Telecom Italia Group's approach to Sustainability

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Agenda

- Sustainability
- Corporate Governance
- 1Q'08 Group Financial Results
- Highlights from 2008-2010 TI Group Operating Targets

Highlights

Highlights

- Sustainability reporting integrated in the financial statement
- Sustainability management embedded in planning and controlling processes
- Focus on communication to investors and analysts
- Focus on intangible assets

Approach

External Stakeholders

- Customers
- Suppliers
- Competitors
- Institutions
- The Environment
- The Community

Internal Stakeholders

- Human Resources
- Shareholders

→

Image

Identity

Trust

Reputation

...

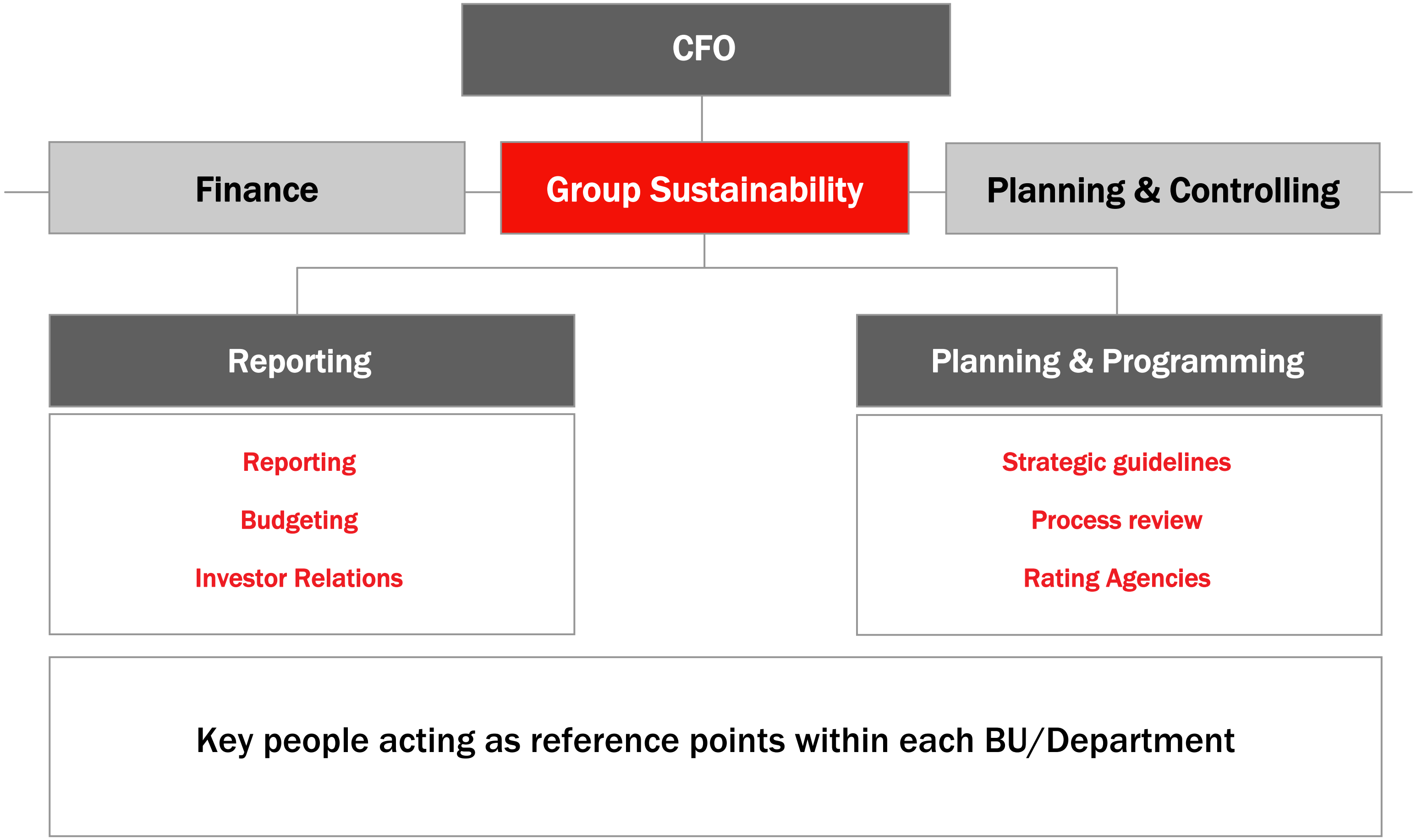
→

Performance

Evolution

	1997 - 1999	2000 - 2001	2002 - 2005	2006 - 2008
Charters and Codes	Charter of values	TIM's Code of ethics	TI Group's Code of ethics	CSR policy regarding relations with employees CSR policy regarding relations with suppliers
Reporting	Socio-environmental reports		Integration of Sustainability reporting into the Group financial statement (TBL)	Inclusion of quantitative sustainability targets in the Group financial statement
Involvement with other Organizations	ETNO Sodalitas CSR Europe		Global Compact (ONU)	European "Alliance" on CSR
Sustainability Governance			Internal reporting system Specific investment form for business projects subjected to the approval of the Group's investment Committee	Sustainability Tableau de board New model for sustainability planning

Organizational model

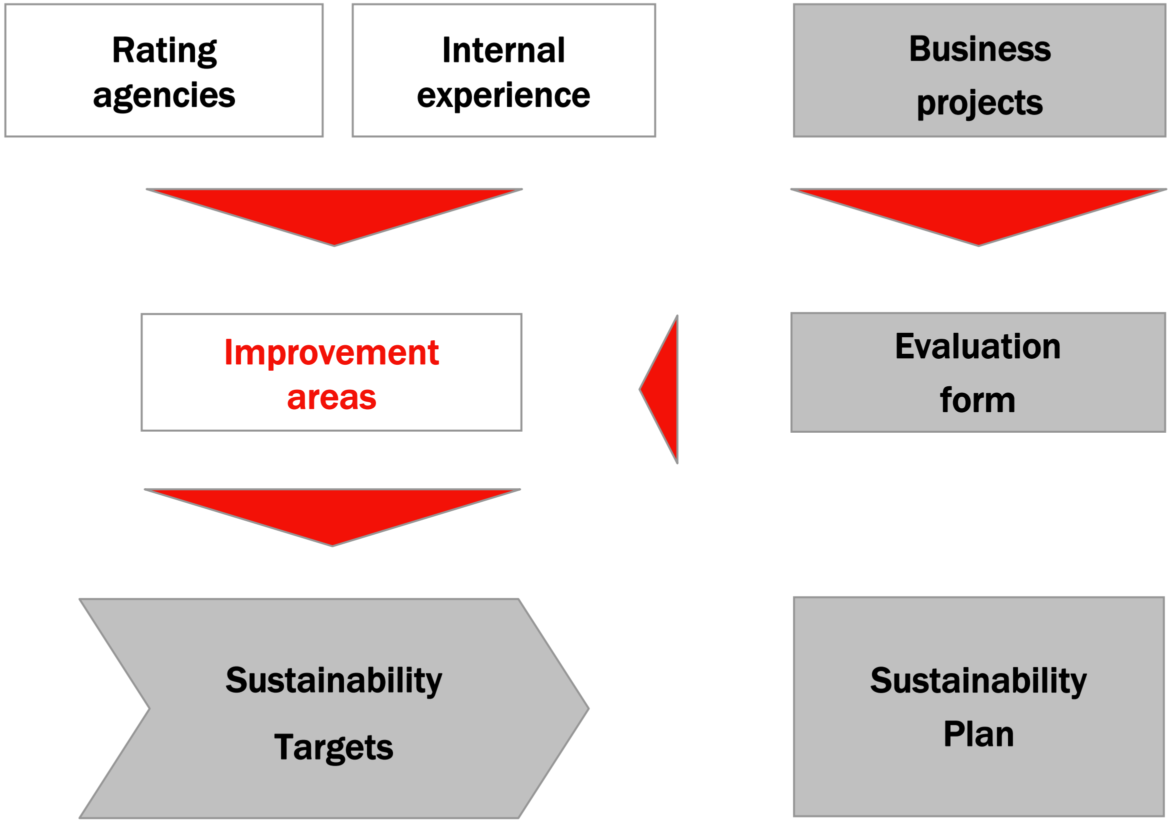


Sustainability reporting

- Included in the Annual Report since 2003
- Based on:
  - a set of KPI managed through a software platform used for other financial statement data
  - the procedures for data collection and management extended to the entire Group (Key People and Data Owners)
- Includes strategy and targets
- Certified by independent auditors

Telecom Italia has been ranked among the best 100 companies worldwide with reference to the quality of its sustainability reports in "The Global Reporters 2006 Survey of Corporate Sustainability Reporters" conducted by the specialised agency SustainAbility in co-operation with UNEP and the rating agency Standard & Poor's

Planning


Rating agencies
Internal experience
Business projects
Improvement areas
Evaluation form
Sustainability Targets
Sustainability Plan

2007 results vs 2007 targets

Area	Indicator	Measurement unit	Target 2007	Final Balance 2007	Target Status 2007
CUSTOMERS	Keeping the technician appointment at the customer's premises	%	98	98	▲
CUSTOMERS	Percentage of telephone lines activated through "Linea Pronta" (Ready access)	%	18	13.1	▼
HUMAN RESOURCES	Employee satisfaction measured through the survey "Group Photo"	Mean level of satisfaction	≥ 6.21	The survey has not been carried out in 2007	/
HUMAN RESOURCES	Training	Training hours per capita	29.3	30.6	▲
HUMAN RESOURCES	Health: sickness hours as compared to working hours	%	≤ 3.5	3.7	▼
HUMAN RESOURCES	Equal Opportunities: women workers as compared to total staff	%	26.8	26.9	▲
ENVIRONMENT/Energy	Eco-efficiency indicator	Bit/Joule	850	873	▲
ENVIRONMENT/ Electromagnetism	Reduction of emissions from UMTS cells	Number of additional cells with second carrier	500	4.289	▲
ENVIRONMENT/ Electromagnetism	SAR qualification	%	95	100	▲
ENVIRONMENT/Waste	Corporate offices with over 100 employees with differentiated waste collection in place	Number of offices	70	75	▲
ENVIRONMENT/Paper	Purchased recycled paper	%	40	45	▲
ENVIRONMENT/ CO_2 emissions	Replacement of Euro3 vehicles with Euro4 vehicles	Number of replaced vehicles	1.000	1.901	▲
ENVIRONMENT/ CO_2 emissions	Replacement of oil boilers with methane boilers	Tons of CO_2 not emitted	500	182	►
DIGITAL DIVIDE	ADSL coverage	%	94.5	94	►
DIGITAL DIVIDE	IPTV coverage	%	51	52	▲
DIGITAL DIVIDE	UMTS coverage	%	77	76.5	►

2008 targets

Area	Indicator	Measurement unit	Year end 2007	2008 Target
CUSTOMERS	Keeping the technician appointment at the customer's premises	%	98	98
HUMAN RESOURCES	Training– Italian companies	Training hours per capita	30	30.5
HUMAN RESOURCES	Training– Italian companies: coverage (no. of people taking part at least once in training over the total population)	%	84.3	85
ENVIRONMENT	Eco-efficiency indicator	Bit/Joule	873	1,130
ENVIRONMENT	Energy saving by the use of low-consumption lighting systems (10 buildings)	kWh	0	3,000,000
ENVIRONMENT	Energy Saving due to the optimisation of the electrical efficiency of 50 substations through power factor correction	Kvar/h	0	1,950,000
ENVIRONMENT	Reduction of power emission from UMTS cells	Number of additional cells with second carrier	4,289	600
ENVIRONMENT	SAR qualification Italy	%	100	100
ENVIRONMENT	SAR qualification Brazil	%	0	25
ENVIRONMENT	SAR qualification Bolivia	%	0	40
ENVIRONMENT	Other corporate offices to be equipped for differentiated waste collection	Number of offices	75	100
ENVIRONMENT	Paper consumption reduction	%	7.6	3
ENVIRONMENT	Recycled paper purchased	%	45	60
ENVIRONMENT	Replacement of 15 oil boilers with new generators/heat pumps	Tons of CO_2 not emitted	182	200
ENVIRONMENT	Replacement of euro3 vehicles with euro4 vehicles	Tons of CO_2 not emitted	1,951	2,700
SUPPLIERS	Increase of audits on suppliers with reference to ethics and sustainability	%	16	10
DIGITAL DIVIDE	ADSL coverage	%	94	96
DIGITAL DIVIDE	IPTV coverage	%	52	54
DIGITAL DIVIDE	UMTS coverage	%	76.5	81
DIGITAL DIVIDE	HSDPA coverage	%	70.6	81

Sustainability into Managers’ MBO

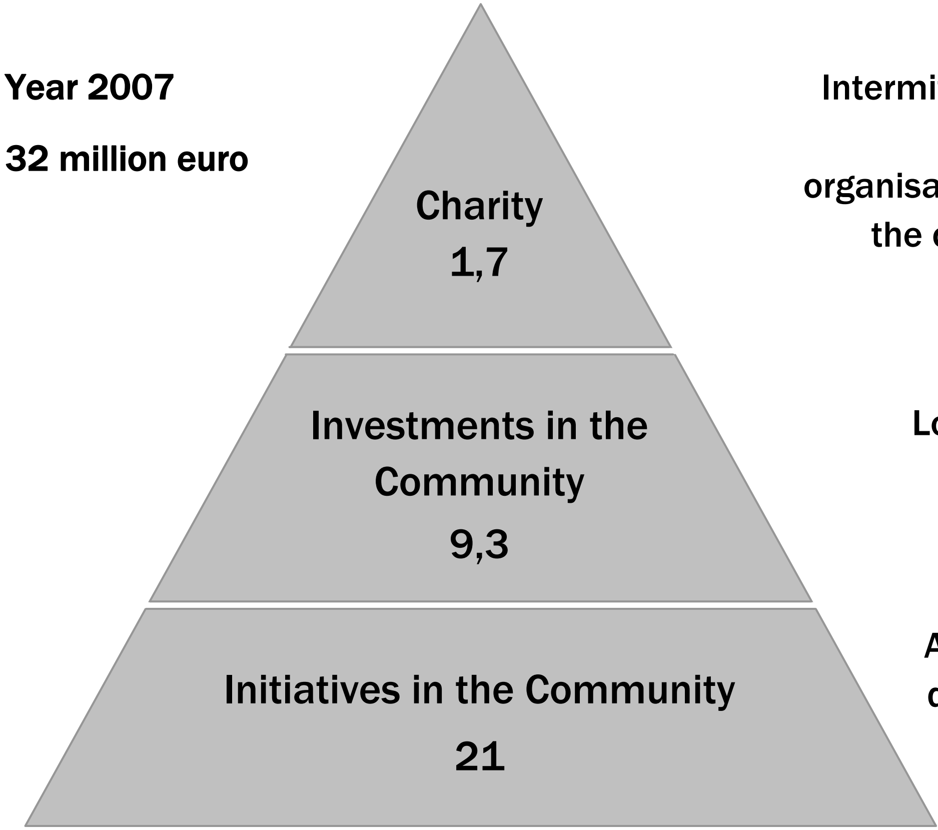
Stakeholder	Objectives
Customers	Customer Satisfaction Quality of provided service
Human Resources	Surveys on employees’ satisfaction Employees’ health and safety Training on safety and environmental issues Training programs and professional development Welfare activities for employees
Environment	Consumption of materials, energy and water Emissions Waste management Environmental remediation
Market and Institutions	Compliance with laws, regulation and codes Quality and promptness of company communication
Suppliers	Environmental controls on suppliers
Community	Organisation of cultural initiatives Quality of the initiatives/projects for the Community

Contribution to the Community

LBG (London Benchmarking Group) Model

Year 2007

32 million euro



Intermittent support to a wide range of "social" issues in response to the needs and appeals of community organisations , increasingly through partnerships between the company, its employees, customers and suppliers

Long-term strategic involvement of the company to address a limited range of "social" issues

Activities in the Community usually by commercial departments to support directly the success of the company, also in partnership with charities and community-based organisations

Relations with sustainability rating agencies

- Involvement of a large number of employees in completing questionnaires and updating profiles (over 70 resources involved)
- Communication to the top levels of management of the ratings received and structured follow up meetings
- Support to analysts in interpreting data and news reported by the press (conference calls and meetings)
- Updating analysts about the technicalities of Italian law (i.e. compensation, staff levels, environmental regulations)
- Open dialogue on the possibility of including additional assessment parameters (i.e. career advancement, technological innovation)

Sustainability indexes in which TI is included

- Dow Jones Sustainability Indexes
  - World (DJSI World)
  - STOXX (DJSI STOXX)
- FTSE4Good
  - Global, the first 100 companies by market capitalization are included in the FTSE4Good Global 100 - tradable index.
  - Europe, the first 50 companies by market capitalization are included in the FTSE4Good Europe 50 - tradable index.
  - Environmental Leaders Europe, including 40 companies selected within the FTSE4Good Europe on the basis of their environmental performance
- ESI (Ethibel Sustainability Performance Index)
  - Excellence Europe
  - Excellence global
  - Pioneer global
- ASPI (Advanced Sustainable Performance Index)
- ECPI (E.Capital PartnersIndexes)
  - Ethical Global
  - Ethical Euro
  - Ethical EMU
  - ECPI Global TOP 30
- Axia Ethical e AXIA Euro Ethical Axia
- KLD Sustainability Indexes
  - Global
  - Global ex US
  - Europe

Sustainability and Investors - TI strategy

- Sustainability department directly reporting to the CFO
  - unitary management of financial and non-financial data
  - attention to investors' needs
- Integrating reporting of financial and non-financial performance within the financial statement
- Attracting capital from Socially Responsible Investors (SRI)
- Stimulating attention to Sustainability among mainstream investors

Listening to shareholders

Shareholder Identification is carried out twice a year to analyse the positions of SRI investors at national and international level.

The opinions of shareholders and potential investors are surveyed through:

- Roadshows (CFO – Investor Relations – Group Sustainability) in London, Paris, Amsterdam
- One-to-one meetings, group meetings and conference calls
- Investor Days
- Shareholder Club
- Dedicated contacts via e-mail

  (investor_relations@telecomitalia.it , investitori.individuali@telecomitalia.it)

TI in SRI investors choice

TI is among the top 20 companies chosen by the managers of “Green Social and Ethical” funds, according to the ranking by Vigeo Italia, holding the 18th position in the intersectorial classification, and second position in the TLC sector.

The “Intangibles” project - objectives

TI Group embarked on a study on the relationship between financial and non financial performance

Project Focus	➤	**Value of internally generated “Intangibles”**

Phase 1 of the project (run in partnership with Bocconi University) investigated the relations between financial and non financial performance. Concluded in 2004.

Phase 2 aims at defining a model to represent and communicate some internally generated “intangibles”. Still ongoing.

Phase 1 conclusions

1	KLD Ratings - S&P 500 companies – Stepwise regression
2	Empirical evidence has been provided in favour of the existence of a relation between financial and non financial performance (S&P 500 companies)
3	The communication of Sustainability should focus on the following topics: ▸ Relations with Community ▸ Human Capital ▸ Product Quality and Innovation

Phase 2 – The EU Alliance LAB

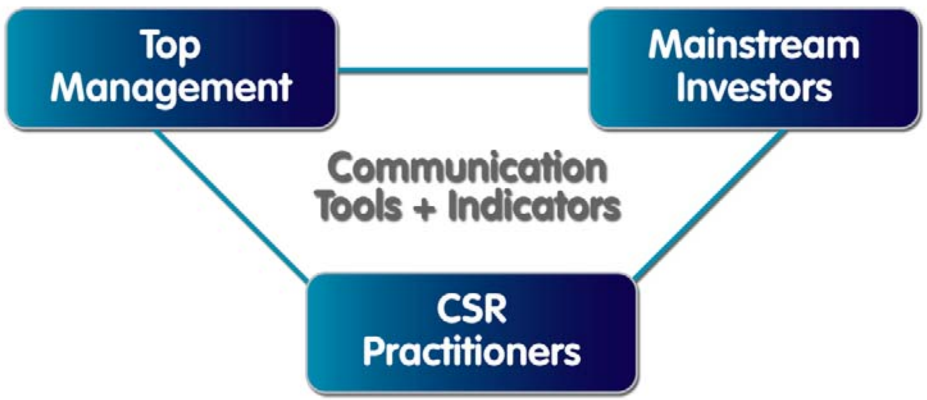
- On March 22, 2006, an Alliance was launched among the European Commission and companies, in order to make Europe a pole of excellence in CSR. Among the priority areas identified for the Alliance there is:
  - integration of financial and non-financial performance and better communication with key stakeholders, particularly investors

- The Alliance aims at tackling the issues identified in the form of "Laboratories" in order to explore and to develop joint operational projects, in partnership with relevant experts and stakeholders and with the backing of the European Commission

- Telecom Italia together with Lloyds TSB is leading the Lab "Corporate Responsibility and Market Valuation of Financial and Non-Financial Performance"

LAB background

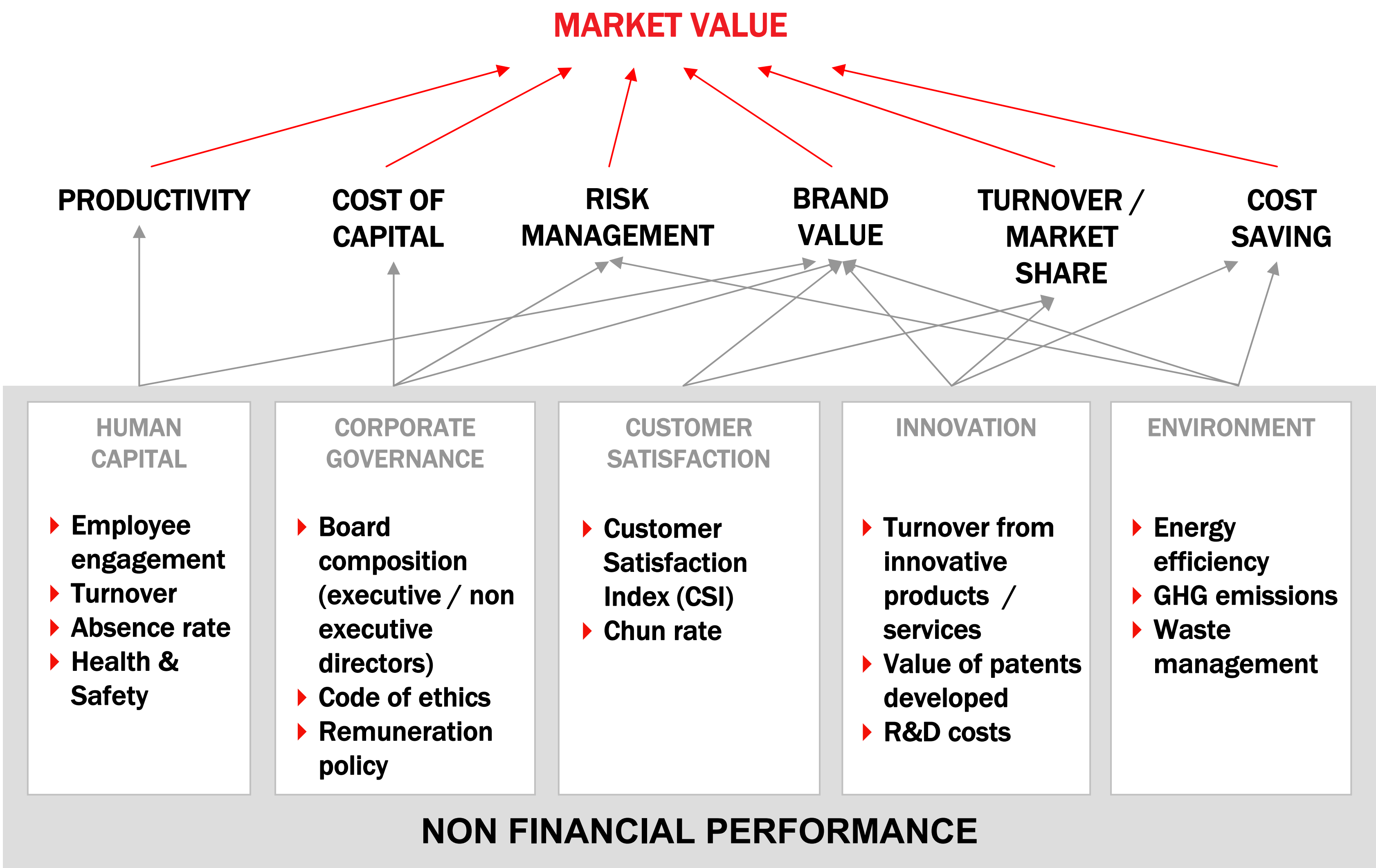
- Non-financial performance is regarded as important by senior executives, investors and CSR practitioners
- Companies are slow to integrate non financial performance measurements in the mainstream business strategy internally and to communicate it externally
- Investors are usually slow to integrate non financial indicators into valuation models



LAB objectives

- Identify 4 or 5 key core areas of non-financial performance that are critical to both companies and investors through research with companies and investors and analysis of current literature and developments
- Identify broad metrics for each core area that are applicable to companies across markets and sectors
- Establish the linkages between these measures of non-financial performance with financial performance
- Explore strategies for managing and communicating performance in the core areas, including linkages to widely used management models
- Test the above with investors and key stakeholders

Proposed model



LAB deliverables

- A comprehensive review of the critical areas of non-financial performance and the contribution to financial performance as an evidence base for the work of the LAB.
- A framework for proposed metrics and strategies for management and communication of key areas of non-financial performance highlighting the link with financial performance.
- A declaration of principles and recommendations providing clear guidance on how to improve communications between companies and investors around meaningful indicators of value created through non-financial performance.

The LAB activities are supported by a reseach team (Bocconi University and the Cranfield School of Management)

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Leadership functions of the Board of Directors: main tasks

Main tasks

- Strategic, operational and financial plans examination and approval
- Budget analysis and approval
- Examination and approval of strategic transactions and establishment of general criteria for their identification
- General organizational, administrative and accounting structure check with special reference to the internal control system
- Granting/cancellation of mandates to Executive Directors. Definition of exercise limits thereto and of frequency of reporting to the Board
- Determination of General Managers powers nomination of persons to hold offices of Chairman and CEO in strategic subsidiaries
- Assessing the overall performance of operations and periodically comparing the results achieved with those planned

Board of Directors Committees: main functions

Board of Directors Committees	Main Tasks
Executive Committee: **Chairman + CEO + 6 directors**	• Monitoring the evolution of the management of the Company and of the Group, approving the organisational macrostructures of the Company • Expressing an opinion to the Board on the budget and strategic, industrial and financial plans of the Company and the Group
Internal control and Corporate Governance Committee: **non-executive, mainly independent directors, one of which drawn from minority lists, with specific expertise**	• Internal control system assessment • Opinion on appointment, removal and duties of the manager responsible for financial reports and of the person in charge of internal control and assessment of the latter's programme • Assessment of proposals by auditing firms to obtain engagement, of their work programme and of the result thereof • Check on corporate governance rules compliance and their regular updates Check compliance with the principles for transactions with related parties • Assessment of the correct use of accounting standards adopted and of their uniform application in the Group
Nomination and Remuneration Committee: **non-executive, mainly independent directors, one of which drawn from minority lists**	• Proposing CEO and directors entrusted with special tasks compensations (to ensure their alignment with the objective of creating value for shareholders over time) and proposing the criteria for the remuneration of the Company's senior management • Assessing the criteria periodically in addition to performing a monitoring function, proposing candidates for the Board of Directors in the event of replacement of an independent board member

Central role of the Board of Statutory Auditors (1/2)

Under the Italian corporate governance rules the Board of Auditors

Board of Statutory Auditors

5 independent members with top positions, specific financial expertise and significant control powers:

- **2 members (Chairman + 1 member) represent minority shareholders**

- checks compliance with the law, corporate by-laws and principles of management;
- checks effectiveness of corporate governance rules;
- assesses corporate internal control, administration and accounting systems;
- issues mandatory proposals for the appointment of the auditing firm;
- handles complaints by shareholders & stakeholders and refers on the matter in its Report to the annual shareholders' meeting and indicates follow-up policies.

Central role of the Board of Statutory Auditors (2/2)

SEC regulation on the enforcement of the "Sarbanes Oxley Act" acknowledging correspondence between the Board of Auditors and the Audit Committee of US Listed Companies

Board of Statutory Auditors

5 independent members with top positions, specific financial expertise and significant control powers:

- **2 members (Chairman + 1 member) represent minority shareholders**

The Board of Statutory Auditors holds a legal and "de facto" responsibility for the **appointment**, retention and oversight of any **accounting firm** engaged in the drafting of an audit report or performing any other audit, review or certification services for Telecom Italia.

Any **accounting firm** performing audit work for Telecom Italia must duly **report** to the Board of Statutory Auditors on the following: (i) all **critical accounting policies and practices** to be implemented; (ii) all **optional processing of financial information within GAAP** discussed with the Telecom Italia management; (iii) any other written communication between the accounting firm and the Telecom Italia management (e.g., management correspondence, schedule of unadjusted discrepancies).

The Board of Statutory Auditors has adopted a complaint procedure for receiving, retaining and treating the "reports" it receives (including complaints on accounting, internal accounting controls or auditing matters and anonymous submission of concerns by employees regarding questionable accounting or auditing matters).

The Board has the authority to **appoint its legal counsel and/or any other advisors**, as the case may be, to carry out its duties.

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TI Group – 1Q ’08 Key Financial Results

€ Mln	1Q ‘08 reported	1Q ‘07 reported*	YoY reported	YoY organic**
Revenues	7,298	7,475	-2.4%	-4.0%
Ebitda	2,966	3,178	-6.7%	-6.7%
Ebitda margin	*40.6%*	*42.5%*	*-1.9pp*	*-1.2pp*
Ebit	1,528	1,817	-15.9%	-16.0%
Ebit margin	*20.9%*	*24.3%*	*-3.4pp*	*-2.9pp*
Net Income *post minorities*	501	775	-35.4%	
Capex	1,228	1,128	+100	
Net Debt	35,436	37,182	-1,746	

-265 vs 35,701 € mln YE’07

Highlights

- Domestic revenues mainly affected by regulatory discontinuities (€ 260 mln). International activities generated 22% of Group turnover in 1Q08 (+4pp yoy).
- Stable domestic Ebitda Margin (47.5%), among the highest in the industry. Lower international profitability due to competitive dynamics and non recurring bad debt in Brazil.
- D&A increase following higher capital intensity for continued investments in innovation.
- Bottom-line discounts lower operating income and a negative yoy balance from Sofora call options valuation.
- Higher investments in Italy for broadband coverage and quality improvement.
- Net Debt decrease thanks to cash flow generation.

** Pro-forma figures (TI France considered as a discontinued operation).*
*** Excluding changes in consolidation area, exchange rate impact and other non organic items. In line with '08-’10 Company Guidance, restructuring costs are accounted as recurring items and no longer included among the non organic items.*

Domestic Wireline: BB and ICT 1Q08 value drivers

	2008 Targets	1Q08 Trends

Revenues	▸ **Total domestic Fixed revenue organic trend: -4.0/-4.5% YoY (-1.9%/-2.5% net of Regulatory Discontinuities and Carry Forward of Int'l Wholesale)**	▸ **Revenues -5.9 YoY organic (-0.7% net of discontinuities), in line with expected quarterly trend**
		▸ **Trends in line with the guidance**
		  ▸ **Voice:** line losses stable yoy; WLR introduction in 1Q08; F-M traffic migration still relevant
		  ▸ **ICT: +7.1% yoy (of which +17.6% Services)** almost double 1Q07 growth
		  ▸ **Wholesale:** negative yoy comparison on International wholesale due to 2Q07 service portfolio rationalization

	▸ **+10% YoY Internet revenue growth**	▸ **+15% yoy (+17.3% BB revenues)** thanks to focus on Value
Broadband growth	▸ **~7.0 Mln. BB Retail access**	▸ **6.5 Mln of BB Retail access** (114K net adds)
	▸ **Broadly Stable ARPU (~18€/month)***	▸ **17.9€/month**
	▸ **> 75% Flat** offer on total (Consumer + Business) Broadband portfolio	▸ **73%** (+2 p.p. vs. 2007 y.e.; +11 p.p. yoy); 87% BB Consumer Flat gross acquisitions; 144k up-selling from Free to Flat on BB Consumer
	▸ **~0.3 Mln. IPTV access**	▸ **136k IPTV access, +56K vs. Dec. 07**
	▸ **>30% VoIP penetration** on BB lines	▸ **1.5 Mln of VoIP customers, 23% of TI BB lines (+2,6 pp vs Dec. 07)**

** Annual ARPU*

Domestic Wireless: a sound quartely delivery

	2008 Targets	1Q08 Evidences
Market share/ ARPU	▸ **Focus on Revenue share rather than market share (~ 40% Mkt share)** ▸ **Stable positioning on key segments**	▸ **39.7% market share** ▸ **Enterprise: 62.9% (+1.5pp vs YE ' 07)** ▸ **Business: 51.8% (+0.1pp vs YE '07)** ▸ **Consumer Revenue share: 45.3 (stable YoY)**
	▸ **Slowdown ARPU* dilution (20€)**	▸ **19.2 €** *(-5.5% yoy net of regulatory effects vs. -8% yoy in 4Q),* mirroring quarterly seasonality and average cust. base growth (+10.2% yoy)
Revenue growth	▸ **Flat Retail Service Revenues** ▸ **-2% total Mobile Revenues** ▸ Less handsets ▸ Less wholesale	▸ **-5.5% yoy, +4.1% net of all regulatory** discontinuities (DL Bersani, Reding, Incoming F-M) ▸ **Solid trend on voice:** steadfast usage rebound with outgoing MOU growth ▸ **Double digit VAS revenue growth lead by innovative services** ▸ **3G/3.5G handsets are customers 1st choice** (+9.6% handset revenue growth notwithstanding lower total volumes yoy) ▸ -19.3% yoy wholesale revenues
VAS Mobile internet	▸ **~ 25% VAS on Service Revenues** ▸ **2.6 mln Mobile Broadband lines**	▸ **24,2% (+4.4 p.p. YoY, +0.8 pp QoQ); 25% at Retail level** ▸ **1.4 mln lines (+0.2 vs. 2007 YE)**

* *Net of visitors*

HanseNet: main results

€ Mln, %

	Reported Data				Organic Growth	
	1Q '08	1Q '07	Δ	Δ %	Δ	Δ %
Revenues	303	198	+105	+53.0%	+37	+13.9%
Ebitda	59	49	+10	+20.4%	+3	+5.4%
% on revs	*19.5%*	*24.7%*	*-5.2 p.p.*		*-1.6 p.p.*	
Capex	97	108	-11		-11	
% on revs	*32.0%*	*54.5%*	*-22.5p.p.*		*-22.5 p.p.*	

Main economic performance drivers

- HanseNet maintained ~13% market sh. ytd
- German market in 1Q was characterized by stronger than expected price competition
- Higher than expected marketing and sales expenses
- Price and gross margin pressure in Q1. Reference price dropped to 29.90€/month for a dual play flat-rate offer and led Alice customers to adopt new price plans more rapidly than expected
- For the rest of 2008 we expect ARPU and Gross Margin per customer to remain stable
- Reduction of churn through up-selling of AOL customers
- Higher customer service cost due to process reengineering which have improved quality to best in class performance (Answering rate from 84% in Dec to 91% in March) and which will generate cost efficiency in the following quarters

HanseNet: 1Q 08 progress on strategic priorities

Market Results

- **Gross adds continue in line with previous quarter** (253k); overall BB net growth suffered from strong decline of AOL customers also due to data cleaning after end of migration
- **Mobile customer base** increased from 329k to 423k subscribers
- **Brand awareness** increased to 51%* vs. 46% in Q4 07

Operational Excellence

- Since March **service levels** show strong performance due to operational optimizations:
  - Excellent hotline answering times
  - Low activation backlogs (due to end of delays from incumbent)
  - Substantial cost savings will be reached starting Q2

Network Extension

- **ULL coverage** reached 68%, increase from ~ 60% in 2007 through 3rd party coverage (target 2008 ~70%)
- **Roll-out of FTTB** trial in selected area of Hamburg

Expected Profitability

- **Heavier price competition will negatively impact 2008 EBITDA margin, target revised to almost 24% from previously announced ~26%**

** GFK Eurisko, February 2008*

TIM Brasil: investing for the future

- **Maintaining aspirational, innovative brand attributes**

- **Marking the market**
  - **Stable market share:** 25.9% share in an increasingly competitive environment
  - **Leader in gross adds:** ~26% share thanks to promotions on traffic and 'TIM-Chip only' sales
  - **Focus on high-end:** post paid 20.8% of total lines vs competitors 18.6%
  - Maintaining **strong prepaid base** through loyalty programs and development of low-income class model

- **Developing wireless broadband**
  - **Launch of 3G service in 8 major cities:** 850 Mhz - April 16th, 2.1 Ghz - May 1st
  - Step ahead in TIM convergent offer through wireless broadband: **speed upgrade 1-7Mbps** is automatic, seamless and free of charge for all covered areas/enabled devices
  - Innovation to encourage **usage and revenue**: VAS already at 8.1% of service revenues (+1.4 pp YoY)

- **Delivering on results:** 2008 company targets already factored in an increasingly competitive scenario, 1Q 08 slowdown has prompted remodeling of voice tariff plans and kick-off of fixed cost control plan
  - **Revenues: 2008 target revision to ~9% YoY organic growth**
  - **All other 2008 targets confirmed**

TIM Brasil: main results

IAS/IFRS

	Reported Data - Euro *Million Euro, %*				Reported Data - Reais *Million R$, %*				Updated Targets *IAS*
	1Q '08	1Q '07	Δ Abs	Δ %	1Q '08	1Q '07	Δ Abs	Δ%	2008
REVENUES	**1,224**	**1,100**	+124	*+11.3%*	**3,183**	**3,040**	+143	*+4.7%*	**~9% YoY** *organic*
EBITDA	**242**	**269**	-27	*-10.0%*	**631**	**745**	-114	*-15.3%*	
% on Revs	*19.8%*	*24.5%*	*-4.7 p.p.*		*19.8%*	*24.5%*	*-4.7 p.p.*		**>24% margin** *confirmed*
EBIT	**-17**	**16**	-33		**-45**	**46**	-91		
% on Revs	*-1.4%*	*1.5%*	*-2.9 p.p.*		*-1.4%*	*1.5%*	*-2.9 p.p.*		
CAPEX	**139**	**116**	+23		**361**	**321**	+40		**~1.5 bln€** *Incl. 3G license confirmed*
% on Revs	*11.3%*	*10.6%*	*+0.7 p.p.*		*11.3%*	*10.6%*	*+0.7 p.p.*		

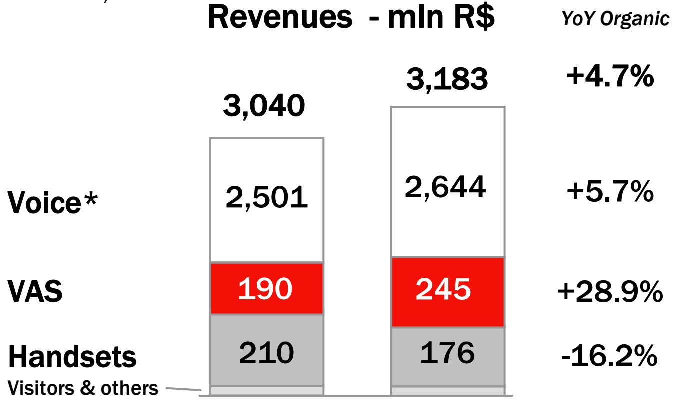
impacted by exceptional level of bad debt

3G license cost to be booked in 2Q 08

TIM Brasil: main performance drivers

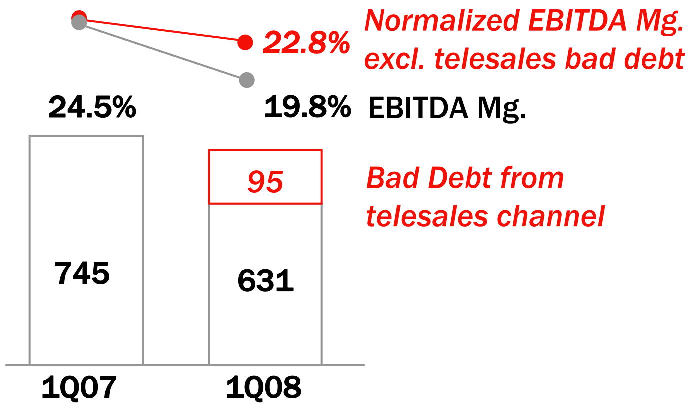
IAS/IFRS

Revenues - mln R$



- **Promotions on traffic** to drive on-net usage and M-F calls on a "hot spot" basis:
  - Outperforming market adds in target areas
  - Blended MOU up to 94 (+5% YoY), again above peer average
- **Push on VAS** and promote "education" on data in light of 3G+ launch *(April 16, 2008):* innovative services drive VAS up to 8.1% of service revs (+1.4 pp YoY)
- **Lower handset revenues** due to strong reduction in handset prices and lower volumes from 'TIM-Chip only' strategic **focus on services**

EBITDA – mln R$ - and EBITDA margin

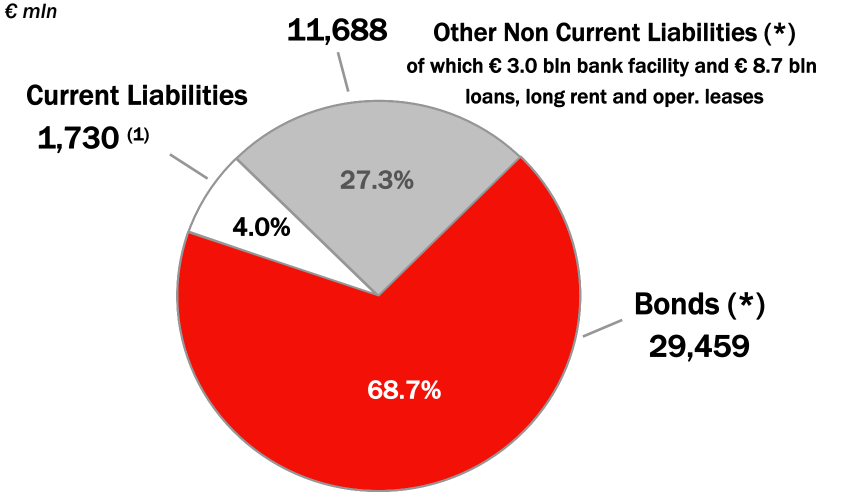


- **Commercial price aggressiveness as investment for the future**
  - **+ interconnection expenses** from strong outbound traffic increase
  - **+ VAS content** and web promotions driving to 3G
  - **- SAC** through balance of improved commissions policy and subsidy focus on value customers
- **Bad Debt exceptional increase** (9.0% of service revs; +2.9 pp) from aggressive 2H 07 acquisition campaign via telesales channel
  - increased control against frauds had led to disconnection "bad credit" postpaid lines
  - **2008 bad debt back to historical levels** (~6% of service revs) thanks to new rules implemented in telesales process and stricter credit analysis

**Excluding Visitors and others*

TI Group: debt structure as of March 31st, 2008

Total gross debt: € 42,877 mln (1)



- **Cost of debt: approximately 5.9%**

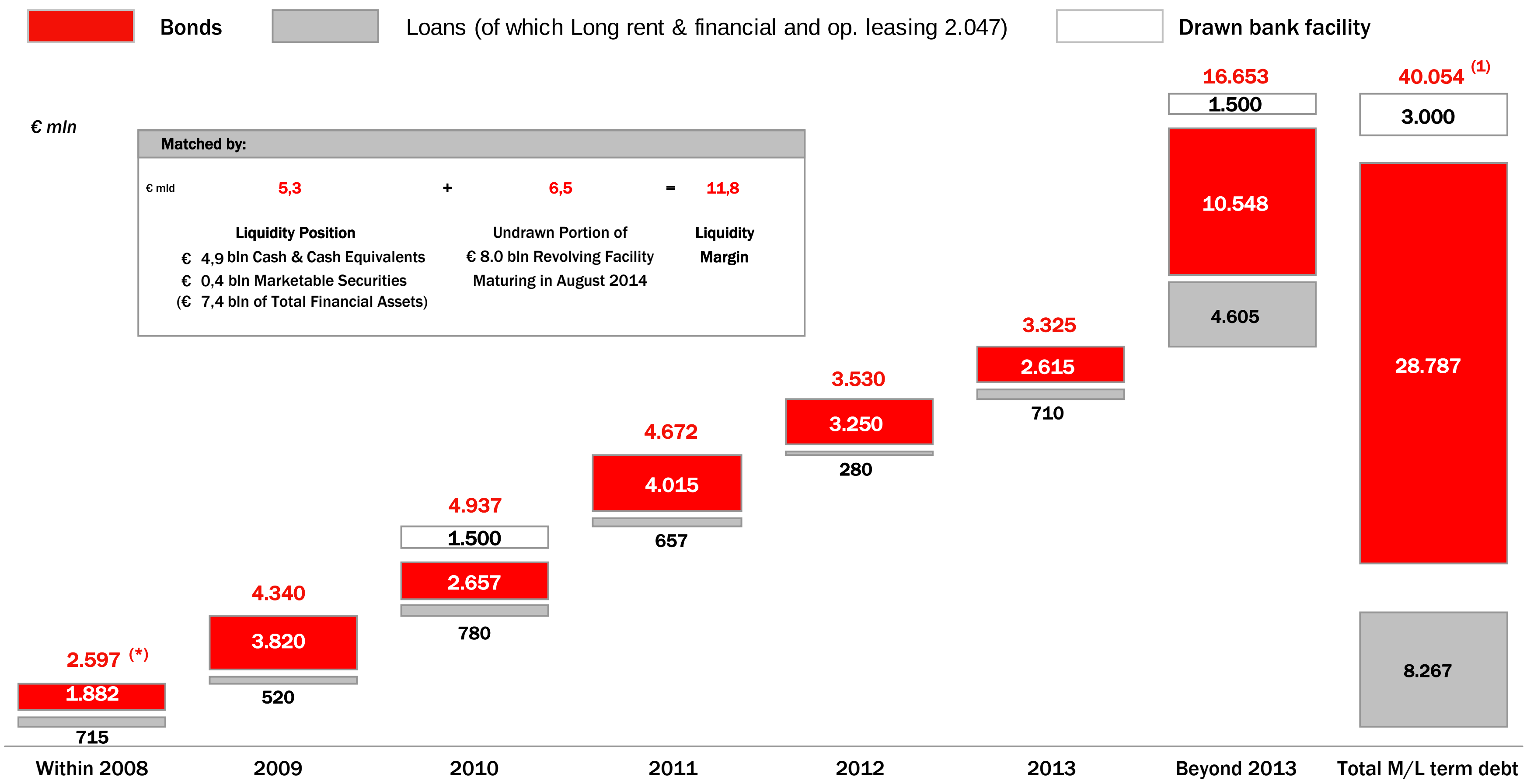
Gross Debt	**€ 42,877** (1)
Financial Assets	**€ (7,441)** (1) (2)
Net Financial Position	**€ 35,436**

Maturities and risk management

- € 5.3 bln liquidity position, plus further € 6.5 bln committed unfunded bank lines grant a stable and ample treasury margin and allow full flexibility for future funding
- Average bond maturity: 7.95 years
- Fixed rate portion on debt approximately 70%
- Around 36% of outstanding bonds is denominated in USD, GBP and YEN and is fully hedged

(1) Including Liberty Surf Intercompany Debt accounted as for Discontinued Operations (€ 762 mln)
(2) Nominal Liquidity Position, represented by cash and marketable securities stands at € 5.3 bln
(*) including the current portion of non current liabilities (maturing within 12 months) for € 5,329 mln (of which bonds € 4,125 mln and other € 1,204 mln)

TI Group: medium-long term debt Maturity profile as of March 31st, 2008



(1) € 40.054 mln is the nominal amount of outstanding medium-long term debt, by adding IAS adjustments (€ 1.094 mln), current liabilities (€ 967 mln) and Liberty Surf intercompany debt accounted for as discontinued operations (€ 762 mln), the gross debt figure of € 42.877 mln is reached.

(*) of which euro 499.7 mln refer to bonds maturing September 14th 2008 with extendable option to bondholders; each extension period is for 21 months; ultimate maturity March 2012.

N.B. Debt maturities are net of € 95 mln (face value) of repurchased own bonds (TI Spa € 850 mln 5.25% Notes due 2055) and include € 14 mln of discontinued operations/assets held for sale relating to Liberty Surf. Furthermore, Liberty Surf current intercompany debt (€ 30 mln) due to TI Capital (maturing Sept 2008) has not been included.

Agenda

- Sustainability
- Corporate Governance
- 1Q'08 Group Financial Results
- **Highlights from 2008-2010 TI Group Operating Targets**

Telecom Italia Roadmap

Transform Domestic Business

- Improve quality
- Customer knowledge
- Convergent offers
- Develop ICT market

Domestic revenue trend reversed in 3 years time

Consolidate International Business

- Continue Growth in Latin America
- Strengthen Position in Germany
- Portfolio Monitor

Focus on International Growth

Exploiting Efficiencies and Synergies

- Customer segment organization
- Convergent Network and IT model
- Efficiencies and Synergies with Telefónica

Group EBITDA Improvement

Financial Discipline

- Investment and Portfolio Management
- Shareholder Remuneration

Leverage

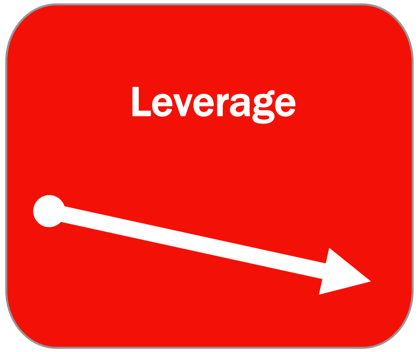
Domestic Business - Main Targets

Mobile and BB Consumer Strategy	▸ Retain best customers through convergent offers ▸ Increase share-of- wallet
Networked ICT for Business Customers	▸ Maintain leadership in Top & Large Accounts ▸ Growth in the SME segment ▸ Increase ICT revenues and market share
New Wholesale Paradigm	▸ Leverage on the Wholesale Market as a value creation engine ▸ Improve Relation with Regulation Authorities

Domestic revenue trend reversed in 3 years time

Disciplined financial policy and focus on deleveraging

Focus on deleveraging	▸ Priority on debt reduction ▸ Disposal of non core activities
Shareholder remuneration	▸ Long term sustainability of dividend policy
Capex and portfolio management to maximise returns	▸ Selective usage of cash flow for organic growth ▸ Strengthen position on key existing international assets



TI Group 2008 targets and 2009-2010 guidance

€ bln, %

	2007 Actual Organic*	2008 Targets Organic*	2009 - 2010 Trends Organic* vs. 2008
Revenues	30.9	~31.0	CAGR 2008-2010 = +1% / +2%
EBITDA EBITDA Margin	12.25 *39.7%*	~38.5% (excluding 1998 License Fee income for ~0.5 bln €)	EBITDA margin % ~ 39.0 %
CAPEX	5.4	~5.4 (including 0.5 bln€ 3G License in Brasil)	Cum. 2008-2010 = ~15.0 Capex reducing YoY
Net Financial Position NFP/ EBITDA	35.7 *3.1x*	< 3.0 x	NFP and ratio to EBITDA Reducing YoY 2010 NFP/EBITDA ~2.5x

** Assuming perimeter as of 31/12/2007 excluding TI France, 2007 exchange rates and including restructuring costs*