

TELCO S.p.A.

Registered office: Via Filodrammatici 3, Milan, Italy
Share capital: €4,849,038,420.00 fully paid up
Registration no. in Milan Companies' Register,
Tax identification code and VAT no.: 05277610969

PRESS RELEASE

Telco SpA shareholders' meeting today approved the financial statements for the four-month period ended 30 April 2008, which reported a profit of Euro 194.3 million. The meeting resolved to carry forward the profit for the period after the relevant allocation to legal reserve. In the reference period, Telco recorded a dividend of about Euro 262 million received on 24 April on the Telecom Italia shares held in portfolio and net financial charges of approximately Euro 67 million accrued on facilities outstanding and relevant exchange risk hedging contracts.

Upon Consob's request, Telco informs that its interest in Telecom Italia is comprised of No. 3,278,702,623 ordinary shares corresponding to about 24.5% of Telecom Italia ordinary share capital, carried at a book value of Euro 8,836 million (corresponding to Euro 2.695 per Telecom Italia share). The current stock exchange value of Telecom Italia shares is Euro 3,794 million (- 5,042 million when compared to the book value) while the pro-rata shareholders' equity of Telecom Italia at 31 March 2008 (the latest available statement) was Euro 4,423 million (- 4,413 million when compared to the book value). As to the valuation criteria adopted by the Company, Telco's financial statements have been prepared in compliance with the provisions of article 2423 et seq. of the Italian Civil Code, supplemented by the accounting principles drawn up by the Italian Association of Chartered Accountants and the Italian Accounting Body; the investment in Telecom Italia is recorded among financial fixed assets and valued in accordance with the accounting principle No. 20 – *Securities and Investments*. Based upon elements and information known to date, including the economic and financial situation of Telecom Italia at 31 March 2008 and its outlook as reported in Telecom Italia's guidance to the financial community on 7 March 2008, the directors of the Company believe that there is no durable loss in value. The book value of the investment reflects, *inter alia*, the strategic value of the participation held, in line with the long-term perspective of the investment which was made with the purpose of creating value for all shareholders over time, strengthening and stabilising the shareholding base and securing greater financial flexibility to Telecom Italia. In their review, the directors have received a *fairness opinion* from a primary international investment bank, which confirmed the fairness of the book value.

Also upon Consob's request, Telco confirms the strategic value of the investment and informs that no expression of interest was received from and no contacts were started with third parties interested in the purchase of Telco's participation in Telecom Italia.

Milan, 31 July 2008