasing CAPEX for fibre. Is it the case in Italy that Italy is special because of the lack of cable, you can choose your own times for fibre building, and generally what are your plans for fibre in the local loop? Thanks.

GALATERI o BERNABE

I think since it's a complex question and most of the answers will be given later by the Technology Panel and by the Domestic Market Panel, if you allow me I will skip these questions because we are very short of time and there are several other questions and there is one more questions that has to be answered by Palazzini.

PARAZZINI'S ANSWER

Yes, I have to give a more precise answer to one of the questions that was asked before because there was a misunderstanding in Bloomberg. One of you asked what is the effect of a downgrade on the cost of the interest expenses and my answer was that for some bonds issued by TI Finance for an amount that is lower than 5 billion, in the case of a downgrade there is a step-up land???????? that should cost twenty-five basis points. Twenty-five basis points means 2.5 million for each billion. Every less than 5 billion the cost for us should be between 7 and 8 million. It was understood seven hundred. Maybe I made a mistake in wording, I am not so sure, anyway the correct answer is 7 to 8 million, not seven hundred.

Ok, thank you. Number 5.

QUESTION

Hi, Hi there Sir. Andy (Tronus?) from Lehmann Brothers. Two questions: first question on mobile. Do you expect to increase the percentage of post pay customers in 2008 and should we expect the mobile handset capitalization to be in line with what it was in 2007? The second question is on headcount reduction: what cost have you assumed in your 2007 restructuring provision for headcount reduction, and do you see further headcount efficiencies in 2008? Thank you.

BERNABE'S ANSWER

In our budget we have used as a cost, as a head-count (with action?) the same figures as last year so the kind of figures that you have been given for last year are approximately the same figures for this year. And on the mobile, again, I think Luciani will be answering when the panel on domestic market will come.

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Number 7

QUESTION

Hello. Marilyn Carter from ?. You say you would embark on a road trip to meet long-term shareholders. Do you think you will have this same commitment for your long-term bond(?) holders?

BERNABE'S ANSWER

Yes, of course. Very simply.
Number 4

QUESTION

It's Simon Weiden from Goldman Sacks. My question relates to your 1.2 billion targeted cost savings. Could you elaborate a little bit more on that, and in particular indicate what you are assuming in order to achieve that. You've told us that you're only gaining to commit publicly to things that you've dealt deep on show you can deliver, so it would be useful to understand what extra may be achievable, if we can understand better what is making up the 1.2 billion euros of savings you've talked about.

BERNABE'S ANSWER

Ok, on the 1.2 billion, part of this are coming from the synergies with Telefónica, approximately 700 million, and 500 million are coming from the synergies that, from cost cuts that are coming mostly from the technology side and I think that on this, on the details, it will be ready? when the technology panel will be on board, will be elaborating a little bit more explicitly.

QUESTION

So, just a follow-up, would it be fair that your reference to reduction of overheads is largely not in the number at the moment?

BERNABE'S QUESTION

Exactly is not in the numbers. Number 6!

MICHAELA FERRUTA (Intermonde)

I would like to check something that I heard from Mr. Bernabé during his speech, I think you mentioned the fact that you will be presenting another business plan, soon, and earlier than this one, and that this is just an inertia (?) guidance you are giving us, is this correct and would you say that 11.9 billion EBITDA for 2008 is something that you think easily achievable. Thank you.

BERNABE'S ANSWER

I did not say that this is an inertial plan I said that we started from an inertial plan and we have worked on this, but what we will be doing is to change the planning mechanism in order

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to come up with a new plan ahead of the period in which we presented this plan, so that means that we will be working on the new plan quite soon in order to be ready probably before the end of the year with a new version and the new version will incorporate all the new findings and the new work that we will have been doing in the next few months.

GALATERI

So it was only to put back the company into a normal program in its corporate planning. This year that happened because of the changes, we had at the same time the closing of the balance sheet, the budget, the plan, which is not a very easy task, but this year we will do it in a more normal way according to corporate procedure.

Okay I think at this stage I would offer you a cup of coffee, which you deserve, and then we will pick up with the big shots coming on the stage to give you the explanations of the individual divisions.

Thank you.

Mr. Cicchetti

Good morning. In this panel we will try to give you an overview of what happened and what's going on in our domestic market in Italy. My colleagues head of business lines will give you a brief report about 2007 results and about the main targets, action plans for 2008 and the coming years in wire line, wireless and ICT. Before introducing my colleague, I'd like to provide you with some general information about the Italian market. As Franco Bernabé said, we do refer to our traditional, our belonging sector that is telecommunication, but we also look at the convergent ICT and media markets. To that extent, what I want to preliminarily highlight is that our focus is and remains telecommunication and we look at so called adjacent markets, we take seriously into account what is really addressable and which is the right timing, the proper way to enter and to grow in those markets. So now let's start from what we are more familiar with. That is, telecommunication. The telecommunication market is expected to grow, slightly grow, from 35.6 to 36.5 in 2010 and this is the outcome of two different trends, and these, traditionally services declining and new services growing. In this light you can see I put Voice, both mobile and fixed, and the traditional PSD and Access. The market will drop from 22 billion in 2007 to 20.7 billion in 2010. The key drivers of such evolution are very clear and you can look at them at the right part of the slide. Voice traffic migration from fixed to mobile, a slight increase of mobile only households, and of course alternative communication services, like mailing messaging.

The figures of the traffic trends are really impressive. Just last year, mobile voice volumes were still higher than fixed. In 2010 we believe mobile traffic will be twice fixed traffic, even taking into account that flat VoIP based on the "all-you-can-eat" ? formula will succeed and will take 50% of the fixed traffic.

So this is about tradition. What about the new services?

Fixed and mobile broadband are continuing to be our growth engine in the domestic market. Broadband fixed users will grow from 12.8 to roughly 15 millions, in terms of value the market will grow more less 15% per year, and in the same time mobile broadband and mobile browsing will explode. As you can see here we speak about a growth that in terms of value is 40%, and at the end of 1010 we believe that in Italy we will have more than 15 million of broadband mobile hubs (?). To serve this growth we believe that the right approach is a convergence, that means offering seamless high speed network experience to the customers, as you have seen in the spot, in our previous spot, customers will get addicted to broadband. We believe that Luca Luciani will expand on that point, that a seamless broadband environment will really change the way people and families will access and experience

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communication and media. And we also believe that Telecom Italia has skill, idea, to capture a big part of this value. Two words about, next light, about messaging. Of course messaging and value added services is a more natural market but it's still growing from 4 to 5 billion at 5% per year, and you can see that short messaging and distant messaging continue to represent 50 per cent of the market. And now, now, or perhaps, ok, now a few words on ICT. This is an important area. As you perhaps already know Italy is not at the top of the list in terms of IT spending, but anyway is the fourth European market in terms of IT. And we believe that some technological trends, Franco Bernabé was talking about them, I refer to virtualization, net computing, the development of software as a service paradigm and the service-oriented architectures will further enable, let's say, the addressable market in IT, the addressable market for TelCos. I believe that in this market, and Mauro Nanni will expand on this point, we have a good opportunity to differentiate services, to increase the bill of the customer, and to create a stronger, a tighter relation with our business customers. We reported 60% of the market as addressable, we believe that this 60% is going to become more and more addressable for TelCos, and of course we refer to network services, to infrastructure based services, like hosting, housing and we refer to let us say an important piece of the application management cake, that I mean system administration, storage based application and software on demand.

Just to conclude this brief outlook advertising of digital contents, I am not talking about traditional television, Gianpaolo Tagliavia will talk about that about TI Media, I refer to the digital contents and digital advertising. So the new addressable market for TelCo in that area is really very, very little, but in a long term perspective we believe that carriers can do a lot in that area. The new wave is expected in the so called context that were services, that means services based on the deep knowledge that TelCos and service providers have about their customer - as a matter of fact, we know customer identity, location, preferred application, network usage, network experience, present and past experience, so as a matter of fact TelCos, if you consider, have more information about their customers than Google. The problem is to find the way to transform them into services valued by customers, into revenues and into value.

Now let me introduce the first speaker, Luca Luciani, that is responsible for mobile services. He will focus on results and targets for mobile and he will also introduce what we call our mobile-driven consumer strategy.

Mr. Luciani

Thank you very much. Good morning to everybody.

I have 3 points in my agenda today. I'll try to be quick on the 2007 results to cover the prospects that we have in front of us.

In 2007, basically, we took three commitments with the market last year.

The first one was to maintain a stable market share, and we did it with a 40.3% market share. The second one is to limit the revenue erosion in the range of 2-3%, and we did it. We closed at 2.3%. And mobile avant (?) less 1.9 on retail service revenue. On the domestic customer, the bulk of our business. Third commitment was to speed up the value-added service growth driven by internet on the mobile, and we did it. We passed the 21% incidence of value-added service revenue on total service revenue with good speed in the fourth quarter. So, overall we delivered the commitments that we took.

The other key aspect on 2007 was on the regulation, because 2007 was a real discontinuity here, in terms of regulation. First of all because of the Bersani decree, change, just to mention the Bersani decree cancelled the recharging cost in the prepaid market, is very relevant in Italy, and they offset six hundred thirty euros gross. Now all the effort that operators put is to pump volumes, outgoing volumes, to recover this loss. We basically did it,

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we forecasted a range of three hundred fifty, four hundred million euro loss, we close in the upper part of the range, four hundred million. Second key regulation impact was from the fixed mobile cut. We had a reduction of the termination cut down to ten euros cents and this did not transform in positive elasticity, so that in the incoming part we combined negative price and stable negative volume. Why? Because the Bersani decree and the price competition reduced the mobility price peak, so that forced the consumer to use more and more mobiles instead of fixed to call other mobiles, and this is relevant even in perspective, because it means that on the incoming part that is not managed by our marketing, but is just receiving, we'll become poorer and poorer, looking forward.

The third regulation impact that we had was my misery (?) on the international roaming tariff. Well, this did not result in positive elasticity, because in any case international price roaming remain high, so that overall a year where we stick with the promise with it, but the worsening of the regulation scenario.

What happens in markets, all operators are pushing in the market and at rational lines pass the 150% it means that there is a lot of prepaid market, in this prepaid market we try to defend key clients and follow the migration from the pre-paid to the post-paid in order to lock in the bulk of our customer base. We follow the market, we grew by 12% in terms of customer base, up to 36.3 million lines and basically this behaviour is a behaviour that we do expect to change in future, where more and more key operators like Vodafone and Tim, will move more and more to a value driven strategy. This slide is very important because we do shape our customer base here and, as you can see, there is a very high concentration of revenues, i.e. of margins, in the central part of the pyramid. If you take the business segment, i.e. the SME and SO and the upper part of the consumer, i.e. those customers that we manage in a one-to-one approach, you can realize that 26% of line worth 70% in terms of revenues. So that it is crucial to defend this market leadership. And we did it. As you can see on the right part of the slide, we maintain or increase market share in SME, in SO, in the upper part of consumer. The revenue share that is much more important than the market share in the consumer market, increased versus a year ago. And this is a very good result. Another step, and this is not trivial, if you look at the last column, you can see that in the business market we are growing double digit because in this market you can align the effort, the safe ??? of the marketing, you don't have heavy regulation impact and you have a very good take-up of the Internet, so that the toughest part of the market is in the consumer, that is strongly affected by the regulations. As you can see, normalized we have a positive growth, but all the value, all the competition, all the regulation is in this sector?

Just quick on the revenues: the 2.3% reduction in the report has a less 1.9% in the retail service revenue. This is important, because the reduction in the ??? the reduction in the wholesale part are not related to our core business, to our customer.

Now, if we focus on the retail service revenue, you can see - and this is important - that there are still two very positive drivers of growth: voice continues to go, that's 2%, and thus a double digit growth, so that if we focus on these two aspect we do have the possibility to go in the market, as with it. Now, focusing on the co-business what happened? A lot of changes during the 2007 because of the combination of regulation impact and different scheme due to the Bersani impact transformed the market. On the outgoing costs you can see that we combine very high volume growth with the control of the street price. This means positive growth that the new tariff plan that will launch have disagreement about price. So that if we exclude the tariff manoeuvre when marketing moves they control the price, and the more and more this discipline, this marketing discipline will be followed. On the other side, if you look on the incoming part, you can realize that there is no elasticity. We are going to cut the price by 10%, volumes are flat, why? Because people call the more and more via mobile, so that the fixed to mobile calls reduced structurally.

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VAS, Vas are one of the most important source of growth, regroup double digit, we pass the 20% threshold in terms of incident total revenues, and this means that VAS is a reality, is not positioning its business in the mobile market. VAS is a very wide arena, there is traditional person to person VAS, like the messages that are flat, because this is a fully penetrated service, but if we look at the interactive part that you have on the right top of the slide you can see that you have double digit growth rate and we zoom in the browsing part and the possibility to connect to Internet either via handset or via PC, linked with a mobile modem. We have almost triple digit growth. In the fourth quarter we had triple digit growth.

In this area now we have the benchmark Europe. No other group has been able to go in the browsing path as we did. And this is true not only in the market segments. If you at the bottom on the left you can see that the consumer market is growing very much, not only the business one. So that internet, as you saw in the spot, in the advertising spot, is a reality in the Italian market.

Let me look forward. What are the sources of growth? Physically, as mentioned, we will have more, let me say, per segment organisation. We can start from very strong top-of-mind (?) brands. Tin is a top of mind, Alice is a top of mind, Virgilio is a top of mind brand. Tin has 36 million lines most of them the consumer market. Alice has more than 6 million broad-band (?) customer base. Virgilio has 10 million unique users. We are starting as the giant of this market. What we need to do is to strengthen these assets and link these assets. The key difference in 2008 versus 2007 is the fact that we do not work standalone, mobile and fixed and internet, we sill work jointly, synergizing this very large customer base and brand. Three steps in this strategy: the first of all we need to strengthen our pillars, i.e. be more customer oriented, more customer satisfaction, b, to ride the convergence, i.e. provide the seamless experience that all Italians, in order to retain the churn on the fixed line, and third, ride the internet opportunity to catch new business, digital advertising, entertainment TV. That's our three-steps strategy. Let me enter, let me zoom in it. Step one, we are not satisfied by our customer satisfaction index. We do have a plan in each of the four pillars of the customer satisfaction. We need to move the more and more customer satisfaction. In an hyperpenetrated market everything is replicable, not the service, not the attitude of the customer to the brand. We need to strengthen the relationship between customer and the brand, that's the scope. Let me do some example. Advertising. In Italy all the key mobile players are on the comedy, the Italian comedy style. We need to switch. We need to communicate that the mobile needs personal communication, i.e. your world, yourself is in the handset. We are working for a more distinctive and emotional brand. This is the reason why, as of tomorrow, we launch the new format.

B, we have a very well segmented approach, we do have very strong commercial brand for each market needs. We will continue to work where we are strong, we need to focus on young. Young remains a key field where Vodafone is strong. We launched Tim Tribù. It has been very successful. 3.6 million lines in Tim Tribù. This position among teens. To attack young we are going to launch a second brand: MTV Mobile. It means that this is a joint venture concept with the colleagues of MTV. We will have a second brand in the market with the fully dedicated organization value to position, different answer to different service, different go to market. This will be launched this summer. We need to reinforce customer relationship. Only encumbering operator says this. This is normal. We are succeeding to retain in the mobile number portability but this is too late. We need to reinforce the lock-in of our customer base. This is the reason why invested behind handsets because if you offer good handsets you can lock for 24 months your customer, so this is an investment in the short-term that affects your P&L, but looking forward this develops service and locks in your customer.

But it's not enough. We must be more able in the loyalty. We must reinforce the loyalty. I mean, if you go cross all the incumbence ? you do see that these things everybody says. If

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you look at the bottom of the park ??? you can see that we will be the first in Europe - and I think worldwide - to bring the customer-care and put it in the shops. It means that the upper part of our shops will have not only a full ??? capability able to manage travel tickets, but even our people dedicated to the service and education of the customer. And this is important because it links the effectiveness of a property shop with the cost of a franchising, because we do put these people in our partners shop, flexibility and service, and this is crucial. Let me zoom on the second step of our strategy, convergence. Many questions are about convergence, let me give you my perspective, as mentioned we do see that mobile will grow in terms of voice, in voice there is substitution, because the natural attitude of the customer is to use mobile handset for calls, in the broadband there is not substitution, there is strong complementarity between the fixed and mobile broadband, broadband is crucial for the fixed line, but the mobile line cannot replace the fixed one, for technical reasons, for superior speed and possibility at home. What customers really are looking for is a seamless solution, not substitution. And starting from a very big customer base, the Alice one, 6 million clients - Alice is a very strong brand for broadband - we can speed up the migration of these residential at home experience of internet down the road, in the mobile environment. That's the synergy that we can ride.

Can we create value from the convergency? Yes. First of all, because, if we play in a convergent way, we can slow down the disconnection of the fixed part. It means that if a fixed customer is satisfied in terms of price, we can up-sell him to the seamless experience, offering internet, offering seamless experience on contents, on digital contents, while he is down the road.

If the fixed client is not satisfied mainly because of the price or the value-for-money concept. We can manage the price reduction offering him a bundle of ADSL with a non-zone mobile concept, so that we can drive the churn in the market.

Second key point: we can basically use the mobility price premium to create a threshold? In the market, because if a minute switch from the fixed online to the mobile we can capture part of the 200% mobility price premium.

Third: we can speed up the broadband in the mobile, leveraging the existing ADSL customer base and we can avoid price war. I mean, if you have price war on the broadband, this can be just in a starting phase, but is not technical, bearable for operators to compete in terms of price between the mobile and the fixed in the internet because they are structurally different. Well, this is the idea but this is not the idea. This is a fact. This is a road-map that we do have in our hands and that we are going to launch as of next Spring's campaign. We do have tailor made offerings for each niche of the market. It means that we will continue to work as a pure mobile in a need to approach with Vodafone so that the first part means that we can cope, we can go toe-to-toe with Vodafone in terms of pure mobile strategy.

B) We will continue to work as a very advanced fixed operator, increasing broad-band penetration, increasing the IPTV or the content digitalisation of this country.

But C) and this is distinctive, we will be a leader in the offering of the convergent world. Now I heard the question on the replicability of the position of the anti-trust on this. It is very, very simple. Market conditions have changed. If you look at the competition in Italy you see that Vodafone is entering the fixed arena. You see that Wind is more and more structured, have a very solid fixed part. You see that through mobile virtual operator all others basically have a fixed and mobile part, which are in Tiscali. And Tiscali value proposition is exactly to offer triple paid double play seamless experience to the customer so that the replicability of the convergences is a fact. This is the reason why we will go ahead with this roadmap. And we will go ahead following the natural attitude of the customer. It means that if current Telecom Italia fixed customer is satisfied of the service, of the price, we can up sell it to the mobile world. If it is not, we can use solution as the naked solution to retain the customer. If you focus on the double play converging market, that will be the largest part, with the concept like

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Alice Sempre which is ready to go concept, we can up sell fixed six million lines in the mobile. And this costs much less for us than to follow a new customer as a pure mobile. So that we would have a structural change in the good market.

B) if you look a customer that has a price attitude they want rebates, they want to save money in their budget, we can combine a ADSL naked with a Sim Home Zone, and this means that he has the broadband experience through the fixed line combined with the voice over the mobile, FEMTOCELLS is another example in the roadmap of this map, so that the key message is that convergence are not words, it is a roadmap ready to go as outspring.

Now if this is true it means that the market will change, we will reshape the market, the more and more you will have pure mobile attitude, and we follow this, we are defending this way versus Vodafone, you will have that the broadband fixed market increase because the penetration of Internet, and you will have that the convergent market will grow more and more. We are forecasting 3.5 million families in Italy in 2010 in the convergent world.

Third step of our strategy: Internet needs mobile. This is convergence. Convergence is not telecommunication business, fixed and mobile. The Internet world faces the mobile. This is a very big opportunity to increase the share of wallet in other contiguous markets, like digital TV, entertainment, E-commerce. Why? Because we do have a strong customer base and a lot of knowledge of the customer, so that there is the possibility to grow not only in TLC market, not only defending where we are, but attack contiguous markets. And this contiguous market in the consumer ??? is worth 0.4, 0.5 times the TLC expenditure. So there is business here. This is not new for you, what is new for you is that if we are able to match all the parts, all the assets that we do have in Telecom Italia, we are very very fast on this pattern. and personally I think that the market share on this addressable market that Oscar projected are conservative for us. Why? First of all, because we do have all the digital platform that we need, we do have IP TV platform, we do have Tim internet platform, we do have Virgilio internet platform, and these platforms have communities, we do have large communities in Tim, we do have large community in Virgilio, the largest internet community in Italy, and do have a very large community in Alice, so the importance is to link the platform and to link the communities. But this is not enough. With new media, with Virgilio asset, we do have the most important advertising sales-force in Italy, and this means that all the local advertising market, that is analogic, will switch to the Internet world because it's much more efficient. And we are ready to catch this value.

Not only. In a world that works towards the "2 dot zero" concept, we can serve this kind of idea as a factor, so that Internet is a reality for us and we do have a structural advantage.

I don't want to go ahead on this concept, but simply saying that looking forward we need to switch from a concept of service provider, product provides, to a community builder, and we do have these assets because we do have the largest consumer customer base in Italy? We do have the largest community in the market and this is crucial; value will depend on the community we do have, not in the product that we sell. And we do have knowledge of the customer. Of course ISP have the knowledge, they know the idol of the consumer, the click-through. But even we are ISP with Internet, and we do have a lot of knowledge mobile part. So it's the combination of them that create the structured advantage for operators. Well, if we leverage the existing assets we can create the most important market place to exploit a new service and fulfil our panel with new revenue stream. That's our ambition. Let me close with the outlook of 2008. How do we see the market? We do see a flat situation on the retail revenues, resulting from the combination of negative regulation impact and negative trend on the incoming voice offset by the outgoing voice trend and the value added services. We do forecast still half billion euro of regulation impact, we do forecast no more growth on the incoming, and this is the toughest part of the business, but we do see that in the transformation process we will catch on the more and more outgoing voice call and the internet.

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This means flat (?) service revenue on the retail market. We do see reduction slowdown in the handset sales and we do see reduction in the whole wholesale, mainly due to reading cut in the international part and renegotiation of ACH National Roaming, which are our targets? Market share, stable 40%, RQ at 20 euro, that means slow down and slow the maintain and defend the key leadership in the core segment of the market, more value, less volume. The revenue, the service revenue flat in the retail market is the core of our challenge. VAS we are very positive, I remember a year ago, a colleague of yours asked me if I were conservative of not projecting the mobile Internet growth the guy was right, we overpass our expectation, we are forecasting 25% value added service, incidence of total revenue, and 2.6 million mobile broad-band customer base versus the 1.1 current.

I close, and I leave the word to my colleague, Pietro Labriola, responsible for the fixed part.

Mr. Labriola

Ladies and Gentlemen, good morning to everybody. It's a pleasure for me to share with you today the results of the domestic fixed business. Before to start I would like to highlight a negative point. Telecom Italia on the fixed side was able during 2007 to improve all the key PI and the core services. Where there was a decrease, we slowed down the decrease. Where there was an increase, we accelerated the growth. So let's start with what we are committed on last year. Starting with revenues, minus 4.9 was the result, but if you consider that we phased out some business on the international side with low profitability, our real performance on the core business should have been minus 2.2. If we move into the core business should have been managed to do too. If we move on the market share, if we move to the market share we were able to keep stable market share in the market. 0.8 point loss in one year. We were able to reach this goal moving towards retention campaign more focused on I am customer, and continue to increase penetration of flat rate voice offer. I would like to elaborate a little more on flat rate voice offer because it will be a key to continue to stabilize the slow down of the traffic and to secure the happy of our voice customer. If we move on the broadband size, all the TPI in terms of quantitative data were improved. We have reached the goal in terms of broadband portfolio, we have overcome the goal in terms of VoIP package sold and we have reached penetration of the VoIP over broadband lines over 20 per cent. We were unable to reach the goal in terms of IPD, IPDB but this was mainly due to the fact that during the year we stopped the development to converge towards a common platform with our friends of Telefónica to improve better efficiency in the further areas (?).

However, we were very bound in the last month of the year our commercial activity and we were able to gather more than 35,000 customers in the last two months. This is also due to the fact that we have changed our content approach signing an important commercial agreement with Skype.

Let's move now on the backdown of the revenues comparing the results of 2007 towards 2006. As already mentioned, if you compare these numbers in terms of growth or decrease to the previous year, we have improved all the numbers. Last year Voice was -8.3, Broadband was +5.2, Business Data was -6.6. So we have walked the right way to improve all these KPIs. But to elaborate more on these items and give you more detailed KPIs related to the different business, let's start to analyze traffic. On the traffic side, first of all we have improved from -10.3. To give you some more details: market. The market is still there, - 4 point of which 1.2 is related to pay phone services. The main roots of which we are losing are the fix-to-mobile as Luca Luciani already mentioned before, where the decrease was accelerated after the Bersani Decree. On the national traffic, the decrease is slowing down year by year. And this is due to the fact that people are using always more flat rate offer on the voice. On the price: we are avoiding price war: -1.3. The real number is - 0.7 because.. sorry, Market share, -1.3 the real number is -0.7 on the market share, while on price meets

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(?) -3.2; on -3.2 the real number is -2.5 that is related to the fix-to-mobile cut termination, due to the national regulatory authority; M and 0.7 instead with the pricing reduction of Telecom Italia, so I was mentioning to you only we are avoiding pricing war. In terms of market share, -1.4, or -1.3, but it is mainly related for 1 alpha to the concept contract that we lost last year.

On the access, market: we are not facing the cannibalization from the mobile. The line lost in the last year 160,000 lines, while in the previous year they were more than 250,000, so there is also a decrease in terms of lines lost in the market.

In terms of market share, we have lost 1,100,000 customers with the competition, but it is important to underline that we usually will regain 50% of this revenue on the wholesale side. (??) Price mix is related to the fact that in 2006 in April and in September we have increased the price of the rental fee of the business customers.

On voice (??) and handset we are managing the reposition of our portfolio on visas with low perspective of growth and low marginality.

So to summarise the number what we have done is increase the penetration of flat rate offer that allow us to keep traffic on our network for the fix to fix traffic, while in terms of market share we were able to keep a stable market share of traffic and we lost 5 point percentage in terms of market share on the axis. Internet, this is the area in which all our key PI were improved, here we have quite doubled the growth last year it was 5.2, the group result of our commercial activity is also explained by the number that you find in the lower part, we did not work only in terms of quantities as we mentioned at the beginning of my presentation, we worked also in terms of happy of the customer, we can explain this number in this way, 20% on the market, we are market maker our competitor - we have a fair competition - but our competitor work more on turn out of Telecom Italia, while Telecom Italia continued to be the market maker that developed the market and increased the penetration of broadband. In terms of price, we are reducing the decrease year over year through the strategy that I'm going to show you. First of all we are increasing the penetration of VoIP. VoIP allow us to increase the stickiness of the customer with us, we are experimenting, even if they are very rough numbers, a reduction of churn with customer that has with us VoIP services. We have reached 20% of penetration over broadband lines, we are also exploiting good results on the business side. If you consider that in the market every year one million PBX extension lines are moved between traditional extension and innovative extension, 150,000 where managed by Telecom Italia with VoIP technology on the business segment. And this is an important point to highlight because show you how we can increase also in the business segment. On the customer base, what we have done? We have rebound the penetration of the flat-rate offer on the customer base. We have reached this goal mainly through two different activities. The first one, our safe (?) channel is pushing more flat rate. In December 2007 the activations reached 70% of flat-rate over the broad-band acquisitions. In terms of up-selling we are working on our customer base. We cannot forget that we have customers on which we have to increase the outview (?) and we were able to up-sell more than 600 thousand customers during 2007 from free offer to flat offer. All these activities allow us to show you, on the right side of the chart, a reduction of the active increase. But the most important point is that during the last quarter of 2007 we have completely rebounded the outview on the consumer side with an increase for the first time of 1 point percent toward the last quarter of the previous year.

In this way we can show an exit rate on the revenues that you can see on the bottom of the chart that allow us to be confident on the restart in 2008. On the latter services we have reduced, we have slow down also in this area the decrease, and we are confident that the next year we will be able to show you an increase and no more a decrease. This will be helped by the increase of the (SET?) on which will elaborate more Mr. Nanni after my presentation, but it is due also to the fact that we are able to slow down the decrease on the

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data transmission. Thanks to the repositioning on the traditional connectivity we are able to reduce the impact in terms of revenue decrease during the migration from old technology to new technology. However, as I already mentioned during my presentation, Telecom Italia is market maker. As a market maker we have to continue in the market to acquire customer, but while we are keeping or shaping the market in terms of acquisition we have to start to shift our strategy from customer acquisition to customer development. We can no more continue to acquire but we have to continue to increase our sales in terms of new services. To do it we need to work with a different approach; as already mentioned by our CEO, Mr. Bernabè, what we have to do is to change our approach during 2008 to have the expansion during the following years. What we mean for transformation?

First of all we need to understand better our customer needs, because only in this way we are able to increase the activity of up-sell our service. We have to start to improve our quality service because this allow us to increase the loyalty and the stickiness of the customer with us. The broadband is becoming more and more important: it means that our sales channel has to follow an integrated approach to better explain and manage the relation with the customer.

At the same time, during 2008 we had a big opportunity because convergence is becoming a reality and IP transformation is becoming a key for the development of the market. All these activities are the feed for the future expansion during 2009 and 2010.

In a so customer-centred approach it is clear that customer satisfaction is key. It's key on the consumer, it's key on the business.

On the fixed side, we have already worked during 2007 to improve our customer satisfaction level, as you can see from this chart. However, the effort is not enough, we have to continue to improve. We have to improve our brand. Alice is the main brand on which we can continue to work. Virgilio: we have to leverage on a segmented approach to allow us to up-sell our customer. We have to move from an acquisition approach to a loyalty approach to improve our result. And, at the end, we have to improve all our service quality because it will allow us to keep premium price compared to the competitor, Alice today is the brand of broadband, we have a top of mind that is four time the second competitor, however we have to continue to work because Alice has to become something more than the single broadband, inside the Alice brand you have to gather all the activities related to the contents and to the future services. Virgilio we have to enforce the Virgilio brand because it is the key for the development of all Internet activities in terms of portal, web and new services.

Our approach in terms of roadmap, Luca has already mentioned that we have an integrated approach, we have to compete in the market as a pure mobile but at the same time we have to compete as advanced fixed operators and we have to exploit the convergence, we cannot no more think to compete in one of these areas, we have to be good enough to work at the same time on all these areas. On the consumer side for the fixed business, in 2008 we have to continue to push in our various strategies, we have to continue to increase our penetration in terms of flat rate offer and we are good enough to do it as we have shown you before in the previous chart. We have to continue to push on VAP (VoIP?), we have to recover the gap that we have in terms of (APT?) towards the other peers. We have to continue to improve our results in terms of IPTV, but we have to improve also our quality of service because internet, broadband, is no more only something for entertainment. Broadband become mission critical if you start to work in terms of voice and IPTV service. We can increase up, not only increasing the flat rate penetration, but also working on the value add services and on the IPTV. From the discussion that we had with the friends of Telefónica we have understood that we have a gap in front of Telefónica in terms of penetration of value added service that could allow us to increase the (outlook?) and we will start doing in 2008 work on these items. In terms of AP television we will increase all the features that will allow us to be more competitive on the market and to increase the attractiveness of the service by the customer. And in any case we

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have to consider that there is an environment, a digital environment, in which the number of the equipments that consumer electronics puts on the market that can be connected to the broad-band are increasing. I should be considered as another adopter, but at my home I have two PCs connected to the Wi-Fi, to the broad-band, Sony Playstation, Apple TV, We and more.

If we move to Business, the main, important message is that for Telecom Italian Business is becoming one of the core activities on which we can grow. On the fixed business, for Business the fixed line is essential. As the numbers that I am reporting in this chart can demonstrate, there is no risk in terms of cannibalisation from the mobile in this area. At the same time broad-band based applications are becoming always more important to doing business and the IP transformation is increasing. We have to exploit these opportunities to build on our fixed lines all the other application (*BUCO REGISTRAZIONE*) allow us to keep the revenue of fixed line and increase ARPU working on adjacent markets increasing the service that we can sell and driving the convergence. If on the consumer side customer satisfaction is important, when we move to the business this is also more important. We are discussing about a segment in which the willingness to pay to have more is important, so we will have to differentiate our approach of standard level service that in any case have to be at the top of the market. But we have to start what costs in terms of plus solution on a fee-based approach that can allow us to increase ARPU. It means that we have to improve our level in terms of standards and plus solution and all the supply chain that connect us to the customer. We have to work also on the large customer as we already did, and we can improve for that, in terms of co-partnership, because the approach that we follow, that we move from, the standard telecommunication service to the application need to have a more close approach with the customer. However, we cannot continue to approach the business segment as a whole. Until today we have worked only in terms of size-based approach. If we want to increase our ARPU and we want to be successful in choice choosing! The right service for the right customer, it's really important to move towards a need-based approach. This will allow us to match the customer in terms of simplification of the business complexity to increase productivity inside their home business, to obtain reliable and seamless service that will allow to improve their level of productivity.

All these things will allow us to show you in the following month a more detailed roadmap with a convergent approach that will be driven by the traditional services - fixed and mobile - on which we will continue to push during all 2008, with a more in-depth analysis about which will be the application and value-added services on which we'll be able to build on our growth. To give you an example, you can see on the left of the chart how we can approach in a different way the independent shops, working in terms of application and value added services, exploiting also what is happening on the market. For people who are not Italian, we can give you two quick hits: you have to consider that during 2007 independent shops had the possibility to avoid to print the ticket for the purchase of the customer, if they are connected with the Minister to upload during the night the information related to their activity. It means that there is also a war in terms of public administration, that will drive this kind of development, and we have to be ready to capture this kind of opportunity segment by segment. It's clear, as Mr Bernabé already mentioned, that we cannot do everything in one year, so we propose a planning which will go through 2 different phases: the first one during 2008, in which we will focus our attention to continue to develop the the IP approach working at margin at IP service to allow all the parameter of our customer. Start to work on the messaging collaboration services that are the key and the new way to communicate inside the business arena, and to start further on the application side; network services, that will be illustrated by Mr. Nanni, allow us to tie the customer to the Telecom Italia broadband line, they will ask for further bandwidth and will allow us to keep the line increase (???). It means that in terms of channel we have to continue our multi-channel strategy, but we have to

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increase our level of skills, we will need a more face to face approach and we have to improve also our activity with the customer. B-to-B-to-C could be one of the new key to reach the goal. However, to summarize, key facts for 2008: fix-to-fix decline, traffic decline is in line with the previous year, we are slowing down the decrease. On the fix-to-mobile there is an increase in terms of losses due to the cannibalisation from the mobile business, in terms of access we see a slight acceleration of access loss, but with a different mix, due to the launch also rental by our competitor, however on this area considered that we regain on the unbundling 60% of revenue, but on rental we regain 88% of our revenue, retail revenue.

On the Internet we are not worried, we do not see a market price war, because our customers, with the exception of the first three months period during which they promote a real low price have stabilised their prices at a level that is not so low and so we do not foresee a price war in this area, everybody, the market and Telecom Italia too, is increasing the focus on the flat offer and on the double play. On the data as already mentioned we continue to slow down the loss in connectivity we continue the expansion of ICT so the next year we will be able to show you finally an increase in that area. On the other side the increase of revenues that should come from the different mix on the loss of Telecom Italia (straight inside?) should be overcome by the implementation of the national regulatory authority obligation in terms of re-pricing on this stream and banding and shared access. On international sale we will have only in the first three month of the year the completion of the phase out of the service that I mention at the beginning of my presentation. In terms of revenue what we (lack?) in 2008 we forecast reduction between minus 4 and minus 4.5. The real performance should be around 2 point per cent because we will have discontinuity for, between 2.5 point for the carry forward of the international sale that I mentioned before, for the fixed mobile termination card, and for the re-pricing for (every?) obligation. The target: on this area we put again revenues but we have mainly focused our commitment on broadband. This is mainly due because we believe that the path for growth for us can be only broadband. Thanks to everybody.

Mr. Tagliavia

Ladies and Gentlemen, good morning, I am going to speak to you about ICT services and as Franco Bernabé has just said ICT is one of the most important driver in our growth plan and my presentation is focused on this business.

Let us now dwell on the agenda, at the first point 2007 achievements, then an overview on the market and at last 2008 targets and the plan over the next three years,.

Last year when we presented our plan we set some important improvements both from a technological and industrial point of view, and marketing side. Last year we delivered our enabling platform supporting our net-centred model in offering new services and also we have extended our data centre assets and performances. From the marketing side we have developed some important vertical offering in the key industry sectors for us, as intelligent transportation system or info-mobility, logistics, environments and services supporting productivity for small and medium enterprises. We also started with a partnership program, a collaboration program to enlarge our offering portfolio and to enrich our territorial presence and we nearly certified seventy companies in this program. Last year we set sat our revenues target at 700 million and we achieved 640 million revenues. This lower result was due to SMEs sector because of a delay in value added reseller channel. Looking at the revenue trend 2005-2007 we grew from 530 million at the end of '05 to 640 million last year, 2007. Our market share grew from 6.5% to 7.6% with an average growth of 10%. The revenues stream last year was 43% in application services, 40% in network services and 17% in infrastructure services. The revenue breakdown by customers says that we have managed more than 90% of our results with our direct sales force, consisting of 800 account

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managers, supported by more than 500 project managers and 250 market developers. In the top customer segment we posted 460 million euros in revenue, of which 60% coming from services and regarding fees. The growth was 21% against the previous year.

Here we have some new important ICT customers in 2007 from the banking and insurance market and from the public sector market that are the more higher spending in this sector, in IT (?) sector.

Looking at the whole revenue picture in the top customer segment, we posted in 2007 2.4 billion euro, 3.5 less against 2006. We accounted in the Fixed Voice and Data Transmission fields a marked price reduction and a process of mobile substitution, but we didn't book any customer loss, and we had a growth in broadband lines, with 19,000 new lines, and Voice-over IP services with 32,000 new lines.

In mobile, we doubled our growth with a strong growth in the customer base - 230,000 new voice lines - and, at the end of last year, we also won the concept bid for mobile services.

About ICT I've already told before. For 2008 we have set a target little more than 2007, offsetting the reduction in fixed and data transmission services with mobile and ICT services.

And now a view on the market. The Italian IT market is lower than the other European countries. The IT total spending value is 1.3% of GDP, compared to UK, The Netherlands, France, 3%, Germany 2.5%, but we have the fourth largest market in Europe, with 20 billion euro of value. This market is a third of France, UK and Germany, so we have a low spending, but in a very large market. Looking at the customer segmentation we have sure a higher number of companies more than 4 million companies, but lower, we have only 3000 top customers with more than 250 employees, and only 22000 companies with employees between 50 and 250, if we compare these data with France or Spain we can see this important different in our market segmentation, another very important KPI is that the IT spending is very concentrated in the top and large segment, with more than 80% of total IT spending.

The penetration, both from TLC side and from IT side, we have a very low penetration in enhanced services, both from TLC and IT and so we can sure confirm that ICT Italian SMEs market is still to be harnessed for us. Well look at the value of the market. In 2008 the market is expected to be worth 20.6 billion excluding consumer, (1 billion) and hardware and software sold on a stand-alone basis (5 billion) we have a market of 14.8 billion excluding people base service, business process outsourcing and professional services, we have an addressable market for us of 8.6 billion: network services, infrastructure services and application services. This is our market. This is our addressable market. This is the market where we compete. And so we can confirm our positioning in the first three layers of IT tech? and our position is quite similar to BT position in this market. Well, from a technological and industrial point of view there are some important worldwide trends in this industry that are changing the market. I will just list the titles of these trends, just mentioned by Oscar. First of all, software as a service, the first big trend of changing. Service-oriented architecture, Web 2.0, virtualization, unified communication, open source, new industrial trends that are changing this market. At last 2008 targets and the plan over the next three years. Our mission, our mission is strong but clear: to become the leader in Italian market maintaining, by maintaining our strong focus on top and large customers and addressing small and medium enterprise customer. We will continue developing infrastructure and Gentu first of all and Mr Pileri after dwell on this subject, and we continue to enlarge, to expand our data centre assets from 12 data centre up to 30 data centre. This year we will complete our offering both from (as a miss?) market but also for the vertical market, converging vertical market as Pietro said before. Very important key point is caring. Last year we managed only a dedicated caring for top and large customers. This year we have a new structure. ICT Engineering and Design for the management of end-to-end solutions in our ICT portfolio and

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we will start with dedicated caring for SMEs, Small and Medium Enterprises, through the new value-added reseller channel, featuring Olivetti.

The same for our good market model where will add to our dedicated sales force a main direct sales force featuring, as I said, 600 Olivetti resellers and we will complete our partnership program reaching 100 IT players collaborating with Telecom Italia.

Ok, a look at the three main important improvements from a technological point-of-view, first of all the virtualization of IT resource, the readiness in infrastructure environments and the automatic management of our information technology resources. We will have some important improvements: cost saving up to 40% through automatic IT resource management and also productivity growth from 40% up to 80% with the virtualization of IT resources.

A look at the map of our portfolio, a vertical portfolio. We have a solid number of services, a solid number of solutions, and we will enrich this portfolio in 2008 with some important new offerings in health care, intelligent transportation systems, finance, SMS and E-government. And we also had a new sector, very attractive important sector, the energy management sector. The same for the horizontal solution, horizontal portfolio in infrastructure is mobile and ICT and of course application with a launch of different new offerings in all the three sectors, well.

The go to market model, this is the new model to present our offering to the market, we will head two of our direct sales forces 800 account managers, 500 project managers and 250 market development and new channel, a new indirect channel, value added reseller channel featuring 600 Olivetti re-sellers, these re-sellers will operate both from in sales and offering sector but also in post sales and maintenance sectors, and so we will be able to address the growth in the small and medium enterprise market and also the collaboration with our partners, 100 partners for IT solutions and applications.

Well, finally, our target, short and medium target. For 2008 we have the target of 780 millions euros, 21% more against the 2007, with a market share of 9% and we want to reach, in 2010 1.2 billion euro with a market share of 13% and become the first operator in IT Italian market, as I said before.

Well, thank you for your attention, I am ready for you questions later. Thank you.

Mr. Nanni

Good morning, we will talk now about Telecom Italia Media, and the way we see the development of the TV sector in the next future. Well, first of all, the TV business has been changing very rapidly in the past year and it will continue to do so in the next future. But Telecom Italia Media has succeeded in strengthening its position both in the analogue, traditional free-to-air television and in all segments of its digital activities. When we talk about digital activities, actually we see the digital revolution, and within the digital revolution we see two major changes in the TV environment. The first one we call multi-channel platform, this is not new, it's a platform like satellite and IP TV, that brings to the consumers hundreds of television channels. Of course this is a big change in respect to what we were used to face in the old analogue world, and it's a big challenge and a big opportunity. The second big challenge and a big opportunity. The second big change is multimedia platforms. Online consuming of video and mobile consuming of video are getting increasingly popular and that is of course a very interesting area for our, let's say between brackets, a traditional broadcaster. Okay. So first of all what have we done within Telecom Italia media? We have built, basically, a multi-channel and multimedia network, branching from the tool analogue TV franchise that we have, la 7 and TV, that of course being analogue free to air have a big footprint. In order to branch these on all platforms, satellite, IPTV, DDT for multi-channel platforms, and of course with websites and mobile services on multimedia platforms. Going, being a little bit specific on multi-channel, well we know, as I said, that this is changing TV

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consumption. Actually, this is the fastest growing segment in the whole media industries, so this is very interesting, and as you can see this is really shifting the division of revenues in the whole media system. It has been going like this for years and it will continue to do this in the future.

So basically what does a broadcaster has to do in the change in environment. Programming and scheduling in a clever way is not enough any longer, more than 100 channels on a platform like Sky Alice on TV, you have increasing competition, you have audience fragmentation and you have the platform that have the leverage to push down the rates they pay to content provider. So having a TV channel is not enough any longer, it is about branding and about building relevant content that establishes a real relationship with the audience. So basically what we have been doing is brand building, as we will see in a short while, and building relevant contents, and not only for one channel like in the case of MTV, but for many sub-channels that we call clusters, in order to cater to different needs in the target audience. Of course this brings revenue differentiation, because it is not only about affiliate revenues but it is about target and advertising as well.

To give you an example about a clustering strategy that we have deployed, for instance, if you look at Sky that is the dominant player in Italy, more than 60% of total channels of the platform are made by five big players. And the number one and number two players are actually part of the Newscorp group. So Telecom Italia Media is actually the first independent content provider for the platform and that is a very good position in which to be.

This of course has yielded a strong growth in the revenues related to that segment, as you can see with a 58% annual rate of growth in the last four years.

OK going to online, that is the first part of the multi-media part, well, we all know that the internet consumption is going very well and is actually trying to close the gap between television consuming and internet consuming. But actually in Italy we still a great opportunity because the size of the advertising market is still very small. It's only 11% in comparison with the TV over-all market. Well, in the UK the same figure is 17 o 70 ?? per cent, so this gives a real opportunities in this segment, but for a broadcaster even more important is the fact that, in a more mature market like the US, the forecast for the next 4 years is that the fastest?-growing segment will be video advertising. Now video advertising for us is, I would say, the missing link between television and online, because we own the content and we can own the advertising. So basically many results, even in the activity of search engines, show that when it comes to content and video people search on the web for brands and content they already know, and this is why we need very important and sticky brands that produce VALUABLE ? content.

So basically what we do and what we are already doing is what the majors in Hollywood have been doing for decades, that is windowing. Windowing means, basically, to use your content on different platforms in order to maximize return.

So, to give you a couple of examples, on South Park, it's a premium content, so we show it first on pay TV satellite on NIPTV, then it goes MTV on analogue, but then it goes the full episode online, in order to boost traffic for the new advertising market. The same thing happens, slightly different, with La Sette. La Sette has Crozza Italia, that is general entertainment, so it's quite costly, and so only a free to air channel has the budget to produce it, but once it's produced and it's aired on La Sette, it goes straight to La Sette.it, that is the web site, in order to boost the traffic, and then goes to the same pay channel, but in this case it is not premium content, but it is content that is giving more substance to the schedule.

Very briefly, I'm almost finished. The other part of multimedia for us is mobile, to be absolutely fast, well, mobile guarantees for a broadcaster two very important things: this is full penetration of the population in a business model that we would have seen before, guarantees a very very interesting return on contents. So we are enthusiastically working with our colleagues of TIM in order to develop a new offer that is called MTV mobile, powered by

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TIM, in which we put basically together the core competencies of the two companies. Technological and market excellence of TIM, and we think a very powerful brand, and a close relationship with a very targeted audience, very interesting for value added services.

So in conclusion, well basically we talked about multi-channel platform and multimedia platforms and audio opportunities both in terms of affiliate revenues and advertising revenues that they offer to a broadcaster, we think we have worked quite well with Telecom Italia media in the last three years, and we think we are very well positioned even to capture this value even for the next few years. Thank you very much.

Mr. Cicchetti

Now the Q&A section, so the procedure will be the same but before gathering question I think we have the duty to answer some question that we inherited from the previous section, they were about handset capitalisation, convergence and fixed to mobile...

Mr. Luciani

The first question is on the post paid and probably behind this question there is the doubt or the possibility that you are worsening, structurally worsening the profitability. Post pay is for sure in the business market 100% so that all the lines that we do in the business market are post-paid driven with subscriber acquisition cost in the range of 250 euro but as you saw in the slide there is a positive pay back because of the revenue growth. In the prepaid market we are not forcing the migration from the pre paid to the post-paid because most of our customers, in the consumer arena, are satisfied with the prepaid. What we are doing, is to maintain the mix post-paid and prepaid below the 20% ratio overall, so that we will slowly get the 20% in 2010. The key reason why to lock in the customer and obviously controlling the subscriber acquisition cost. Net result we do expect lower subscription cost capitalized in 2008 versus 2007, mainly because of the introduction of an entry fee price for the customer and b) a slowdown of massive subscriber acquisition cost. The second question I got is on the fixed mobile termination cut. Now, we do not disclosure the figure, we are not projecting a situation like the French situation, even in the plan, but we do expect a double-digit reduction in termination cut. The first step has been set has been set for July, with 8.8 euro cent per minute, but you know that on the regulation field things can change.

What is really different vis-à-vis the previous outlook in this scenario is not only the speed-up of the termination cut reduction, but the fact that almost one billion minutes less will be reported in our accounts, and this is because of the fixed mobile substitution.

CICCHETTI

Number 7

QUESTION

Hi, this Javier Borrachero from ING. A question on the fixed business. You've mentioned you don't see any particularly ? price work ? and in your focus you are suggesting stable outputs. We've seen recently, particularly in the last two months, a quite aggressive stance coming from most of your competitors, so maybe you can elaborate a bit more on what are the trends you see in the fixed broadband business. Thank you.

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LABRIOLA'S ANSWER

I imagine that you are talking about dual play offer ?, because all our competitors are working more and are competing more on the word (?) play. The advertisement that we have seen on the TV was mainly focussed on a shout (?), a number that is very low. I can also mention, 5 Euro for dual play-off for Tiscali and Tele 2, but this is only a promotional rate that will last only for three months. After these three months the price will be increased to 35, 39 and if you add also the modem it will be even higher.

So, if I remember in an exact way, our competitors were also condemned for this kind of advertising. We think that we have reached a level of price at which our competitors will not continue to decrease prices. And we also consider that, for example, also the increase of terminations that they are gaining from the last year from the national regulation authority will be used more to increase their EBITDA than to reverse it onto the market in terms of pricing reduction.

Number 6.

QUESTION

Lombardi, Diosatti (?)

Vediamo molto pubblicità su IPTV. Tutta la pubblicità per il mondo del fisso è quasi tutta concentrata su Alice home tv. Quali sono, a me forse è sfuggito qualcosa, quali sono i clienti.. i ricavi attesi dal mondo della televisione? L'offerta dei contenuti è di Sky. Se è così sarà molto difficile incrementare il numero dei clienti e generare dei margini. Qual è la politica che intendete seguire, gli accordi con le società di contenuti oppure pensate a produzioni in proprio? Grazie.

LABRIOLA'S ANSWER

So, on the IPTV number we have finished the year with a customer portfolio of 80.000 customer but as I mentioned, changing our approach for.. let me see, a more in-house production of content with a bundling with Sky we have improved the attractiveness of our offer, we gathered in the last 2 months 35.000 customers. Our idea was, in the next 2 or 3 years to develop only small amount of contents and to work in the partnership. What we will have will be the fee that Sky pay to us to our customer. For us the content is not the business. Our business is to be able to keep the customer tied with Telecom Italia. The peculiar application that we have on the IPTV in front of traditional satellite is the interactivity, and also Sky has understood these things, in fact they are thinking to move some of the customer the IPTV target and they made the same kind of agreement also with other competitors, so broadband and IPTV is the key for the future of television. We are (many bridged customer that to the other?) if we gather customer, customer continue to have interest in broadband, if they have interest in broadband they want to keep line. In UK from some market research it seems that you reduce of 30 per cent the (churn?) rate in case of triple play customer. It means we can less customer than with the traditional line off.

Number 10.

QUESTION

(Michela Ferruta in Termona?) I have a question again on the trends that you seen again going back to the question of broadband. Can you give us an update on the trends that you've seen in January and February as far as broadband is concerned and line losses, maybe broadband for mobile as well. Thank you.

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LABRIOLA'S ANSWER

Ok, so in the fixed line the outlook on the first month of the year was really positive because we are continuing to improve our performance on both sides, in terms of up-selling and in terms of acquisitions. The percentage of flat rate that we acquired is higher than the one that we should view in the last chart. We don't see any kind of cannibalization with the mobile because with Luca we are working on auditioning ??? which broadband, mobile broadband is complementary. So we have the opportunity to exploit these things. In all our plan the key message is that we will work to trade off between different things. So the key message for everybody, also to answer to person that before asked how is your plan and what you are doing in terms of convergence, are the following: we will compete at the same time as pure mobile operator, we will compete as a fixed operator, we will converge and exploiting the fact that we can work in these three ways, we can trade off and reduce the cannibalization. I mean, two steps, the first step on cue 1, what we do see in cue 1 is positive trend in outgoing price, because we are exiting from the Christmas campaign, the promotion activity, we do continue to grow in broadband. What we do have in the first quarter is the carry forward of the Bersani manoeuvre and the fixed and the mobile manoeuvre.

Now, since the Bersani elasticity has been reduced over time, we will report the negative number in the first quarter because of this. Second point on the broadband, the possibility to force or to compete on the broadband through mobile and fixed, that for example occurred in other countries, is not something that is down in the market, with our average price of offer is very high and the experience that we do offer is definitely different from the fixed one, so that we are not engaging in a price competition per bite or per hour versus the fixed line. What is happening in the first quarter is the speed up of the market in this arena, from both us and Vodafone. Down the shops in these days there is much more risk of out of stock of pen drives or Internet keys than handsets, definitely.

QUESTION

My name is Francesco Preditera, Banca Acros. A simple question: when you are now entitled to move into a triple play off, can you drop the name of the monthly fee, which is a sort of taboo for the incumbent - so can you move into a real all-included offer?

LABRIOLA'S ANSWER

It's a good question. It is some of the keys that we have in our pockets for 2008 and it is mainly due to fact that through the naked ADSL offer we are able to drop the name Canone from the bill of the customer.

QUESTION

can disappear.. and this is one of the two that competition have been using..

LABRIOLA'S ANSWER

Yes, with the naked DSL.

QUESTION

Damien Malt.. Just a couple of questions. I suppose most of the presentations are focused on the top line. Can you talk a bit about your cost base going forward and in particular in the key

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for results, it looks like there's quite a lot of step up in sales marketing, and I know that sees nobody look like larger than usual step up should we expect this kind of trend going into 2008, you can't be a lot more active in the market. And the second question on business data. It doesn't look like you are expecting much growth from that area in 2008. You talked about the ICT elements but within that, could you perhaps talk about the broadband trends, again looking at the key results. It looks like broadband data declined having grown for most of the years; could perhaps talk about what's happening within that particular sector right there. Thank you.

[THIRD PERSON'S VOICE]: I believe that you can ask about that whole question....

LABRIOLA'S ANSWER

Sorry, if you want I can start from broad-band data. The real data for 2007 of the data connectivity, we can call it in this way, the area that includes d-set (?) line, traditional data and innovative data, was 100 million. In reality, 40 million of that amount was related to the Knipa (?) contract. You know that last year we lost the Knipa and the Concept contract. If you compare these 100 minus the 40 million of Knipa the real loss in 2007 was 60 million Euros. In the previous year the same number was 120 Euro minus 20 Euro (?) the Knipa so you can compare with the Knipa exception that on the broadband data area, on the connectivity, the decrease was reduced by one half. We see a further slowdown on this area because, as I mentioned, with this alignment (?) we worked a lot in terms of repositioning on the traditional data offer to avoid too much cannibalisation of revenue while we negotiate customers from old connectivity to new connectivity.

LUCIANI'S ANSWER

I do start from the cost of the mobile and particularly the marketing and sales. We definitely increase marketing and sales costs during 2007 in the range of two hundred twenty million euros, mainly due to three key facts. The first one is the carry forward of the DVDH content worth the seventy million about, and this is unfortunately as a non-productive cost. We push answers in the order of hundred twenty million euros because we push a lot 3G and 3.5G answers. Out of the Christmas campaign 54 per cent were 3G answers, so that we push a lot in order to take up the internet mobile revenues, and see we spent more in the lock in fidelization and loyalty programme of existing prepaid customer base worth something like 50 million euro, so that overall what we did was to invest for growth despite the DVBH.

Looking forward, what we are going to do, we are changing the capital allocation, the BIT, less cost on the acquisition side, commissioning, and more cost on the loyalty side. We will overall reduce the handset subsidy, but we will switch the subsidy from new customers to existing customers, through our loyalty programme named "milleunatim" :

LABRIOLA'S ANSWER

Just to complete on cost, on the fixed side, for marketing exit cost, as you can see from the number we delivered yesterday evening, we have put under control the increase of cost in the last quarter. In the first three quarters difference towards 2006 is mainly related to the effort we put in terms of continuous development of Alice brand, to the sponsorship of Ferrari, and to several activities that we made to improve our data base in terms of compliance with the privacy issue.

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QUESTION

Hello, it's maybe on the pillar again?

Couple of questions, please. The reduction on SEC ? in mobile, obviously there's a risk that you loose share, unless there's a trend of the market level of SEC ? coming down. Is that happening? Are SEC ? falling in Italy, generally?

Secondly, if you're going to do naked deal sale in the retail market, will you be obliged to do it in the wholesale market? And if so, what could that wholesale right ? be?

Thirdly, just a question again on CAPEX from earlier: it looks like you're probably not gonna be building fiber in Italy any time soon. I just wondered if you wanted to say anything about that.

And then finally - sorry, it's 4 questions: SMS. Seems that you're saying that SMS is maturing, it's slowing down. Could you elaborate on that? Do you think SMS could start to go backwards in Italy in the way is in Germany at the moment? Thank you.

LABRIOLA'S ANSWER

Ok, we'll answer on the naked ADSL. Its' true that if we launch an offer with naked ADSL we have .. we need to have it also on the other side but naked ADSL offer is still an offer that our wholesale department has in its own portfolio since a couple of years if I remember well. In terms of CAPEX on WiFi we see WiFi Mr. Pileri will elaborate later on more in detail but in any case we see WiMax also the opportunity to enlarge our coverage in terms of digital device, and this is really a big opportunity also to cover on the business segment some areas that today cannot be covered by traditional technology.

LUCIANI'S ANSWER

Two questions, mobile, subscriber acquisition cost in SMS, well the subscriber acquisition cost depends mainly on the mix that we do, what I mean? I mean that if I take the post-paid we do have an average of 0 euros, per subscription and something like 200 euros for answered, across the world all the post-paid markers are subsidised. The payback of this depends if we force the post-paid on existing customers or new customers. In case we push on the existing customer, we lock in the revenues but we do not have additional revenues. This is the key reason why we will not increase the post-paid mix in the consumer market over the 20% that I mentioned before. This means that working with a mix of pre-paid and post-paid and introducing the entry ticket concept for the post-paid market we will be able to reduce the suck year over year. Second key question is on the SMS. SMS is a business that is substantially flat overall, it means that a termination cut on the possibility, the termination cut on SMS will be directly to the bottom line. Now, not only this could happen, but what is more relevant for us is the asymmetry that is in the market because SMS can be more than one, and the asymmetry that we already have on the voice between us and Wind and us and Hutch (??), if replicated in the SMS can be a structured damage of (??). So that this possibility is down the market. This is the reason why we are forecasting 30 million euros profit art next year.

CICCHETTI

The last two questions, number 5 and then number 7.

QUESTION

Hi, so it's Nick Lau from UBS. Can I just ask again on the bundling of naked DSL plus the Tim offer. Could you talk a bit about the pricing and what sort of take up (???) you might expect of

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that offer, and how you got (???) still hitting the access revenues from the fixed business; and then also just secondly, in the case of naked DSL, does high broadband share already limit the benefits to your naked DSL in the fixed market?

LABRIOLA'S QUESTION

On ADSL price, as already mentioned, today we have quite stabilized the situation in the market and as, I repeat, as I told before all competitor have stabilized that price. If you go more in detail about the price our competitor are showing to the customer in terms of promotion or adding or not the modem with the real price, they are quite stable in the last month. No one of our competitor is repricing their customer base, and so they work mainly in terms of promotion, so we see a quite stable situation in the market. About our RTU)? if we continue as we are doing in terms of increase our customer base you know that we have a large free customer base to flat, are we are doing, and if we continue to increase the share of flat rate on the acquisition we can continue to increase our RTU)? The second question was ready too? Speed of the ascent, okay, today

QUESTION

I'm sorry, can I just, the question was actually about naked DSL plus TIM pricing, the bundle between the two products. How did you guard against cannibalizing a lot of fixed revenue on the access side and what sort of take up would you expect to get from it?

LABRIOLA'S ANSWER

On this item, first of all the competition that we are facing today is a competition that is working mainly on unbundling. Today our competitors have better opportunities to continue to use unbundling, than to use naked ADSL for dual play and triple play offer, and in fact this offer at the (?) level exceeds 2 or 3, I don't remember the right data.

In terms of the risk of cannibalisation, at the wholesale level and also at the retail level, because Telecom Italia on the retail side can act as an wholesale operator, there is a spread of 10%, only on the access side, so the r.p.(??) cannibalisation should be about (??) Europe, but we don't want to force this kind of offer in terms of complete repricing of all our customer base. In any case, naked ADSL will be used mainly as a tool to continue to push the dual play and triple play off, and the cannibalisation in the r.p. of the fixed line - monthly fee - will be recovered and overcome by the benefit that we can have improving and up-selling our customer base with the broadband enabled services.

QUESTION JIM (Autosecurities)

I understand from your EBITDA guidance that you tend to reinvest good part of the cost reduction that you expect, wanted to know if it will mainly be in the commercial cost or also on the technical cost or any other cost.

CICCHETTI'S ANSWER

Perhaps I can answer, in terms of cost cutting I think that in the presentation of our CEO we figured out some important areas where those cash cost reduction will come from, so I think that in the next session, Stefano Pileri, head of technology and operation will explain the cash cost reduction that we can get from integration between IT operations (BSS and OSS) integration between field services and network operation and about the integration of the

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whole infrastructure services. I think that with the new organization of the - let's say - business line, we are at the beginning of the new organization implementation, but we see that we can get important cost saving in the external commercial channels.

LUCIANI'S ANSWER

If I can add ... We already integrated the business sales channel during the year 2006 and we pocket some important benefits. Now key steps looking forward is to fully integrate the consumer sales channel - in the shops we are already integrated, but we have several other sales channels - and, importantly, we need to integrate our customer care infrastructure and GO TO ? market. Now, this is something that will translate in cost saving during a longer period of view, because obviously you need a re-engineering to reorganize this GO TO ? market and we will pocket these savings basically as our last quarter 2008.

(third person's voice - Moderator?)

OK, thank you, I think it's time to leave to the next panel.

VIDEO

Mr. Pileri

Good morning, last session before the lunch, this is a good news, but I would like to thank you for your traditional attention and your competence in the questions. In my session we will be very short and direct to the points and many of the questions that you raised we will answer in this session. I have together with me the heads, the top managers, the head of the line of the new organization that I would like to present to you in this session. This will be the first point of the presentation. What is the new organization? Remember what the CEO Mr. Bernabé said, the first step of the restructuring of Telecom Italia has started from the technology and operation structure that have to be like the engine future and the present and the future restructuring of all the group. The second point will be how we are proceeding with the network and IT infrastructure evolution, and I will like to confirm you that all the things that we presented last year regarding the next generation network deployment that have been confirmed, with a focus on a more market driven CAPEX and investment to leverage our transformation in the (???) business in the domestic environment. The third point will be the service platform and IT platform, very important. This is a very new point that we are presenting to you this year because is the core of the business transformation of our Company, mainly in the domestic arena, but in general in our international, also international business, and finally two very important things, quality of service improvements, what is the commitments, what are the commitments that we will take and in quality because of quality is the main important thing in the domestic and then we would like to leverage on this important evolution, and finally the efficiencies I would like to explain to you what is our CAPEX allocation and our OPEX allocation with a lot of details and there you can find many answers in the questions that you asked before.

This is the new organization, it is a very focused organization on technologies and operations both network and IT and technical infrastructures, and both fixed and mobile as you know since two years ago.

33 thousand employees fourth (?) division and more or less 4 billion Euro cash cost management. The fourth (?) division, and I would like to ask my colleagues to present very shortly. The responsibilities are open access, network - that means, naturally, core network - information technology, and technical infrastructure - that means real estate management and the whole energy and technological systems of Telecom Italia Group.

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First of all, Open Access, I would like to invite Mr. Roberto Pilio to present the structure.

Mr. Opilio

Good morning. I'm Roberto Opilio. I'm responsible for Open Access.

Open Access is the division that is going to manage all the access activities. As you can see we have here the organisation. We are organised in two departments, the staff department, that is technical planning and process engineering and processing engineering, and 6 operative departments, 2 centralized departments, one for remote delivery activities, and the other for remote assurance activities. And then we have 4 departments, that are geographic departments, that manage all the operations on field.

We are more than 20,000 employees, plus 11,000 of externals that work for us. As you can see we manage 0.9 cash cost - we have a budget of 0.9 cash cost - and we manage a lot of activities. As you can see we manage more than 12 million on-field activities and 14 million of remote activities, that's the amount of activities we manage.

We have 3 main goals. The main goal is transparency, then we have quality, and then efficiency. Transparency in wholesale and retail operation is very important; we are going to allow to have technical focal point with the alternative carriers inside our organisation, so to improve their processes in the delivery and assurance, then we have to improve quality that means customer satisfaction on one side and internal data from the other side. We have to reduce, we have a very important goal, to reduce of 3 points the fault rate of our access network; and in the end efficiency: as you can see we have a very aggressive program, we have to reduce 10% cash cost each year and we think we can achieve this results by internalization of activities, by finding synergies between the filled network operation and the network development operation that now are together.

MODERATOR

Thank you Roberto.

Head of the network, Mr. Stefano Nocentini

Good morning, I'm Stefano Nocentini, head of Network. Network manages the innovation activities for Telecom Italia Group through Telecom Italia Lab and also Network is responsible for the technologies, the deployment and the operation of domestic convergent core network. I'm very proud to be the responsible for group very well known around the world as one of the most expert team. We are more or less 8,000 people, leaders in innovation and efficiency and we will give our effort to increase quality and customer satisfaction. We manage 1.1 billion euros of costs, cash costs every year, for a very large domestic network, and we also give the technological guidelines to our entities abroad. The main target are the convergent and the (end to?) that we want to diffuse more than 9 per cent of our domestic network. New retail and wholesale services as we explain later on using services ... platform. 10 per cent of efficiency and 15 per cent less troubles enforcing, testing activities and quality monitoring, and maintaining and increasing the technical leadership that we already have in Europe and South America.

Mr. Pileri

The other very important innovation has been the, we have built the, an integrated information technology department. The new head of this department is Giovanni Chiarelli. Giovanni.

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Mr. Chiarelli

Good morning, my name is Giovanni Chiarelli and I am in charge of IT, the IT Department is focused on innovation development and operations for software applications and for IT infrastructures, supporting the processes of Telecom Italia but also the platforms that provide IT services to the market. We decided to evolve our IT organisation in order to improve time to market, efficiency and effectiveness of our operations. The main figures of this department are more or less 3800 employees plus 5600 external resources, we have a budget of 0,7 B€ for 2008 of total cash costs and we manage 460 main applications that are provided in our data centres through more or less 12000 servers and 7000 mips (?) on mainframe. The main challenges and main targets for the 2008 - 2010 period are related to the increase of the service creation time to market improving the number of software releases that we will provide to the Company, but we also need to renew most of our applications in order to consolidate them, and we forecast to reduce of 40% the number of applications at the end of three years.

In the meantime, we'll also consolidate our servers and the above mentioned 12,000 servers will be reduced to 2,000 servers thanks to virtualisation and new IT infrastructure technologies.

Last but not least, we have a target of 20% reduction of our costs starting from 2008. Thank you.

MODERATOR

Thank you Giovanni, and last but not least, technical infrastructure, that means real estate, I repeat again, and energy systems, the most industrial OPEX ?? are there, and Venanzio ... this division

Mr. Venanzio Iacozzilli

Good morning, I am Venanzio Iacozzilli responsible for the Technical Infrastructure, which is the division focused on the real estate management, energy system deployment and maintenance activities. It manages all the buildings and technical infrastructure inside them focusing on excellence in efficiency, sustainability and environmental responsibility.

Technical infrastructure has about 950 employees, is focused on quality and efficiency, manage 1.2 billion cash cost for a 2200 Gigawatt/hour of energy needs.

And the Real Estate system is made of 30.000 towers, 11300 buildings for a total of 7 million 800 thousand squared meters. The main targets of technical infrastructure are: reduce energy requirement, reduce buildings and square meters rented, site sharing strategy, shared most of the mobile sites, energy system quality improvement, sustainability and environmental responsibility excellence. Thank you very much.

Mr. Crescentini

Thank you Venanzio. just to summarize we put together different departments both in the access, in IT and in technical infrastructure and we got a very focused and integrated organization to leverage to improve our business and our revenues and our cost structure.

Second part of the presentation, very, very shortly because it is something that you already know, our strategy in the next generation convergent network and IT, now we are evolving, we started the first phase of convergence, you remember three years ago, in 2005 and in this first phase we integrated the part, the access metro and backbone part of the network and now it is really the unique network between fixed and mobile, we still have a good positioning

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on the international arena in those convergence path, and now we are starting the second phase of convergence, still more important than the first phase, the second phase as you know in the upper part, and the right part of the chart is relating to the service platform and is related to the information technology now, a second very important phase of convergence is started and is the enabler of the convergent strategy, that will allow us to rebuild our company in consumer business and wholesale (?) responsibilities as Mr. Bernabé showed you before. We continue and we confirm our broad-band and ultra broad-band path towards an all IP network, improving the capacity, because, this is good news, the request for capacity both for the mobile data and for the fixed broad-band data services is booming. And then we have to do that, investing as less as possible.

Third, quality and user-friendly (I go more into detail later on). And the fourth point that we want to open a little more our infrastructure, our platform, our service platforms, both in the access and in the metro, and in the service layer. We confirm our employment of MGM2 is another, once again, market driven. We will deploy optical fibres in the access in the main metropolitan area. I show you later on where, and we will prepare the infrastructure in the assets for the mobile revolution in terms of broadband that we will have according to the evolution of the technologies in term of high speed HSBA evolution technology and LTE long-term 4G technology. All those technology will require optical fibres, high speed connection to the radio base station. This is very important to understand the tower optical deployment is a convergent deployment, in other words again. You see in the chart the three important open interfaces that we are designing and that we are permitting in our network, in the left side physical interface, it means local loop unbundling, sub-local loop unbundling, optical fibres. In the metro area there is the bit streaming interface, that has been activated last year, at the end, for the ADSL bit streaming services, and will evolve in the next generation network. And the third one, that is the newest one, is the service exposure interface where we allow and view service provider other partners to take advantage of the services of our network and to leverage on their own service offering, both in the wholesale and in B-to-B-to-C business. Just to clarify to you the concept of band (??) open access, we assign to the responsibility of open access the physical infrastructure in traditional,.. in the local loop, you see in the left side, traditional copper network and optical access network in the local loop are under the responsibility of open access and the other grey part of the chart is the be-calling network, passive be-calling network that is another once again optical be-calling, that is the most of our network, and the remaining traditional copper be-calling, both the local loop and be-calling physical assets are under the responsibility of open access and this will reassure that this point will help us to normalize the relationship with the other less sensed ??? operations and a good discussion, a good dialogue with the National Authority.

We are continuing to cover with broadband lines network I do not want to go through this slide that is complex, but the volumes are continued to grow 250% in 3 years in the fixed sets, 800% in three years in the mobile that is really booming and this is because we are still improving our network capacity and we are still improving our coverage, you can see the DSL coverage in DSL 1, DSL2 the Vidia sell project, and the mobile coverage that means 3G high speed and in the future, long-term evolution coverage of the network.

Just some snapshots about our optical fibre project: we decided to be a little bit flexible in terms of technology that has been used. Many of our friends in Europe are deploying just in fibre-to-the-home approach. We think that, for the time being, this is not the correct way to deploy, in terms of ultra-broadband our access network, because it is very important, naturally, for the new buildings, for the new areas of cities, it is important when a building is going to be restructures, but we have also to use fibre-to-the-building and fibre-to-the-cab architecture to be very direct connected where the business is and have a lower CAPEX, unitary CAPEX figure. The same about in technology in the mobile there are a lot of technologies that are coming. I would like just to tell you the FEMTOCELLS that is something

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that is leveraging the fixed access to provide a mobile interface to our customer even when the customer is at home. Very precisely respect to the home zone that we are deploying naturally, and it will allow us to have the mobility interface at home at fixed cost that is very important concept to understand. Our deployment of optical fibres is that we will have hundred and forty thousand accesses in 2008, eight hundred and eighty thousand accesses in 2009 and 2 million passed accesses in 2010. You can see in the chart, we will use absolutely a mix of technologies, because this is important to do for CAPEX reasons, and I repeat again, all the deployment of the evolution of the broadband mobile have to be leveraged on the fibres in the main metropolitan areas, and we are doing so, and you can see that by the end of 2010 1700 radio based stations will be connected using optical fibres, and just ending the infrastructure evolution, there is an important opportunity that comes from the evolution of the IT technologies, that means the next generation data centres and that means servers consolidation and virtual data. The main, most important data centre that we have will be concentrated in three campus, leveraging on the operation and maintenance in the three areas and connecting at very high speed the campus in terms of unique data centre. And then we have decided to go with a servers consolidation project that will reduce from 12,000 to 2,000 servers our infrastructures. And now just very shortly, I ask my colleague to be very short, business transformation: what is our approach, Stefano Nocentini, in the service platform, in the consumer arena.

Mr. Nocentini

Five main points. First of all, we have three years of experience on convergent and integrated platform, then we know very well how it is possible to build and to manage a convergent platform.

Second point, we now can integrate a broad-band fixed network and mobile hand-set to give all the mobile experience with the fixed cost in the voice and value-added service part.

Third point, we are working with Telefónica to improve our IPTV solution. Fourth point, we have the technology and the skill to habilitate the new services: Web 2.0, Web and Mobile Advertising, Mobile Payment.

And fifth point, these skills that our people have can give on demand an assistant plus offer.

Arriving to Business, it's not consumer but business service sweet evolution. I try to summarize points. First of all high definition tele-presence. Now video conference can give exceptional quality and very, very new interesting experience; second point, we are passing our customer from the traditional solution to the VoIP world. Enabling all the IT application with voice. One example is for example the virtual banks that we are building with some customers, but you can see the list of document management, CRM, IRP and so on. Third point, we are ready for what will be one of the most relevant business in the future, the wireless sensor network, with the zig-be-sim (?), the Z-SIM as a hub for this very important part of the business.

Last comment is for this chart: now we have the service exposure, which is based on a standard interface built by our Telecom Italia lab, people together with obviously other peers, and this is a Win-Win-Win solution. Why 3 Wins? Because it's a win for the third parties, the EM BUENO (?), the Internet service providers and the applications service providers give them the opportunity to implement services with less cost and in a shorter time to market.

It's win for our retail customers, they can have a lot of services and they can pass from a passive fruition of these services to a proactive solution and then they can become consumer and last clearly creates value is a win solution for Telecom Italia to put all the capabilities of our network and of our IT in the market.

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Mr. Pileri

Designing our growth means also to be really convergent in the business and consumer offering in our mass market and business market. Giovanni Chiarelli for the transformation of Information Technology in this arena.

Mr. Chiarelli

In this light you can see the figures just an example of the ambitious programmes that we are launching or we will launch in a few months, in this slide we have depicted what is the approach that would like to address for this year M(?), so we believe that with a customer centred approach we can really simplify the applications that currently manage our CRM processes in the company and we can built just two main platforms, one for the consumer market and one for the corporate market, in order to address all the customers and all the processes. Obviously, the key factors of this very challenging programme are the partnership between the IT and the business units that we will use, the platforms and the technology and the skills that we have already in place because it's about five years that we are managing solutions based on the oracle Sybil solution that would be also the target for this new challenge. On the next slide you can see depicted what is the approach for rating and billing. It's quite similar, in this situation we have already started the program because we are empowering and renewing from the technical point of view our rating and building solution both for the mobile and wireline areas but we want to do better and we want to really address also in these situations as convergent and customer centric approach.

Mr. Pileri

Thank you.

About the quality of service I will skip some charts, but to give you an idea of what is our commitment, very strong commitment this is for example our targets of improving the quality of service in the access network, that is the basic of all services, we will have hundreds of million CAPEX investment and part of OPEX investment per year in the 3 years plan to reduce the fault rate in the access network and we will commit open access on more reactive and pro-active maintenance to improve also the cyclic maintenance of our access network, improving also the diagnosis tools and with the sharing, this is the last point, of the best practice together with Telefónica that made a similar project in last years and we want to take advantage of the result in this important segment.

We would like to decrease our fault rate between 14.5% that we had in 2007 and 11.5% in 2010. I think you know and you are aware about the very important and challenging target that we are giving today for this important asset. You will find in your book our commitment on the improvement of the fixed broadband and our commitment of improvement of the accessibility in the broadband data, because you understood from the previous presentations that there we will have the most challenges from the point of view of the technical part.

And now, finally, getting our efficiency in CAPEX and in OPEX. This is our figure, our CAPEX and OPEX allocation in the main important CAPEX projects. The first one, starting from the upper part of the slide is the mobile and fixed broadband, you know that it is the only project that will increase its investment, this is because of the broadband mobile data improving and the broadband fixed. Here included there is the evolution of our optical access in the main metropolitan areas that is the fibre project and it is included the capacity in the access that has to be improved. You know service application, services and application platform, this is a result of reduction of CAPEX Dil (?), this is a result of the integration that we have made on network and the integration that we have made on the information technologies sides, where

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we take advantage of our internal skills more than ask to other companies to deploy our services (?).

And in the access platform we have a smooth reduction of CAPEX, another once again because we have integrated two different organisations inside the company we are projecting more efficient processes and then we forecast a good evolution of CAPEX in this arena.

The same for core platform and the same of integrated support system platform and data centre. You know that the most of the reduction of CAPEX between 2007 and 2008 is in this environment, because of the integration of business support system and operation support system and IT infrastructure and the leverage that we would like to do on our internal skills again.

We have - you know - from 3.1 billion euro to 2.8 in 2008 and 2.7 in 2009 and 2010. I repeat again: this plan includes the deployment of the new accesses both in the mobile broadband and in the fixed broadband, and then there is inside still more efficiencies with respect of the efficiencies that you have seen in the chart.

Different things but the challenge is still high in the Ovex aside this is.. it is flat but you know very well that look at the chart, for example, and you will see that the energy costs and the rental of space and power costs are the two most important costs that we have in term of Ovex and you know that the evolution of the prices in rental and the evolution of the prices in energy and then you can see what is the efficiency programme that we have also in the OPEX in those kind of programmes.

And this is the end of the presentation, just summarising the efficiency plan those are the figures, three hundred million, four hundred million and five hundred million is the, is the, for a global amount of 1.2 billion euros of efficiencies, but of them and have been already percented, are the efficiency that we have together with Telefónica, that are important efficiencies in terms of common sourcing, common procurement activities, very very important this kind of point, and also common standards in the main project. Two examples: the first one that we have decided to share the IPTV deployment, starting from June 2008 we will have the same platform, Telefónica and Telecom Italia, and we will have, naturally, different services suites, but the same platform the (MITV from Luciantacatel?), and strengthen by our (tell up?) and the Telefónica research and deployment IPTV competent centre, this is very important. And also, we take advantage of a common approach in the most important project that is the access revolution, both mobile and fixed, and then we decided to put together our engineering effort and make the same standard approach in the gateway access at home in the passive optical network structure and stars?? and the optical line terminal in the central offices. We are sure that we can get more than we have analyzed so far and we can have a very important optimization for our future.

Thank you very much, I would like to finish my presentation and we together we ask... we wait for your question, not before telling you what are the splitting cost that you have seen in the chart. Thank you very much.

Mr. Pileri

Ok, we will answer to the question together. Number 3 please.

QUESTION

Good morning, Luigi Minerva from HSBC: 3 questions.

First on your CAPEX in next generation access over the next 3 years. Can you give us precise numbers on how much are you going to spend in video sell and fibre over the next 3 years, so precisely on the access point. Second: on your network functional separation, so open access, a bit more colour on the relationship with the regulator on this. Will the regulator have

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to approve the CAPEX on a regular basis, will they define a return on the asset basis, so just how will the dynamics evolve with the regulator, and lastly on local exchanges, do you still own the local exchanges, or they have all been sold and leased back?

PILERI'S ANSWER

Do we still own?

QUESTION

Yes, do you still have the property, the ownership of the local exchanges, the real estates?

PILERI'S ANSWER

You are asking about our buildings?

QUESTION

Yea, the buildings, yea. Thank you.

PILERI'S ANSWER

Okay, just a very short answer. The first one is CAPEX owned n.g.n, and in our plan we have 90 million euro in 2008, more or less 300 million euro in 2009 and 420 million euro in 2010. I repeat it again, this is very important, it is not only a fixed deployment, it is a convergent deployment because the fibres will be key of the convergent network of the future in terms of ultra-broadband approach.

Second question is about functional separation. We have not done functional separation, no because we made a new division in the access, and then what was the focus, the focus was quality, efficiency and transparency. What does it mean transparency? It means that we allow our OLOs to have technical contact direct with open access just to be very close to each other in terms of set up a deployment plan, OK, to review out of the deployment plans are going on, on local loops among the lines, in terms of local loop central offices and so on, we want also to give transparency in the case where the network in the access is under a saturation situation for some period and then we would like to be very transparent on that, and want to also expand extend this link, not only in the 8 quarters of the company but also in the territory we are sure that in this way we are going to normalise this kind of competitive arena.

In terms of local exchange, in terms of ...yes, 4700 out of our 11000 buildings are our property and the remaining part of our buildings have been sold. This is the answer to your question.

Question Number 4

QUESTION

Thanks very much, Nick Dalfast from Morgan Stanley. Could I just follow up on the question about the regulator? Is the regulator satisfied with Open Access. It doesn't have a separate board, it's not as separate as BT Open Reach in many respects and I don't think it's going to give exactly the quality of access to the alternative networks from an IT perspective so could you clarify if the regulator is happy, or whether the regulator will require further separation?

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PILERI'S ANSWER

Yes, very shortly, the national authority has been satisfied about our organized restructuring and they know precisely that is not a functional separation of the network. About the question if they are satisfied, I guess that they will ask us to other actions, but you know now market analysis in the access market analysis ongoing there is a path that is under the hands of the national authority that is reviewing the market, is doing the market analysis, we will see by the end of this summer what will be the results. We would like to be pro-active, with the national authority, we don't think that we need a functional separation in our environment; there is still a lot of competition but we are open, open to discuss what are the other requests that the national authority will do and we will examine respect to the real evolution of the business. What is asking the national authority is, as you know, not formally, because we have not at this point formal contact, but following the concept of open reach, there is the concept of a quality-of-access board and the concept of accounting separation. We think that it will be a very concrete move to open our operations to the other licensed operators and we will see concretely an improvement of the competitive arena in terms of decreasing, let me say decreasing the litigation of mainly in the access services.

Number 5

QUESTION

Just in the final Credit Suisse again... just on this question, firstly: just wondering how we could, if I was an unbundler like Fastweb, in Italy, how is this move to open access going to change for me? Is it going to speed up...? How quickly I can unbundle a line, for example? Maybe you could share with us what the average time to connect a line is and how that could reduce?

On a separate subject: HCTC ??? in your... one part of you IT new organization, 3800 employees, 5600 external resources. I assume this is where a lot of your ICT application development is taking place. It seems that you rely quite a lot on external sources - do you make money out of that? It seems quite a heavy reliance on other skills. I just wondered if you give us a mix in terms of these external resources, what they are helping at. I think you split ICT into network, infrastructure and application. Am I right to see that the external resources are in the application development area? Finally, I am sorry, it's the third question, just following on from the (??) presentation, you also seem to be suggesting that to operate LTE in mobile is quite a smooth transition. I just wanted to check, when you say LTE you mean the sort of global standards we are going to get, RFTM Mimo, are you already putting in note Bs in your 3G network, LT compliance.

PILERI'S ANSWER

Thank you very much in terms of if the first question is in terms of unbundling of local loops evolution in terms of figures and in terms of if Open Access will change a little bit the amount of unbundled lines and so on the answer is NOT, we think that we will increase the our performances that are still good performances in terms of activation of unbundled lines and we will increase the number of liens that will have, will, sorry, will decrease the number of lines that will have a situation of saturation in the network, because we have decided to put the network designer in the Access together with the operation people in terms of a little bit more speed process. We have already in our plan an increasing of unbundled lines in 2008 and in the following years and this is because there is still an evolution of the business is transforming the calling, the team calling OLO customer in unbundled line customer. Then we have, I don't remember the figures but we have more than 1.5 million line this year in our foils?? and then there are no, really no effects in this kind of situation of open access.

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Chiarelli for the IT question of external resources.

Mr. Chiarelli

Regarding the question related to the IT manpower, I think that however it's a good makes ? because more or less represent 40% of the total manpower, so I think that more or less is quite in line to the benchmark of the average of our European peers. I think, however, that we have to be very transparent in our strategy for what concerns the sourcing policies. So we believe that we need to leverage on internal resources and on the internal skills and, if we are able to place our internal resources in the most critical points of the software? life cycle, we will be able to produce efficiency on two digits. For example we experimented that in the last two years, in the specific areas of the IT, we were able to produce an efficiency of 17% if the internal resources are placed in the right places of the software life cycle management.

[Third person's voice]: OK, Stefano, on long-term evolution.

STEFANO NOCENTINI (?)

Yes, long-term means mainly two things: new antennas and fibre be-calling(?). We will be leader in this evolution for two main reasons.

First of all, our vendors already presented to us the migration path and then we will not need to replace everything. We can use the same location, the same knot B (?), only with some upgrading.

The second point is the end-to-end project as Mr. Pileri presented. It includes fibre optics to our node B. And then we will have the fibre optics to link the nodes.

MODERATOR

Ok, thank you number 7.

QUESTION

Thank you. Simon Wing. I have two questions for you. One was to come back to the real estate question. You have substantial amount of space, you're, by the sound of it, you're somewhat reducing the amount of local exchanges. You have a very substantial reduction in service in mind. How quickly can we expect some of this space to be released and how significant is that in the saving you've outlined. Second question is, last year, if I remember rightly, you had line plans for upgrading five (?????) cabinet already in service, already out in the streets, I didn't see much sign of them in your presentation; I think this is (????) project Socrates. I want to know if these cabinets have been retired.

PILERI'S ANSWER

You mean our project here in Milan, what is the deployment? Sorry..

QUESTION

I'm talking about a legacy of established fibre cabinets that were put into the, I think there were ten thousand of them, not sure exactly where, but they were...

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PILERI'S ANSWER

The project of ten years ago

QUESTION

yes, they were in last year's presentation, you indicated that they were going to be refurbished during 2007. I just wondered if they had been, and what the...

PILERI'S ANSWER

Yes, I can explain that at this point. Thank you very much for the questions. We are already reducing our central offices and last, in last period 2006, 2005, 2007 we have reduced, I remember the number is more or less fifty buildings, five zero, and the same we will do for other twenty, twenty five buildings in the next three year period, but this is because we are taking advantage of the natural ending of contracts to move our people and our equipment in other side or reducing our equipment to take advantage of releasing our building.

But the stronger reduction of central offices will begin from 2011-2012, not before that, this is because - as you know - we need the fibre project to get enough deployment to allow us to reduce dramatically the space inside our central office and then leave the central office. But I would like to add that we are committed to maintain the percentage of central office space that is needed for the other licensed operator operations, and then in our plan we have a strong commitment to maintain this part, very small part of the building, but leaving from the other part.

This is the first, the second was the cabinets, the old optical cabinets, the very old, very traditional, traditional not but very old Socrate project.

We will not reuse the cabinets, but we will reuse and this is very important capabilities that we have, we will reuse all the data and the infrastructure that we have deployed and we think that this will speed up our deployment at reasonable cost. Thank you very much.

Number 3

QUESTION

It's Carola Bardelli again. You were mentioning the analysis from the regulator of the access markets, do you think that could potentially lead to a new definition of the criteria on which the price of unbundling is set? And I'm referring in particular to the invested capital where currently, if I'm not wrong, the return on invested capital is based on an invested capital calculated on historical cost. So I was wondering if that could be moved on a replacement cost accounting, and maybe if you could give us an indication of what the replacement value of the access network is in your opinion. Thank you.

PILERI'S ANSWER

Thank you very much, a very very very good question, a difficult question and then I would like to answer because it is not so easy. First of all, we have been conservative in terms of prices of unbundling, that is calculated following the regulatory accountability that we have now, that is historical cost based, and we put in our plan a slight decrease of the price of unbundling. But you are saying is very important, because according to the starting of a new access project that you have seen, according to the needs that we have, that we want to improve the quality for all the competitors in the access, and according to our move on making open access, we hope that something like that can be considered by the national authority and considered that the access quest can be driven by the rebuilder, the cost of

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rebuilding our network, yes, the cost of substitution of our access network and not historical cost. You know, our historical cost, the net cost of the access is 6 billion Euro, 6 to 6 and a half billion Euro, if we have the possibility to have the substitution cost it means that I can have 20 - 22 billion Euro of cost, of a basis of the cost. But we will see, It's a good point but we will see. Thank you much, Thank you very, very much for the questions. I think we have to stop and finish our session and now we have just the lunch which is important and behind you there is the possibility to have a very light lunch and we come again in one hour approx. here, for the international panel, thank you very much. 2.30 is the time, thank you very much!

Mr. Mazzitelli

Welcome back. My roles is to cheer and coordinate international panel. Leveraging? of course from the concept already outlined by our chairman and our managing director, Franco Bernabè this morning in their presentations. I will give you a brief description of overall international portfolios, strategies and results, and then I will also give the opportunity to the two guys who are managing the most promising asset and the most successful asset that we have internationally which are TIM Brazil and Hansanet in Germany.

Let's start with the international portfolio. This is a fact of life, it has been already expressed this morning, that in the past year there has been divestiture of several assets internationally, but I believe we have a solid story today also, and a coherent one. Our efforts are concentrated today in the broadband in Europe, mainly in Germany, in Latin America, and also in the offering of global services with our subsidiary Telecom Italia spa co. This playing is concentrated in two of the most promising areas in terms of growth, potential growth of the market, and promising in terms of the segments that we are playing in which has broadband and mobile. Let me leverage also from what our managing director this morning has said in terms of three fundamental paradigm, which is selecting, hard work on what we have, and no fireworks, I think those three concepts apply very well in the international arena in which we are playing. Let me show you why. These are the performances. I'd like you to concentrate on this because I believe that in the past years really we have not showed, assessed and clearly demonstrated the potentials, also the current portfolio assets we have internationally. But look at the results: even if you look at the pro-forma numbers without Telecom Italia Friends, you'll be picked up in the press?? regarding to friends, we have options open vis-à-vis the potential sales of their assets, but you see that there's been a very healthy growth, from 2006 to 2007, from all components of the P&L. We went from 5 billion euros to 6.35 - this is the pro-forma without TI France - with the EBITDA growing substantially, not only in terms of proportionate to the revenue, but more than proportionate of the revenue, which means more efficiency in terms of P&L. Of course, these results are largely driven by the two fundamental assets that we have, which are Tim Brazil and Germany, but also with contribution of Bolivia and the BBNet annual (?) performance in the Netherlands. And look at what we expect those assets will generate: in terms of revenues, today this already accounts for roughly 20% of the total P&L of Telecom Italia in terms of revenue. In 2010 we expect the revenue line to be growing more than 30%. So with a simple math you can easily calculate that we will go from 6.35 to more than 8 billion in revenue. Same story for the EBITDA, which will grow more than proportionally than the revenue line, will take us to almost 29% average. And again, even there an easy math to calculate certainly is going to take us to more than 2 billion. So this will represent a very healthy component of the P&L of Telecom Italia in terms of growth. And this is again current portfolio of asset that we have. Those numbers are not taking into account Telecom Argentina, as stated this morning by our Managing Director, so definitely it's a target for us, in terms of acquisitions, by year-end 2008.

In terms of the market where we play, this is the perspective of growth. There's no doubt that European broadband and Latin American mobile, together with others, definitely represent, in

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terms of a combination of overall value of the market and potential growth certainly are two of the most attractive areas in the international arena. And we are very well positioned there to capture substantial pieces of this growth value in the coming years. Let me give just a brief perspective of the potential of the specific markets were playing in.

Brazil, of course, Mario says that Araujo will give you much more detail, but neither is to say that the mobile market is showing a healthy growth in the next two years. And even more the broadband access. Actually if you look at the growth of the lines, in 2010 13.4 million is still going to give us a penetration in terms of households of 20%. But even in a scattered market like the Brazilian one certainly is not a benchmark, in line with the other, so I think these numbers might even be conservative in terms of perspective.

Argentina mobile still growing healthy and broadband access again, healthy growth there as well. Bolivia is a small entry that we have but again giving us satisfaction both in terms of P&L and generation of cash and I think we have options there as well.

How are we performing? This is what our Managing Director called hard work of what we have. Let us play with this.

Telecom Argentina I am giving you the income statement in local currency figures, and performance of the first nine months which was officially delivered there, the numbers are self explanatory mostly driven by the mobile growth and the broadband playing. You see in the tract underneath that to deliver this revenue at 35% EBITDA which is growing " percentage points since last year, we went from 7.6 million lines to 10 million line which is almost more than 3 million, actually 2.6, and a healthy growth of the broadband customers, which again has not picked up completely in terms of market growth. Bolivia, I will not spend a lot of time on this, just going to show you that again, despite the fact that is a small constituency, a small country, we talking something that generates cash for us, is not deluded, is a credit, and is going to grow in the next two to three years. So we are looking at an asset that we need to manage operation and making sure they continues to grow their pace. European broadband: briefly, Netherlands, before we did the Netherlands of course they repositioned the market, forced us to take some decisions there, we repositioned the product in terms of offering retail, not only wholesale, but also we plan to reinvest in the development of fibre and VDSL to create a healthier perspective in terms of growth to the company. France, I mean it does not see credit as being picked up in the press, we are entertaining options there we'll see how this will generate. The only comment in France last year we took commitment in the Telecom day that we were going to turn around the company from an operational standpoint, we succeeded there, we created value in doing that, to date at least France is one of the best quality providers

in France, which - again - is providing the value we need, whatever the options will be in terms of our strategy in France. And, of course, Germany: top one market in terms of absolute numbers of line growing. If you look at their performance, this will take Germany into the 68 penetration terms of broadband and fixed line. Which, again, it's not even in line? With most mature markets like the Netherlands, where we have a penetration of 81%. So again, this is a very healthy growth, we might expect even more and our position in there allows us to take a fair share of this market growth.

If you look at the value of this new market generation, current output is about 40 euro per month, 6 million lines - we're talking roughly 3 billion of new volume be ??? in the marketplace. If we only take our fair share of the market, that's gonna be a substantial value generation in the next three years, both our revenue line and the profit & loss line.

Our position in the market. This chart is important to show two fundamental things. Number one: our position in number 4, in line with Arco and United Internet, and by far, together with those two players, we are far away from number 5th, so we have really a solid scale already to play with, and no threat of the players underneath.

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On top of this, the market is definitely consolidating. There is a lot of movement in the market place, driven by a variety of factors, number one, you know in Germany in the past the very aggressive approach of Deutsche Telekom that also allow players to build non networks and playing as a reseller showing all too healthy income statements. This also when the market becomes mature and the price pressure are driving margin down is not a proposition that you can sustain long term, so of course the facility base operators, which we feel we are, are certainly got more advantage; the owners that don't have the network certainly will be sellers or eventually consolidating with network operators. There are of course players that are already well positioned like Arco, you know that Arco is linked with Vodaphone. United Internet is a big reseller, we still did not fully understand if United Internet is a seller or a buyer, we think it's a buyer, and then we have a variety of small players, that are definitely there to be bought or consolidated with others.

I think we are looking at this market carefully , we will be a player, I think we already have the scale to play organically we are not going to do crazy things about it, but certainly we are monitoring the situation very carefully to make sure that we do not miss opportunities in terms of both, one aggregating more customers to give us even ore scale and second of all to make sure that we have all the components of the products of the network which will allow us to play long term in a very solid way. In terms of mobile operations there are mobile operators becoming aggressive at launching broadband, this is one of the area where we have exercised very good synergies with Telefónica, Telefónica is the fourth operator in the mobile market in Germany , we have launched even before we were partner with Telefónica a commercial operation with them by using their network to for our quadruple play, this is paying off, I think we represent also a nice group for Telefónica o2, we have options eventually to escalate

this play to a more comprehensive network operation, if we want. We closed recently a deal with them also to give us more food in terms of economics which you will allow us to be more profitable. In terms of fibres to the home in Germany we have a plan: we have to just verify when and how to execute it, but definitely we will do something in Hamburg where we have the largest market share in the market. This is our performance, I will skip this because Harold Rösch will give you more detail. Just to tell you that we went to 2.4 million of customers also including the acquisition of AOL. EBITDA is growing according to the plan; mobile customer base is solidifying and we have 300.000 customer now that we plan to more than double next year; and our market share is stable at 13%. International, this is something that we don't present usually, but I think also as a company we have a variety of global service that we offer in the international market. Certainly one of the choices that we have and that we will exercise fully is to support our corporate multinational customers overseas, and we can do this in a variety of fashion, but they represent a very key asset, a segment in the domestic market like all the big players in the market place we need to support them. That's not a deluding playing; it is actually a creative. We are doing nicely already and we plan to grow in that segment supporting the domestic piece of the business; and secondly we also have opportunity in cash cal components of the wholesale business where we can have certainly, somewhat of leverage as a leader in the market place and we can keep the price up, where we have infrastructure based component, I will show you something that we do in the Mediterranean, we will continue to grown there, we recently invested in the new cable in the Mediterranean. How are we going to support the MMCs market to have an idea of component, first of all the drivers. We are going to be using TS Parco GlobalCap ability, we have a very well position a pan European backbone and Latin American network and Mediterranean network as well, and we will compensate that for local access through some of our international operations like Germany, we were doing the same thing in France, whatever we do in France we will anyway inherited some of those capabilities

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to make sure that we can continue to support that. This is one of the areas where we can have a

lot of synergies with Telefónica. Telefónica is in exactly our position in this segment. They need to support their customer base, they don't have a very large network like us, I think we can do a nice job playing together, we are investigating options, also linking with partners outside of Telefónica, our game is to have regional or local partners to support our local capability for our customers. I think this can also represent an opportunity, once we penetrate more the ICT market we can then leverage this presence also to the international arena. Focus on Mediterranean. Mediterranean as you know is a fundamental area of transit for internet capabilities for most of the South-East Asia regions, Middle East and Mediterranean basin as well, we're talking of regions that are growing at a pace that was not thinkable five years ago. This company has invested heavily in the last five years, I think we invested good and there is also a payoff. This is not going after customers, this is going after systems, countries. Today some of those countries in the area cannot play international communications without our support. This is not only Telecom Italia, it is also Italy. We can leverage the geographical presence of Italy that by definition historically is there, the economics are dictating that the traffic has to come to us, but today we are really leveraging that by investing in new infrastructure and capitalizing on our domestic network. You see the growth, 52%, we're talking massive terabit coming through this region, and I think we have a good opportunity - this is a cash cow business.

Now closing, this is probably the most difficult shot for me today, given the umbrella that was set before. But I think it's easier than people may think.

First of all, as Franco Bernabé said, we need to enhance our operational performance. I showed you that today our current portfolio is a healthy one. It's accretive, it's not dilutive, it's got nice growth coming up in the next two years. Actually, it's got immense growth coming up the next two years. We play in a very decent market and I think that we have to enhance that and make sure that we continue to assess the portfolio to make sure that we continue to have the solid base to ensure the growth in terms of our presence in those countries.

What do we do next? Certainly when we look at what we can do in the future we're looking at high-growth markets and segments, something that we can converge and where we can have scale. How do we do that? There's no secret, there's no magic and with these I go back to the firework concept. We're not going to do fireworks. Certainly we have to apply financial ductility in our company. There are a variety of ways in which we can finance the operations, but today the big question is, if somebody asks me or Bernabè or Galateri "What do you want to buy today?" the answer is not necessarily there?. But we will monitor constantly what is going on in the marketplace, and I think this is a mature game that we will play maturely and once the asset and our financial capability (?) allow us to do something, we'll pursue the opportunity.

I think I'm finished. I'm leaving the floor to others, Mario Sesa first, to give you more details on this specific (?) Thanks a lot.

Mr. Rösch

Shifting the presentations, I'm not going to present Brazil, but rather Germany. I'm pleased to present you the results of 2007 of Germany and an outlook on the years 2008 to 2010.

Very quickly on 2007 results, we, last year we promised you a range of things, we said we would reach revenues of 1.1 billion approximately, we delivered one billion seventy-four million, we said we would achieve an EBITDA margin of twenty-five per cent of two hundred seventy five million euro, we deliver twenty-six per cent or two hundred eight one million euro, we also said we would have the first time positive operational free cash flow and in fact we had operational free cash flow of positive sixteen million. In terms of broadband customers

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we have promised 2.5 million broadband customers, we did not reach this objective fully, we delivered 2 million three hundred and fifty thousand approximately. Regarding operations we had a lot of things to do, we promised that we would have leading edge innovative product portfolio. What we did, we have today a full quadruple play offer in place, one of only three operators in Germany, we have launched a new portal together with AOL that from scratch is now among the top fifty websites in Germany and of course we also introduced a new range of ISP services like mail to give some more state of the art to our customers. Regarding network we promised 60% ULL coverage 24 million households, that is exactly the coverage that we have reached by the end of this year, at the end of the year 2007 of course, and this is important driver of margins and also outlook,

Finally last but not least, last year we had to integrate the AOL company that we bought, we have finished the consolidation since March 1st, that is exactly when the merger has become effective, we have completed the whole customer migration so now all AOL customers are now on Telecom Italia's system and network, and the only thing that is still ongoing is the up-selling of the customer base that will continue throughout the year.

A bit more in detail the financial results in revenues, we have increased on 528 to 1 billion and 74 organically this is an 18% growth. Important in this is that we were able to maintain or even grow our broadband r.q. this year and 2007 was already a year of heavy price war in Germany - I'm not sure that anybody of our competitors was able to do this broadband r.q. increase in our case it was based on the fact that we could up-sell a u.r to our customer and on the other hand reach a high penetration for options such as mobile and also t.v.

On the a.b.d.a. level, we grew from 145 to 281 million organically it would have been a growth of 45%, here important have been the growth in terms of customers that has grown the gross margin in absolute terms and we had also cost savings on the OPEX level due to the AOL (?) merger. Finally on CAPEX we spent 344 million, which is a substantial increase compared to 2006, this was due mainly to two elements: we have enlarged last year our own ULL network as well and we have to migrate all the AOL customers to Telecom Italia systems and network. In terms of growth of broadband customer base we grew from 929.000 to 2.3 or 2.4 million; this includes 1.083.000 that we have bought from AOL. Organic growth, was 105.000 subscribers UQ4 which was a strong quarter phase, and mainly an important thing is also more than half of our new customers come through low cost channels, like call centres, inbound calls and Internet.

Outlook 2008-2010

Next year we expect that there will be no significant impact from regulation, neither positive nor negative. We expect that the DSL industry will slightly consolidate from 6 national players down to at least to not more than 5. We do not expect for the price decreases in DSL industry, so we expect the consolidation of the current level of 29,90 per month for the double flat offer. And we also expect that next year will be pushed... the emphasis will be triple play?, so Deutsche Telecom advertisement is already based today on triple play and we expect also our core, maybe even ourselves, move to this advertising.

Regarding different technological players, cable companies are not yet very important in Germany, but have done a lot of investment in last years; they are starting to have increasing success. And what you also see, like in the Netherlands, we have more and more FTTX fibre rollouts done mainly by city carriers.

What is also going to increase is the competition from mobile, O2, Telefónica is pushing quite heavily exactly like Vodafone is doing, so there will not be less competition in the market, but we do not expect this to translate in a further price decrease.

For us, we have four strategic priorities. Market success, we need to essentially grow our customer base by enhancing our current existing quadruple play offer. We have to increase our brand awareness, currently only half of the Germans know who Alice is, we will grow this to 75%. Here we have to keep in mind that until 2005 Hansanet was only playing locally in

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the Hamburg market, so it's clear that in brand awareness there is still some way to go. Then we have a target on operational excellence to streamline our internal processes and the quality. Regarding network we are not going to increase further our own ULL network, but we are launching a trial in Hamburg for FTTX. And regarding OPEX profitability we commit to keep our fixed operating expenses stable, including also sales cost and advertising. Some more details on the market success. So this is the current offer that we are having, we offer our customers fixed voice, we offer them broadband internet access, we offer them mobile, we have a very interesting mobile offer based on the Telefónica mobile network where we had 329000 post-paid subscribers by the end of the year. And finally we have the IPTV offer that is available to 25% of the German households. Here next year we will only improve what is already there, so in the internet access area we will improve portal, to improve our market position and capitalize on the growing advertising market. And we will launch the new initial tafe (?) with FTTB to give our customers out for our (?) broadband services as a trial. In the mobile arena we'll focus not only to grow voice customers but immediately try to convert, not to convert but up-sell, our fixed broadband customers also to mobile internet. Well, we also have seen this morning that in fact, in the broad band arena mobile and fixed are complementary in usage. Regarding IPTV we will continue to increase the number of channels. That is today 100, but we will especially focus on additional features and usability. On operational excellence we are going to improve further the quality of our existing products and services, we are also going to publish our service levels on the internet to make it very transparent what we are delivering to our customers. We have to optimize a lot our customer facing processes, AOL acquisition has given us some complexities so we are investing heavily in improving what we are delivering. This is going to be a very important savings opportunity, and finally we also, given the size and dimension of the company we have achieved, we are investing a lot in automation now. We are in network developments, today we are sixty per cent of ULL coverage, twenty-five, twenty-six per cent is our whole network, the remaining part is delivered over the network mainly from Telefónica but also of ULL coverage as a whole will reach over the next two years 75% but this will be done completely based on third party network especially Telefónica who will be our preferred but not exclusive supplier, why do we not expand our own network, there are two considerations, one is of course Telefónica has already a network but the second is also that in the NGN world there will be lifetime for the ULL networks that might be limited, we look at the reference case of the Netherlands so probably ULL network will not survive more than 5 to 10 years from now.

The remaining part of Germany is not going to be covered through ULL, we will still use Deutsche Telekom network and regarding our FTTX trial it will be small, it will be in Hamburg regarding 130.000 households, half of them more or less are already our customers, so it is an ideal place to do a trial on this new technology.

Regarding profitability we will continue to push for a stable r. q. in spite of the price fall of last year. Important here would be the up-selling to u.l.m. products especially of u.l. customers, in fact we anticipate that the percentage of our customers that are going to be on Deutsche Telekom's network is going to decrease from currently 40% to 30% and we'll do a push on options, especially mobile, where we target more than 600,000 subscribers, with an 8 to 9 euro output (?) and an i.p.t.v. target of more than 50,000 next year in our mind is not going to be yet the year of massive i.p.t.v. volumes in Germany but it will start to grow substantially. Already this monthly we see a significant growth.

Regarding the gross margin, the gross margin of ours will grow due to a higher number of customers again. What could happen or what will happen: the percentage level might decrease from 55% to a lower level, as we are growing businesses like mobile that have clearly a lower percentage margin than 55%. Regarding OPEX we commit to keep them stable at 2007 level and this includes also advertising and sales costs as we said before, in spite of the fact that we intend to acquire more customers than last year and the main key driver

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here will be that we will be able to acquire these customers through low costs channels so web and call centres. We also anticipate that our efficiency programme that we are running in the company will give us higher savings on OPEX levels. Regarding our targets for next year we would like to increase our subscriber base for broadband to 2.6-2.7 million customers in the longer run 2010 our target is 3.4 million in terms of revenues we would like to grow from 1.1 to 1.3 billion roughly and in 2007 we would like to achieve 1.7 billion - regarding the EBITDA margin we would like to keep in 2008 the 26% level that we had this year, and finally in 2010 we think we can achieve 29%.

CAPEX will decrease this year a bit with respect to 2007, rounded it's still about 300 million, but not rounded it's a substantial decrease. And in the years from 2008 to 2010 we see a total of around 700 million CAPEX in Germany.

Thank you very much. I would like to hand over for Brazil.

ARAUJO

Good afternoon, we have decided to speak in Portuguese. I apologize but I think you will understand better.

Thank you very much, this is the third consecutive year that we take the floor during the Telecom day, first of all I'd like to give you another view on the Brazilian market, and I'd like to tell you about the plans for 2006 through 2010. In 2007 we kept our leadership in terms of value on the mobile market as only operate domestically and we have consolidated the perception of having an innovative company with a clear-cut branding position vis-a-vis our competitors. We have to pinpoint that in 2007 we actually met all the commitments that we have voiced last year during this same very meeting and we have also acquired and made more loyal most valuable customers with a higher ARPU, higher than the average, and we were also leaders in the business segment, for the fourth time over the past five years we were awarded the top of mind prize by the Data Folio?? Institute. Another important thing to say was the positive generation of net cashflow and net income with a reduction of gaps as well. Reaching these targets did not prevent us from indeed preparing Brazil for a sound growth given the needs of the new competitor scenarios which are known under the term of convergence. In 2007 we have indeed set up a very good basis which we need in order to transform Tim Brazil; we have to indeed become a company supplying convergent communication services with mobility and along this line a few important steps were made, such as the acquisition in May of the 3G license which covers all the Brazilian states as well as the adjustment of services from co-operators well as new platform and convergence systems creation. In the year 2007 we began to consolidate on the Brazilian market our foothold and the intention was to create four domestic operators with convergent services with voice, data and pay TV. The Telefonica-Vivo Group acquired control of TVA for pay TV services of Telemig, Celular TV and now we have national coverage from the north straight downwards. The Embratel Claro has a strong hold with Net offering pay TV services and Clara has also acquired a license for the northern regions so now they have a coverage nationwide both mobile and fixed. There is an acquisition negotiation ongoing for RA and Brazil Telecom so that it would become a national operator in both fixed and mobile. Oi acquired control of Way TV a pay TV network and there are negotiations ongoing also for the acquisition of Amazonia Celular. The fourth big operator, TIM, holds 26% of the market share in the mobile business and has acquired a position on the market acquiring licenses for fixed and third generation operations, and this would allow us to indeed penetrate every efficiently the present fixed market and broadband market, which we still need to develop in Brazil, and with the portability and unbundling regulations our scenario will become even more favourable. As we said already previously, in 2007 we had a strong growth with a good level of income. We exceeded 31 million customers and our sales exceeded 15 per cent reaching

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13.3 billion real a bit down 3.2 billion real increased by 23.8 per cent visibly the previous year, and this growth is definitely exceeding the growth percentage of our customer base. As much important for us was the break even achieved in the year 2007. As we said already at the beginning, we have kept promises which we made during last year's Telecom Day and we have exceeded the most significant targets for our company: customer portfolio exceeding 29 million, market share 25.8%, ??? nine expected 26%, revenues growth organic? 14.8%, EBITDA margin 24.2%, free cash flow +825 million real. And therefore we have exceeded the targets that we had set forth last year.

Now let us talk about a few highlights concerning the strong growth of Brazil's economy. Until the end of the year 2007, the growth forecast of the domestic growth product was 4.5% ?? Yet, the 2007 result showed that this was a conservative figure, given that the growth was 5.2% in actual terms the potential customers market segmented according to the various economic classes increased thanks to the yearly adjustment of minimum salary levels and taken into consideration also the inflation rate, and now we have a good and sound situation, we have an increase in terms of purchasing power, more goods are being purchased, price reduction thanks to the adjustment made. And I believe that today Brazil may rely upon a sound basis allowing not only to guarantee an ongoing growth with a reasonable margin vis-a-vis the recent economic crisis which affected the US recently.

We have also to highlight on the governmental programme of accelerating the economy for the year 2008 through 10, where the investments exceeding 500 billion Real in the infrastructural roads, health, education and real estate businesses, the situation of Brazil at the end of this year / beginning of next will have to reflect the present situation and then for Brazil is a country where companies can invest rather soundly, also in terms of sales of Personal computers, Brazil ranks 5th and the forecast is 3rd in the year 2008; and this is good, when it comes to broadband services which are one of our strategic elements, the re-evaluation of the Real vs Dollar allowed for a modernization of our industry with more efficiency and impact in terms of production, and therefore our competitiveness vis-a-vis the rest of the world increased. As far as the regulatory framework is concerned for the year 2008 we are actually waiting for the beginning of number portability and unbundling. This will allow us to share into volume of revenues which is limited to fixed business right now, and portability has already been decided and it was officially said, and this is rather important, that there is going to be a bid and this new developments will be definitely useful for Tim and a WiMax bid is going to be launched, rules have not yet been defined and as a consequence this will bring to the reduction of acquisition prices and there is a bill which is to be passed by the parliament regulating distribution of content and format. And as a consequence will indeed revamp interest by the big groups such as TVs and communication companies. And this bill which is still being discussed is really favourable to our business. Now talking about the competitive scenario, as far as this year is concerned, given the sale of frequencies in 2007 of Anatel, Vivo and Claro are to become operators with a national coverage in the Sao Paulo State and it will be the fourth operator in that State, representing 35% of the Brazilian g.d.p. Mergers and acquisitions will continue into 08 and Brazilian Telecom are indeed having negotiations and Telemake (??) is being acquired by Vivo and Amazonia by Oi.

Number portability is also a factor, and also in terms of the level of sales outlets, call centres, etc. there is going to be a change there as well, and more or less at year end there will be the beginning of the commercial portability of the number, and this is going to be a further opportunity for TIM. The incentive based policy to handset and handset subsidy will continue during the second half of the year and with the introduction of the third generation for our operators.

As far as the mobile business is concerned, the year 2008 in our opinion is going to experience a growth equal to 2007, that is 20 million lines, and when it comes to the broadband, we will have a very significant growth for the year 2008, also thanks to the third

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generation which is going to be launched on the mobile business. We also think that revenues from the mobile business are already exceeding the revenues of the fixed business, and there is a strong participation by the broadband market and this is going to be strengthened after the launching of the third generation. Now, let us talk about the level of penetration of the mobile business into the various social classes, and we see that the chance for growing does exist in all social classes, especially lower ones, as we said the increased purchasing power by these classes is favoured also for portable services, we supplied plan one and Romario, the soccer player, was our testimonial on the commerce, of the commercial and so the recharge was five real, which was very low, which could actually be brought down to 1 real recharge. And this favoured sales and revenues among those classes having a lower purchase empower ? and the broadband market, because of the level of penetration, competition is better off. We have launched a modem connecting either a laptop or a desktop to the Internet.

Now let us talk very briefly about the overview of the 2008 to 2010 plan. Taking into consideration the competitive scenario in 2008 and also taking into consideration the results achieved in the year 2007, we will continue to operate in the mobile business convergence market and the so-called low APO (?) market.

As to the mobile business, we have to generate more value from the customer base with more loyalty and with plans to keep the APO (?) the lower segment a customer purchase, prepaid recharges but we need to increase our efficiency in terms of acquisition costs as to the corporate market we think that there is a high penetration chance, given that the use of this segment is still low in the area of data.

In the fixed and mobile convergence market we think this can have a 500 (?) billion real value and it mainly concentrates on 6 operators, today representing a service monopoly. We would like to conquer a significant share of this market and as far as the lower classes market viewpoint we want to again have micro-recharges increasing our efficiency in terms of costs and distribution. Yesterday there was a conference amongst mobile operators, the Ministry for communications was present and what was declared was that the Government is starting the possibility of reducing

the Ministry for communications was present and what was declared was that the Government is starting the possibility of reducing a tax which plays an important role on mobile operators and also for prepaid recharges so we think that at this point there will be more possibilities of reaching these lower classes and this is very important because this will allow us to have a higher penetration of the market and therefore it will allow us to follow our strategies conquering new sectors.

Now, as to our convergent offers, as we've already said, well, these offers already started last year with TIM Wellbuild (?), with age technology and speeds up to 200 K bps. Well, this service will reach 7.2 Mbps speeds so extremely competitive versus current fixed operators' offers. In 2008 we shall launch into this market in 281 cities and we'll extend it to 466 cities by 2009. And here might I show you just briefly the distinction, the difference amongst the various broadband services being provided by the various operators, networks in Brazil are still copper networks in the majority of cases and the distances covered between the household and the central stations, so we don't have high speed in Brazil, or at least high speed doesn't reach the households and ADSL only reaches the customer at very reduced speeds, so third generation offers huge opportunities thanks to these modems, and as a consequence we can actually capture and import and share other markets which now does not get a quality service. Now this solution obviously represents an important strategic opportunity for TIM Brazil given the current limitations of broadband infrastructure in Brazil. There are fifty million households and we think that thirty million of them already have a telephone line, and only 7.5 million have access to broadband, a penetration equal to only 15 per cent of all broadband accesses. Less than thirty per cent have a speed equal or higher to

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1 megabit. Another important aspect that makes us positive about the success of our strategy is the VoIP?? forecast, according to which the PC market in Brazil will grow by more than 20% in 2008 reaching 12.9 million units, 22% of which laptops. At the end of 2007 there were 7.1 million users using internet dial-up at the maximum speed of 50 kilobits per second, whilst Brazilian users are in fact those who use the internet a lot, 23 hours a month on average.

Our target for 2008-2010, well as for our targets we think 2008 will be a good year in Brazil characterised by deep changes in terms of competition, given the arrival of the further generation of the 3G. But we are getting ready for that. We are ready to tackle this situation with both of these licences, and also the licence for 3G to cover the whole of Brazil. So, as a consequence, we already have decided for unbundling and this obviously allows us to use other operators' networks, and so there are huge opportunities also for us to reach the home of our customers using a fixed number. With number portability, there is no competition any longer and so, as a consequence, we should have a lot of opportunities of capturing those customers who aren't satisfied with their operators. 50 million real is the market and if these customers are not satisfied they can po.. (?) the number and come to us. As you can see there are huge growth opportunities in 2008. So I should say that we shall increase our customer base by about 6 million , reaching about 43 million customers by 2010 and keeping our market share at 26% stable. As to revenues growth there will be an important increase, 2008 will see a growth higher than 12% versus the previous year and as to EBITDA in 2010 we shall reach 29% and in 2008 we will be above 24%. This does not mean maintaining the same value but rather increasing the EBITDA by 13% to keep this margin. Now stability in 2008 versus what we have obtained in 2007 is due to investments that will be made for the consolidation of Tim which will become convergence company, CAPEX will be about 3 billion for the 2008-2010 three years plan, also taken into account the 500 million euro for the 3G licence which will allow us to get to a total of 1.5 billion euro in 2008, and to conclude I would like to tell you that we strongly trust the success of TIM on the Brazilian market, because we think there are solid basis for this. In 2007 we were already preparing for this success and we think that the changes which have taken place in the meantime have been very important and positive. Obviously everybody can reach national coverage, but we have made important investments, and also in points of sale, and we can be more successful than others. We also had important purchases and a acquisitions and solved the problems of synergies and optimization, which other operators haven't solved yet.

Certainly there'll be a debate within the competitions, whilst we instead we'll just reach the market straight. Thank you.

MODERATOR

Number 3

QUESTION

Justin Fannel, Credit Suisse. In terms of Brazil margins it seems quite an ambitious target for your margins to be flat, given the scale that you'll still be gaining in Brazil. So, just wonder if you could explain a little bit more why expect that it seems to be due to investments in 3G if I understand you right; but that would normally take in terms of the extra cost, but sometimes after you're building the network so terribly understands why it affects '08 rather '09. Perhaps you could have just explained the margin guide, please. Secondly in the Netherlands , I just wonder again if you can clarify the strategy in the Netherlands a little bit more. If explained when discussing (???) as a limited shelf-life for investment in unbundling. So where are we

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going in the future with your business in the Netherlands and how significant would an investment be in fibre and in local loop. Thanks.

ANSWER

Regarding the EBITDA, what we are posting is anyway a growth of 13% year over year. The fact that, as Mario said, the 2008 is a very critical year in Brazil not just for Tim Brazil but for the entire market, in terms of two things. The first one is related to the market. In this year we have to implement the 3G with all the ANATEL (?) obligations, and then we have number portability starting in September and this will increase partially the cost. On the other hand, on the entire market, we have the entrance if the OIY??? in San Paolo which represents thirty-three thirty-five per cent of the entire pill, and this is a pressure on EBITDA on that area and we have, probably we will have the consolidation between Telemar and OIY??? so that's why we are presenting a stable percentage, a growth of thirteen per cent, and after the 3G deployment we will keep running at the same pace we have shown in the present, in the past 3 year plan.

[Third person's voice]: and the Netherlands

RÖSCH (?)

The question was the strategy there? You know the Netherlands market at one point, KPN, was consolidated, consolidating all the ISPs, we have a very extensive network there. We decided to stop the gap and the loss, could use by the loss of customers? We decided to do 2 things: one is to revitalize the wholesale playing by investing in VDSL(?) We're gonna be using CD municipality investment in fibre, we're gonna equip that with the electronics. There's gonna be around 10 million investment this year. And also by the fact that we had a network that we did not have to invest in infrastructure, and we using a Plug & Play strategy with our (?) guys in Germany. We decided to launch our retail offer in the Netherlands, which again was a very minimized investment giving the fact that we already had a network and we used systems Plug & Play approach with the German guys.

QUESTION

Would you expand on that?

ROSCH'S ANSWER?

Yes, we can say that we're going to reach EBITDA breakeven on a quarterly basis in the retail, for the retail project in the Netherland this year and they required so far around 18,000 customers, so it's - let me say - a small project that has anyway increased or reversed the trend in customers in the Netherlands, we are now growing again our customer base.

QUESTION

Thanks.

Just to clarify. That sounds like a resource strategy in the Netherlands, rather than a build, a fibre to the home build. Just to be clear.

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ROSCH'S ANSWER?

In the Netherlands we are not investing in the passive fibre network, this is usually done by consortiums including municipalities, banks and so on. All we do is sometimes we put the active network layer on this network like we do in Amsterdam, sometimes we are just selling on these networks, but we will not invest in passive fibre in the Netherlands.

MODERATOR

And of course that's going to complete our wholesale play but it's going to serve our serve our list customers as well in those areas.

Next, number 5

QUESTION

Hi, it's Andy Bonus from Lehman Brothers. Just on France. I know we haven't touched on this today, but the net add for Q4 were quite light, I just wondering if you could give us a reason why and whether that is, let us say, a trend or just one off, and then on AOL you have had the investment consolidates now for about one year - I just want you to give us some indications of how many of the 1.1 million subscribers you acquired you have actually managed to move on to Alice and how many have turned off elsewhere.

ROSCH'S ANSWER

Today we have still about 650.000 customers on the AOL packages so roughly 2/3 of the difference has migrated to Alice packages and the rest is ... the other question was ?

QUESTION

Sorry, yes, the Q4 DSL in France were quite lower I just wondered if there is a reason for that.

ROSCH'S ANSWER

As you know in France we have the turnaround of the company I think if we did not invest heavily in marketing to get a customer base in the last quarter. We preferred to fix some of the final operational issues of France and we launched the new campaign as of January, with the new product set, including music as (?) and so on and so forth.

I think the last quarter is usually not a good quarter for acquisition of broadband customers in France. It's not like mobile. Plus also we had to downsize a little bit our marketing expense for that quarter. We preferred to do it in the first quarter of 2008.

I believe we can pick the last question, Number 7

QUESTION

Hello, it's Will Traid (?) for Execution (?). One on Brazil and a quick one on Germany. Could you, on a spurt of openness, help us understand the impact of the mobile termination rate change next year by telling us what percentage of revenues it is in Brazil and what you expect as the percentage decline in termination rates to be? If you can help with that.

And on Germany, quick question. Taking a medium term view, would you characterize your strategy as build or buy, in Germany, to retain scale?

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ROSCH'S ANSWER

For the first question on Brazil, we have more or less 35 % of the incoming revenues related to termination rate, two things, we are not planning, we are not forecasting any reduction in (??) Voom until 2010 and you know this is ANATEL agreement, so in 2010 ANATEL would put in place a cost based model, so we are not forecasting any reduction on Voom (?) and we are preparing ourselves in case of reduction, and more or less you can think that one percentage point of reduction on Voom reflects in 0.1 % in our EBITDA, but we are not forecasting nothing until 2010, and our analysis, cost-based analysis are supporting the actual 14 cent termination rate. For the Germany question, I take our strategy is a growth strategy, so we will even monitor opportunities to eventually consolidate with players. I can tell you that we are not interested in just acquiring some of the players that have a low arpool (???) customer base without (???) gain scale, I think we are eventually interested in more complex playing and structure. But again, we already have the scale to play organically growth; but we will definitely look interested in opportunity came up on the scream, even taken in consideration our overall financial strategy. Thanks a lot guys. I think with this we can call Franco Bernabè on stage for the final remark.

BERNABE

So, thank you very much ladies and gentlemen. This brings us to the final part of our day. I think we have had a heavy day and I want to thank everybody for being with us and being so patient a listening to all our presentations. But given what has happened today, I think I want to go back to one of the questions that was asked to me this morning, when small shareholder asked me what is happening in the market? What is going on? Why we have this performance of the stock? I said this morning that I have no answer. I think that in the afternoon I have no answer either, I think that what is happening is a little bit irrational. We have presented our plan, I think that the analysts know very well what was going on, I think that everybody had a very clear idea of what the trends in the market were, of what the situation of the company were, of how this market works, and therefore I think that there was little surprise, because the surprise was perhaps the cut in dividends that we decided yes there to put, but it was decided in line with the behaviour of all our peers, and we confirm that our policy in the future is to behave normally, to behave like everybody else. Now I think that the plan we presented is a fairly realistic plan I think that many times in the past people have complained because the company has over-promised and has underperformed. We do not want this to happen in the future, we want that whatever we promise we deliver and we deliver perhaps with a positive delta for the market. This we are strongly committed to and I think that this will be delivered in the future, but I have one final word that I want to say of course I have been reading, as you can imagine, over the day all that was happening, the comments, that some were making, the reports of the analysts and so on and so forth, I think that there might have been some arithmetics that need to be fixed and that we have our investor relation that is ready to answer all your questions, because I have seen that there may have been an enormous amount of data that have been provided, something that needs to be clarified, but I can tell you something: driving a company on KPIs is like driving a car with an automatic pilot. Of course I know what is happening in the market, I see what the KPIs are, I understand the trends, but I think that I will never deliver my company, or give my company to an automatic pilot, because otherwise there is nothing to do for the top management and for the entrepreneur. What distinguishes an entrepreneur from an automatic pilot is that he has fantasy, he has imagination, that he comes up with innovative solutions and I think that you have to give us a chance. We don't want to ask you for time, we simply want to tell you will see, you will judge on the results, I think we will put to work our

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imagination, we will put to work our entrepreneurship and I think that on this that we'll deliver, not only on KPIs, thank you very much and have a good day, thank you !