INFORMATION DOCUMENT

ON SHARE-BASED COMPENSATION PLANS SUBJECT TO APPROVAL BY THE BODY COMPETENT FOR THEIR IMPLEMENTATION PRIOR TO 1 SEPTEMBER 2007

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INTRODUCTION

With this information document (the “Information Document”) Telecom Italia S.p.A. (with registered office in Milan, at 2 Piazza degli Affari, tax code and registration number in the Milan Company Register 00488410010, also referred to as “Telecom Italia”, the “Company” and the “Issuer”) fulfils the requirements for compensation plans involving the award of financial instruments with reference to the plans in place at 1 September 2007 (the “Plans”), for which at that date the Company’s governing bodies had already adopted the resolutions falling within the scope of their authority for their implementation, pursuant to Consob Resolution no. 15915 of 3 May 2007.

The Plans, of which there are five, were originally put in place by the “old” Telecom Italia and by Telecom Italia Mobile S.p.A., merged into the present Telecom Italia with effect from respectively 4 August 2003 and 30 June 2005. The residual amounts at 1 September 2007 of the increases in capital for the exercise of the options awarded under the Plans are described in Article 5.4 (“old” Telecom Italia Plans) and Article 5.5 (Tim Plans) of the Company’s bylaws.

Each of the Plans is covered in a separate section of this document, divided in turn into a description and a summary table, in conformity with Model 7 of Annex 3A of Consob Regulation 11971/1999, of 14 May 1999, on issuers.
DEFINITIONS COMMON TO THE ENTIRE DOCUMENT

Beneficiary/Beneficiaries: the person/persons to whom Options (as defined below) are awarded under the Plans.


Equivalent Option: conventionally taken to mean the right to subscribe for a single share following the change in the option subscription ratios consequent on the Olivetti Merger and the Tim Merger.

Key Managers: persons performing executive functions and managers having regular access to inside information and authorized to take management decisions that can influence the development and prospects of the listed issuer, pursuant to Article 152-sexies, paragraph 1(c)(c.2) of Consob Regulation 11971/1999; in the case of Telecom Italia these persons coincide with those classified as key managers in IAS 24 ("Related party disclosures") or as executive officers when applying US rules and regulations. The list of the issuer's Key Managers at 30 June 2007 (valid also at 1 September 2007) is available in the half-year report to June 2007 on the Telecom Italia Group.

Fair Value: the arithmetic mean of the official prices in the month prior to the Grant Date (as defined below), in accordance with the applicable tax rules.

Grant Date: the date options are awarded to the beneficiaries.

"Old" Telecom Italia: the company Telecom Italia S.p.A. prior to 4 August 2003, the effective date of the Olivetti merger.


Option/Options: right/rights to subscribe for shares awarded under each of the Plans.

Plan/Plans: each plan or, jointly, all the stock option plans described in this information document, in the sections devoted respectively to each plan.

Regulation on Issuers: Consob Regulation 11971/1999 on issuers implementing the provisions on issuers of the Consolidated Law on Finance (as defined above).

Rules: the rules, for each of the plans, governing the time limits, characteristics, conditions and manner of implementation.

Share/Shares: the ordinary shares of Telecom Italia S.p.A., with a par value of €0.55 each. The Shares are traded on the MTA electronic share market organized and operated by Borsa Italiana S.p.A.

Telecom Italia Group or the Group: Telecom Italia and the companies it controls directly and indirectly.


This section of the Information Document is devoted to the Top 2002 Stock Option Plan, launched by the Board of Directors of the “old” Telecom Italia on 13 February 2002. Accordingly, in this section Plan is to be taken as meaning the Top 2002 Stock Option Plan and likewise Beneficiary, Option, Grant Date and Rules are to be taken as meaning the Beneficiary, Option, Grant Date and Rules of the Top 2002 Stock Option Plan.

The increase in capital for the Top 2002 Stock Option Plan, for the part still remaining at 24 July 2007 (valid also at 1 September 2007) is shown in point 1 of Article 5.4 of the Company’s bylaws.

1. BENEFICIARIES OF THE PLAN

1.1 Names of the Beneficiaries to whom the Options are awarded because they are members of the Board of Directors of the Issuer or the Issuer’s parent companies or subsidiaries

There are no Beneficiaries who have been awarded Options because they are members of the Board of Directors of the Issuer or the Issuer’s parent companies or subsidiaries.

1.2 Categories of employees or collaborators of the Issuer or the Issuer’s parent companies or subsidiaries

The plan was directed at managers who at the Grant Date reported directly to the Chairman or the Managing Directors of the “old” Telecom Italia.

1.3 Names of the Beneficiaries belonging to the following groups:

a) persons performing executive functions in the Issuer pursuant to Article 152-sexies, paragraph 1(c)(c.2) of the Regulation on Issuers

At 1 September 2007 the Beneficiaries performing executive functions in the Issuer were:

- Riccardo Ruggiero (Managing Director and General Manager);
- Enrico Parazzini (General Manager).

b) persons performing executive functions in a subsidiary of the Issuer if the book value of the holding is equal to more than 50 per cent of the Issuer’s balance sheet assets, pursuant to Article 152-sexies, paragraph 1(c)(c.3) of the Regulation on Issuers

Not applicable: none of the Issuer’s subsidiaries satisfies the condition referred to in Article 152-sexies, paragraph 1(c)(c.3) of the Regulation on Issuers.
c) natural persons controlling the Issuer who are employees or collaborators of same

Not applicable: Telecom Italia is not controlled by any person within the meaning of Article 93 of the Consolidated Law on Finance.

1.4 Description and indication of the number, divided by category:

a) of the managers having regular access to inside information and authorized to take management decisions that can influence the development and prospects of the Issuer, pursuant to Article 152-sexies, paragraph 1(c)(c.2) of the Regulation on Issuers

At 1 September 2007 the Beneficiaries included 4 Telecom Italia Key Managers, two of whom already indicated in Section 1.3(a).

b) of the managers having regular access to inside information and authorized to take management decisions that can influence the development and prospects of a subsidiary of the Issuer if the book value of the holding is equal to more than 50 per cent of the Issuer’s balance sheet assets, pursuant to Article 152-sexies, paragraph 1(c)(c.3) of the Regulation on Issuers

Not applicable: none of the Issuer’s subsidiaries satisfies the condition referred to in Article 152-sexies, paragraph 1(c)(c.3) of the Regulation on Issuers.

c) of any other categories of employees or collaborators for whom different Plan characteristics have been provided

Not applicable: the Plan does not provide different characteristics for different categories of Beneficiaries.

d) of the persons indicated in indents a) and/or b) for whom different strike prices are provided

Not applicable: the Plan does not provide different strike prices for different categories of Beneficiaries.
2. REASONS FOR THE ADOPTION OF THE PLAN

2.1 Objectives it was intended to achieve by awarding the Options

The aim of the Plan was to motivate and increase the loyalty of the Telecom Italia Group’s key resources (“key” with respect to particular responsibilities and/or competences) by using a mechanism in line with common practice both in Italy and abroad.

More specifically, the Plan was set in the context of a diversified compensation package for management that relied on stock options as the main means of retaining managers and aligning their interests with those of the shareholders by allowing Beneficiaries to enjoy the rise in value of the shares upon completion of the vesting period.

To this end, the exercise of the Options awarded (for a duration of five years from the completion of the vesting period) was divided into three lots: 30% after one year from the award; 30% after two years; and the remaining 40% after three years.

2.2 Key variables, including performance indicators considered for the purpose of awarding the Options

In addition to holding a position, as specified in Section 1.2, the essential condition for the award of the Options was the same for all Beneficiaries and consisted in the existence of an employment relationship with Telecom Italia or with its parent companies or subsidiaries at the Grant Date.

The award of the Options was not related to performance objectives.

2.3 Factors involved in determining the amount of share-based compensation

The quantity of Options awarded under the Plan was determined by the Board of Directors of the “old” Telecom Italia taking into account the role played by the individual Beneficiaries and any earlier awards under other stock option plans.

2.4 Reasons for adopting compensation plans based on financial instruments not issued by the Issuer

Not applicable: the Plan is based on the award of Options for the subscription of the Company’s shares.
2.5 **Evaluations of significant tax and accounting implications for the design of the Plan**

Apart from the manner of determining the strike price of the Options (described in Section 4.19), there were no significant tax and accounting implications that influenced the design of the Plan.

2.6 **Any support for the Plan from the Fund for encouraging employee ownership in firms referred to in Article 4(112) of Law 350/2003**

The Plan does not receive support from the Fund for encouraging employee ownership in firms referred to in Article 4(112) of Law 350/2003.
3. APPROVAL PROCEDURE AND CALENDAR FOR THE AWARD OF THE FINANCIAL INSTRUMENTS

3.1 Scope of the powers and functions delegated by the shareholders’ meeting to the Board of Directors for the implementation of the Plan

The Plan was approved by the Board of Directors of the “old” Telecom Italia in its meeting on 13 February 2002 under the mandate granted by the extraordinary shareholders’ meeting held on 12 June 2001. In fact this shareholders’ meeting had authorized the Board for up to a maximum of five years starting from the date of same to increase the share capital by issuing up to a maximum of 73,000,000 “old” Telecom Italia ordinary shares for cash, to be offered to managers and other employees of the “old” Telecom Italia or its parent companies or subsidiaries, to be identified by name by the Board of Directors, with the exclusion of the right of pre-emption in accordance with the combined effect of the last paragraph of Article 2441 of the Civil Code and Article 134 of the Consolidated Law on Finance.

3.2 Indication of the persons charged with administering the Plan and their functions and powers

The Board of Directors of the “old” Telecom Italia entrusted the task of taking all the steps needed for the implementation of the Plan and the application of the Rules to the Chairman, with the right to delegate same to the head of the Human Resources Central Function.

3.3 Procedures for revising the Plan, inter alia in the event of changes in the underlying objectives

Pursuant to the Rules and if necessary to keep the basic content and aims of the Plan unchanged, the Board of Directors may require the approval of the competent corporate bodies to amend the manner, conditions and time limits for exercising the Options in the event of extraordinary corporate actions, legislative or regulatory changes, or other circumstances that make this necessary.

In particular, if changes in the applicable law result in the implementation of the Plan causing the Company to incur tax or social security liabilities, the Board of Directors may take appropriate steps to attenuate or neutralize their adverse impact on the Company.

3.4 Description of how the availability and allocation of the financial instruments underlying the Plan were established

The Options incorporate the right to subscribe for newly-issued shares deriving from the increase in capital with the exclusion of the right of pre-emption referred to in point 1 of Article 5.4 of the bylaws.
3.5 **Role played by each director in determining the characteristics of the Plan; any conflicts of interest involving the directors concerned**

The members of the Board of Directors of the “old” Telecom Italia that on 13 February 2002 approved the implementation of the Plan were: Marco Tronchetti Provera (Chairman), Gilberto Benetton (Deputy Chairman), Enrico Bondi and Carlo Orazio Buora (Managing Directors), Umberto Colombo, Francesco Denozza, Luigi Fausti, Guido Ferrarini, Paolo Maria Grandi, Natalino Irti, Gianni Mion, Massimo Moratti, Carlo Alessandro Puri Negri, Pier Francesco Saviotti, Roberto Ulissi. At the time the Remuneration Committee was made up of the following directors: Luigi Fausti (Chairman), Pier Francesco Saviotti and Umberto Colombo.

As regards the decision to implement the Plan, none of the directors was exposed to a conflict of interest.

3.6 **Steps in the approval of the Plan**

As specified above, the Plan was approved by the Board of Directors of the “old” Telecom Italia in its meeting on 13 February 2002 under the mandate granted by the extraordinary shareholders’ meeting held on 12 June 2001 (convened by the Board of Directors by a resolution approved on 11 May 2001). In fact the meeting had authorized the Board for up to a maximum of five years starting from the date of same to increase the share capital by issuing, in one or more tranches, up to a maximum of 73,000,000 “old” Telecom Italia ordinary shares, ranking pari passu with existing shares as to dividend payments, for cash, to be offered to managers and other employees of the “old” Telecom Italia or its parent companies or subsidiaries, to be identified by name by the Board of Directors, with the exclusion of the right of pre-emption in accordance with the combined effect of the last paragraph of Article 2441 of the Civil Code and Article 134 of the Consolidated Law on Finance.

The guidelines for the Plan were drawn up by the Remuneration Committee on 5 February 2002.

On 13 February 2002 the Board of Directors launched the Plan by approving the Rules, the list of Beneficiaries with details of the Options awarded to each of them and the strike price, set equal to the Fair Value of the “old” Telecom Italia ordinary shares at that date.

As of the effective date of the Olivetti Merger (4 August 2003), the original number of shares subscribable under the Plan – one “old” Telecom Italia ordinary share for each Option – was recalculated on the basis of the exchange ratio adopted for the Olivetti Merger (3.300871 Shares for each “old” Telecom Italia ordinary share). Consequently, the subscription price for each Share deriving from the exercise of the Options, originally €9.203 for each “old” Telecom Italia ordinary share, as a result of applying the above-mentioned exchange ratio is now €2.788052.
3.7 Date of the decision taken by the competent body concerning the award of the financial instruments and any proposal made to such body by the remuneration committee, if any

See Section 3.6.

3.8 Market prices on the above-mentioned dates of the financial instruments on which the Plan is based, if traded on regulated markets

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Market price (*) (in euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>11 May 2001</td>
<td>The Board of Directors of the &quot;old&quot; Telecom Italia called an extraordinary shareholders' meeting to grant a mandate for the increase in capital</td>
<td>3.528</td>
</tr>
<tr>
<td>12 June 2001</td>
<td>The extraordinary shareholders' meeting of the &quot;old&quot; Telecom Italia granted the mandate for the increase in capital</td>
<td>3.303</td>
</tr>
<tr>
<td>5 February 2002</td>
<td>The Remuneration Committee of the &quot;old&quot; Telecom Italia examined the proposed Plan</td>
<td>2.750</td>
</tr>
<tr>
<td>13 February 2002</td>
<td>The Board of Directors of the &quot;old&quot; Telecom Italia approved the Plan</td>
<td>2.634</td>
</tr>
<tr>
<td>24 May 2003</td>
<td>The extraordinary shareholders' meeting of the &quot;old&quot; Telecom Italia approved the plan for the merger with Olivetti</td>
<td>2.257</td>
</tr>
<tr>
<td>26 May 2003</td>
<td>The extraordinary shareholders’ meeting of Olivetti approved the plan for the merger with the &quot;old&quot; Telecom Italia</td>
<td>2.327</td>
</tr>
<tr>
<td>4 August 2003</td>
<td>Effective date of the Olivetti Merger</td>
<td>2.249</td>
</tr>
</tbody>
</table>

(*) For the dates prior to the effective date of the Olivetti Merger, the price shown is the official price of the "old" Telecom Italia ordinary shares recorded on each of the above dates on Borsa Italiana's MTA electronic share market, adjusted on the basis of the exchange ratio adopted for the Olivetti Merger, equal to 3.300871 Shares for each "old" Telecom Italia ordinary share. The price shown for the effective date of the Olivetti Merger (4 August 2003) is the official price of the Shares recorded on that day on Borsa Italiana's MTA electronic share market.

3.9 Time limits and procedures considered by the Issuer in identifying the calendar for the award of the financial instruments in implementing plans, of the possible coincidence between (i) such award or decisions taken in this respect by the remuneration committee and (ii) the spread of any inside information referred to in Article 114.1 of the Consolidated Law on Finance

At the Grant Date, a press release was issued as part of the Issuer’s normal activity concerning the approval of the preliminary figures for the year ended 31 December 2001 and the Group’s three-year business plan.
4. CHARACTERISTICS OF THE FINANCIAL INSTRUMENTS AWARDED

4.1 Description of how the Plan is structured
The Plan is based on the award, free of charge, of Options making it possible to subscribe for Shares with settlement by means of physical delivery (stock options) at a predetermined price.

At 1 September 2007 the Options existing numbered 7,880,001, corresponding (consequent on the application, for each Beneficiary and each individual lot, of the exchange ratio adopted for the Olivetti Merger) to 26,010,852 Equivalent Options, all exercisable.

4.2 Indication of the period of actual implementation of the Plan, with reference also to any different cycles envisaged
With respect to the 26,010,852 Equivalent Options existing at 1 September 2007:
• a first lot of 7,129,877 Equivalent Options can be exercised by 18 February 2008;
• a second lot of 7,129,877 Equivalent Options can be exercised by 18 February 2009;
• a third lot of 11,751,098 Equivalent Options can be exercised by 18 February 2010.

4.3 Expiration of the Plan
The expiration of the Plan, meaning the deadline for the increase in capital for the exercise of the Options, is 28 February 2010.

4.4 Maximum number of Options awarded in each fiscal year in relation to the persons individually identified or to the categories specified
The Options were all awarded in fiscal year 2002.

The following table shows the Equivalent Options awarded as of 1 September 2007 to the Beneficiaries individually identified in Section 1.3 and the category specified in Section 1.2:
### Top 2002 Stock Option Plan

<table>
<thead>
<tr>
<th>Name</th>
<th>Fiscal year of award</th>
<th>Options at 1/9/2007</th>
<th>Equivalent Options at 1/9/2007 (***).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Riccardo Ruggiero</td>
<td>2002</td>
<td>200,000</td>
<td>660,174</td>
</tr>
<tr>
<td>Enrico Parazzini</td>
<td>2002</td>
<td>1,200,000</td>
<td>3,961,044</td>
</tr>
<tr>
<td>Key Managers</td>
<td>2002</td>
<td>2,000,000</td>
<td>6,601,740</td>
</tr>
<tr>
<td>Other employees (*)</td>
<td>2002</td>
<td>1,900,000</td>
<td>6,271,651</td>
</tr>
<tr>
<td>Former employees (**)</td>
<td>2002</td>
<td>2,580,001</td>
<td>8,516,243</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,880,001</strong></td>
<td></td>
<td><strong>26,010,852</strong></td>
</tr>
</tbody>
</table>

(*) Other Beneficiaries, employees of Telecom Italia and its parent companies and subsidiaries at the Grant Date and at 1 September 2007.

(**) Other Beneficiaries, employees of Telecom Italia and its parent companies and subsidiaries at the Grant Date and no longer employees at 1 September 2007 (the category includes the heirs of Beneficiaries who died in the meantime).

(***) The Equivalent Options are calculated separately for each Beneficiary and lot and then summed.

### 4.5 Plan implementing procedures and clauses

The extraordinary shareholders’ meeting of the “old” Telecom Italia held on 12 June 2001 authorized the Board for up to a maximum of five years starting from the date of same to increase the share capital by issuing, in one or more tranches, up to a maximum of 73,000,000 “old” Telecom Italia ordinary shares, ranking pari passu with existing shares as to dividend payments, for cash, to be offered to managers and other employees of the “old” Telecom Italia or its parent companies or subsidiaries, to be identified by name by the Board of Directors, with the exclusion of the right of pre-emption in accordance with the combined effect of the last paragraph of Article 2441 of the Civil Code and Article 134 of the Consolidated Law on Finance.

The meeting also charged the Board of Directors with establishing the characteristics, time limits, conditions and manner of implementing the Plan and exercising the Options and with preparing the Rules.

The Plan consists in awarding each Beneficiary a number of Options determined at the Grant Date by the Board of Directors.

Originally, each Option gave the right to subscribe for one “old” Telecom Italia ordinary share; following the Olivetti Merger, with effect from 4 August 2003 the subscription ratio was changed on the basis of the exchange ratio established for the shareholders of the two companies in the merger. More specifically, each option of the stock option plans of the “old” Telecom Italia now permits the holder to subscribe for 3.300871 Shares.

The Options are personal and may not be transferred *inter vivos*. Options not exercised within the time limits established expire and consequently no longer give any right to Beneficiaries or their heirs.

The exercise of the Options is not subject to the satisfaction of any conditions or to the achievement of given results. At 1 September 2007 all the Options awarded under the Plan were exercisable.
4.6 Indication of any restrictions on the availability of the Options or the Shares

The Options are personal and may not be transferred *inter vivos*. If they are inherited, the person(s) having entitlement keep the right to exercise all the Options awarded on the same conditions as the employees in service after fulfilling the obligations provided for by applicable law.

Shares issued pursuant to the exercise of the Options will rank pari passu with existing shares as to dividend payments and have the same characteristics and rights as the Telecom Italia ordinary shares in circulation at their date of issue.

Availability restrictions are not envisaged for the newly-issued Shares.

4.7 Description of any resolutory conditions in relation to the award of Options under the Plan if the Beneficiaries carry out hedging transactions neutralizing any prohibition on the sale of the financial instruments awarded, including in the form of options, or of the financial instruments deriving from the exercise of such options

There are no resolutory conditions in relation to the Options awarded under the Plan for the case in which the Beneficiaries carry out hedging transactions.

4.8 Description of the effects produced by termination of employment

In accordance with the Rules, an essential condition for exercise of the Options is that Beneficiaries, at the time of exercising their Options, be employed by the Issuer or one of its parent companies or subsidiaries, even if different from the company they were employed by at the Grant Date.

Moreover, following termination of the employment relationship, the Rules state that:

- in the event of dismissal as a result of reaching the age limit or of resignation for retirement, Beneficiaries keep their right to exercise the Options awarded to them on the same conditions as employees in service;

- in the event of consensual termination of the employment relationship, dismissal on justified objective grounds or resignation for just cause, Beneficiaries keep their right to exercise the exercisable Options, which must be exercised within six months of the termination of the employment relationship (the Options awarded but not yet exercisable expire definitively with the notification of the termination of the employment relationship);

- in the event of dismissal for just cause or on justified subjective grounds or of resignation not for just cause, Beneficiaries lose all the Options awarded to them (including those exercisable but not yet exercised) with the notification of the termination of the employment relationship;

- in the event of inheritance, the persons having entitlement keep the right to exercise the exercisable Options on the same conditions as employees in service.
It should be noted that in the event of the exit from the Group of the company or business unit with which there was the employment relationship at the Grant Date, the Rules provide for Beneficiaries to keep the right to exercise their exercisable Options, which must be exercised within six months of the effective date of the transfer. The Company’s Board of Directors may nonetheless establish longer periods for the exercise of such exercisable Options (or permit the exercise of all or part of the Options awarded but not yet exercisable and establish time limits and procedures for the purpose).

In the event of a cash and/or exchange tender offer for the Shares, Beneficiaries keep the Options awarded and the right to exercise the exercisable Options. The Company’s Board of Directors or the person delegated by the Board – by way of derogation from what is established – may allow the early exercise of all or part of the Options awarded but not yet exercisable and establish time limits and procedures for the purpose.

4.9 Indication of any other grounds for annulling the Plan
No grounds are envisaged for annulling the Plan.

4.10 Reasons for an option for the Company to repurchase the financial instruments underlying the Plan, introduced pursuant to Article 2357 et seq. of the Civil Code, and related description
Not applicable: no provision is made for a repurchase option, either for the Options or the Shares.

4.11 Any loans or other facilitations that are to be granted for the purchase of the Shares pursuant to paragraph 3 of Article 2358 of the Civil Code
Not applicable: no provision is made for facilitations pursuant to paragraph 3 of Article 2358 of the Civil Code.

4.12 Indication of the cost the Company is expected to incur at the time of the assignment of the shares, as determined on the basis of predefined terms and conditions, in total and for each financial instrument in the Plan
Since any exercise of the Options is to be met by an increase in capital (see Section 3.1), no cost is envisaged for the purchase of the Shares. The exercise of the Options, as provided for by the Plan, leads to a dilution of Telecom Italia shareholders’ interest in the Company’s capital, as described in Section 4.13.

The administration of the Plan will be performed by Telecom Italia as part of the current activities handled by its corporate structures, without any additional cost for the Company.
In accordance with the relevant accounting standards (first Italian GAAP and then IFRS), Telecom Italia did not include any cost deriving from the valuation at fair value of the Options at the Grant Date. In particular, in application of IFRS and with reference to IFRS 2 (“Share-based Payment”), Telecom Italia availed of the exemption provided by paragraph 25B of IFRS 1 ("First-time Adoption of International Financial Reporting Standards") and did not apply the rules of IFRS 2 to the stock-option plans awarded prior to 7 November 2002.

4.13 **Indication of any capital dilution effects caused by the Plan**

If the residual amount of the increase in capital for the Plan at 1 September 2007 (equal under the bylaws to €14,305,968.60) were fully taken up, the share capital would be diluted by 0.13% of the total paid up at 1 September 2007 and by 0.19% of the part made up of Shares.

Consequently, the present owners of Shares would see a dilution of 0.19% in their interest in relation to the total number of Shares.

4.14 **Any restrictions on the exercise of voting rights or the attribution of property rights**

Not applicable: the Shares issued for the exercise of the Options rank pari passu with existing shares as to dividend payments.

4.15 **If the shares are not traded on regulated markets, provide all the information needed to assess the value attributed to them**

Not applicable: the newly-issued Shares are traded on the MTA electronic share market organized and operated by Borsa Italiana S.p.A.

4.16 **Number of financial instruments underlying each Option**

As shown in Section 3.6, each Option originally gave the right to subscribe for one “old” Telecom Italia ordinary share. Starting from the effective date of the Olivetti Merger (4 August 2003), the number of subscribable Shares was changed on the basis of the exchange ratio established for the merger.

More specifically, each Option now permits the holder to subscribe for 3.300871 Shares.

4.17 **Expiry of the Options**

The exercise period of each lot of the Options is five years, as of the date of the start of the right to exercise each lot. More specifically:

- for the first lot (7,129,877 Equivalent Options at 1 September 2007) the expiry date is 18 February 2008;
for the second lot (7,129,877 Equivalent Options at 1 September 2007) the expiry date is 18 February 2009;
for the third lot (11,751,098 Equivalent Options at 1 September 2007) the expiry date is 18 February 2010;

4.18 Procedures, calendar and clauses for the exercise of the Options

All the Options existing at 1 September 2007 may be exercised at any time and their exercise is not subject to any conditions.

The right to exercise the Options is suspended however from the tenth trading day prior to the date of Telecom Italia shareholders’ meetings at the first call attended by holders of Shares up to and including the day on which the meeting takes place, at the first or subsequent calls, and up to the first day the Shares are quoted “ex” when a dividend is paid and whenever the Company’s Board of Directors deems this to be necessary.

4.19 Strike price of the Options

The strike price of the Options was determined by the Board of Directors of the “old” Telecom Italia in its meeting on 13 February 2002, as the arithmetic mean of the official prices of the ordinary share in the month prior to the Grant Date of the subscription rights (the Fair Value), i.e. on the day of the meeting. Application of this criterion gave a strike price of €9.203 per share.

However, as indicated in Section 3.6, as of the effective date of the Olivetti Merger (4 August 2003), the original number of shares subscribable under the Plan (one “old” Telecom Italia ordinary share for each Option) was recalculated on the basis of the exchange ratio adopted for the merger. Consequently, as a result of applying the above-mentioned exchange ratio, the subscription price for each Share deriving from the exercise of the Options (originally €9.203 for each “old” Telecom Italia ordinary share) is now €2.788052.

4.20 Possible reasons for the strike price of the Options awarded not being equal to the fair market value

The strike price is equal to the Fair Value at the Grant Date, without prejudice to the application of the adjustment coefficient consequent on the Olivetti Merger to the subscription price of the Shares, as shown in Section 4.19.

4.21 Criteria on the basis of which different strike prices are provided for different persons or categories of Beneficiaries

Not applicable: the strike price of the Options is the same for all the Beneficiaries.
4.22 If the financial instruments underlying the options are not traded on regulated markets, indicate the value attributable to the underlying instruments or the methods for determining their value

Not applicable: the financial instruments underlying the Options are newly-issued ordinary shares of Telecom Italia S.p.A., listed on the MTA electronic share market organized and operated by Borsa Italiana S.p.A.

4.23 Methods for making the adjustments rendered necessary by extraordinary corporate actions and other transactions that cause the number of underlying instruments to change

Pursuant to the Rules and if necessary to keep the basic content and aims of the Plan unchanged, the Board of Directors may require the approval of the competent corporate bodies to amend the manner, conditions and time limits for exercising the Options, especially in the event of extraordinary corporate actions that make this necessary.

In application of this principle, the subscription ratio and strike price were changed consequent on the Olivetti Merger, as described in Sections 4.16 and 4.19.
### TELECOM ITALIA - TOP 2002 STOCK OPTION PLAN

**COMPENSATION PLANS BASED ON FINANCIAL INSTRUMENTS**

Table 1 of Model 7 of Annex 3A of Consob Regulation 11971/1999 on issuers

**Date:** 1/9/2007

<table>
<thead>
<tr>
<th>Name or category</th>
<th>Position</th>
<th>Options (option grant)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Date of shareholders' resolution</td>
</tr>
<tr>
<td>Enrico Parazzini</td>
<td>General Manager of Telecom Italia S.p.A.</td>
<td></td>
</tr>
<tr>
<td>Key Managers (4), other employees (5) and former employees (6)</td>
<td></td>
<td>12/06/2001 26/05/2003</td>
</tr>
<tr>
<td>Key Managers</td>
<td></td>
<td>12/06/2001 26/05/2003</td>
</tr>
<tr>
<td>other employees</td>
<td></td>
<td>12/06/2001 26/05/2003</td>
</tr>
<tr>
<td>former employees</td>
<td></td>
<td>12/06/2001 26/05/2003</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>26,010,852</td>
</tr>
</tbody>
</table>

**Notes**

(*) Subscription price of the Telecom Italia ordinary shares deriving from the exercise of the options.

(**) For options originally on old ordinary shares (i.e. ordinary shares of the "old" Telecom Italia, pre-Olivetti-merger) the price shown is the official price of the old ordinary shares recorded on Borsa Italiana S.p.A.'s MTA electronic share market at the Grant Date of the options, adjusted on the basis of the exchange ratio established for the Olivetti merger, equal to 3,300871 new ordinary shares (i.e. ordinary shares of the "new" Telecom Italia, post-Olivetti-merger) for each old ordinary share held.

(3) Persons with governance functions in Telecom Italia referred to in Article 152-sexies, paragraph 1(c)(c.2) of Consob Regulation 11971/1999 on issuers who own options at 1 September 2007.

(4) The group of managers having regular access to inside information and authorized to take management decisions that can influence the development and prospects of the listed issuer (Article 152-sexies, paragraph 1(c)(c.2) of Consob Regulation 11971/1999 on issuers) who own options at 1 September 2007, if not already in the list referred to in note (3).

(5) Other beneficiaries, employees of Telecom Italia and subsidiary and parent companies at the Grant Date and 1 September 2007.

(6) Other beneficiaries, employees of Telecom Italia and subsidiary and parent companies at the Grant Date and no longer employees at 1 September 2007. (the category includes the successors of defunct beneficiaries)
2002 Stock Option Plan

This section of the Information Document is devoted to the 2002 Stock Option Plan, launched by the Board of Directors of the "old" Telecom Italia on 26 March 2002, with the subsequent resolution adopted on 25 July 2002 authorizing the Chairman to increase the list of Beneficiaries by 31 December 2002. Accordingly, in this section Plan is to be taken as meaning the 2002 Stock Option Plan and likewise Beneficiary, Option, Grant Date and Rules are to be taken as meaning the Beneficiary, Option, Grant Date and Rules of the 2002 Stock Option Plan.

The increase in capital for the 2002 Stock Option Plan, for the part still remaining at 24 July 2007 (valid also at 1 September 2007) is shown in point 2 of Article 5.4 of the Company’s bylaws.

1. Beneficiaries of the Plan

1.1 Names of the Beneficiaries to whom the Options are awarded because they are members of the Board of Directors of the Issuer or the Issuer’s parent companies or subsidiaries

There are no Beneficiaries who have been awarded Options because they are members of the Board of Directors of the Issuer or the Issuer’s parent companies or subsidiaries.

1.2 Categories of employees or collaborators of the Issuer or the Issuer’s parent companies or subsidiaries

This plan was designed for two categories of employees of the Issuer and/or its subsidiaries, and more specifically:

- managers who were beneficiaries under a stock option plan of the “old” Telecom Italia (the 2000 Stock Option Plan, which was discontinued), and still in service at the Grant Date, subject to their irrevocable, full and unconditional waiver of the relevant options;
- other managers recruited recently who were not beneficiaries under any other stock option plan, in accordance with an order of priority based on such combined criteria as importance of the role, existence of contractual terms providing for the award of stock options and company seniority.

1.3 Names of the Beneficiaries belonging to the following groups:

a) persons performing executive functions in the Issuer pursuant to Article 152-sexies, paragraph 1(c)(c.2) of the Regulation on Issuers

At 1 September 2007 the Beneficiaries performing executive functions in the Issuer were:
b) persons performing executive functions in a subsidiary of the Issuer if the book value of the holding is equal to more than 50 per cent of the Issuer’s balance sheet assets, pursuant to Article 152-sexies, paragraph 1(c)(c.3) of the Regulation on Issuers

Not applicable: none of the Issuer’s subsidiaries satisfies the condition referred to in Article 152-sexies, paragraph 1(c)(c.3) of the Regulation on Issuers.

c) natural persons controlling the Issuer who are employees or collaborators of same

Not applicable: Telecom Italia is not controlled by any person within the meaning of Article 93 of the Consolidated Law on Finance.

1.4 Description and indication of the number, divided by category:

a) of the managers having regular access to inside information and authorized to take management decisions that can influence the development and prospects of the Issuer, pursuant to Article 152-sexies, paragraph 1(c)(c.2) of the Regulation on Issuers

At 1 September 2007 the Beneficiaries included 5 Telecom Italia Key Managers, three of whom already indicated in Section 1.3(a).

b) of the managers having regular access to inside information and authorized to take management decisions that can influence the development and prospects of a subsidiary of the Issuer if the book value of the holding is equal to more than 50 per cent of the Issuer’s balance sheet assets, pursuant to Article 152-sexies, paragraph 1(c)(c.3) of the Regulation on Issuers

Not applicable: none of the Issuer’s subsidiaries satisfies the condition referred to in Article 152-sexies, paragraph 1(c)(c.3) of the Regulation on Issuers.

c) of any other categories of employees or collaborators for whom different Plan characteristics have been provided

Not applicable: the Plan does not provide different characteristics for different categories of Beneficiaries.

d) of the persons indicated in indents a) and/or b) for whom different strike prices are provided

Not applicable: the Plan does not provide different strike prices for different categories of Beneficiaries.
2. **REASONS FOR THE ADOPTION OF THE PLAN**

2.1 **Objectives of the Award**

The Plan was designed for the management of the Telecom Italia Group, which was the beneficiary of a previous stock option plan of the “old” Telecom Italia (the 2000 Stock Option Plan), subject to the waiver of the relevant options, as well as for other recently recruited managers who were not beneficiaries of any existing stock option plan. In fact, due to the overall performance of stock markets, and especially the telecommunications sector in Italy and Europe, the 2000 Stock Option Plan no longer performed its original incentive and management retention function (see Section 1.2 above).

The exercise of the Options awarded (for a duration of five years from the completion of the vesting period) was divided into three lots: 30% after one year from the award; 30% after two years; and the remaining 40% after three years.

2.2 **Key variables, including performance indicators considered for the purpose of awarding the Options**

The essential condition for the award of the options was the same for all Beneficiaries and consisted in the existence of an employment relationship with Telecom Italia or with its parent companies or subsidiaries at the Grant Date.

The award of the Options was not related to performance objectives.

2.3 **Factors involved in determining the amount of share-based compensation**

Beneficiaries under the 2000 Stock Option Plan received an equal number of options less 10%.

The Options awarded to the new Beneficiaries were proportional to the package attributable to the Beneficiaries under the 2000 Stock Option Plan.

2.4 **Reasons for adopting compensation plans based on financial instruments not issued by the Issuer**

Not applicable: the Plan is based on the award of Options for the subscription of the Company’s shares.

2.5 **Significant tax and accounting implications for the design of the Plan**

Apart from the manner of determining the strike price of the Options (described in Section 4.19), there were no significant tax and accounting implications that influenced the design of the Plan.
2.6 Any support for the Plan from the Fund for encouraging employee ownership referred to in Article 4(112) of Law 350/2003

The Plan does not receive support from the Fund for encouraging employee ownership referred to in Article 4(112) of Law 350/2003.
3. APPROVAL PROCEDURE AND CALENDAR FOR THE AWARD OF THE FINANCIAL INSTRUMENTS

3.1 Scope of the powers and functions delegated by the shareholders’ meeting to the Board of Directors for the implementation of the Plan

The Plan was approved by the Board of Directors of the “old” Telecom Italia in its meeting on 26 March 2002, with the subsequent resolution adopted on 25 July 2002 authorizing the Chairman to increase the number of Beneficiaries by 31 December 2002, in connection with the mandate to increase the share capital in accordance with the resolutions adopted by the shareholders in the extraordinary meetings held on 15 December 1998 (such resolution was eventually amended by the shareholders in the extraordinary meetings held on 10 August 2000 and 3 May 2001; hereinafter this will be referred to also as the “1998 Resolution”) and on 12 June 2001 (hereinafter referred to also as the “2001 Resolution”). In these meetings the shareholders had granted the Board of Directors the authority, for up to five years starting from 15 December 1998 and 12 June 2001, to issue in one or more tranches ordinary shares, ranking pari passu as to dividend payments with existing shares, to be sold for cash to:

- managers and other employees of the “old” Telecom Italia or its parent companies or subsidiaries (1998 Resolution), or
- managers and other employees of the “old” Telecom Italia or its parent companies or subsidiaries (2001 Resolution),

...to be identified by name by the Board of Directors, with the exclusion of the right of pre-emption in accordance with the combined effect of the last paragraph of Article 2441 of the Civil Code and Article 134 of the Consolidated Law on Finance, by issuing

- up to a maximum of 73,000,000 “old” Telecom Italia ordinary shares (1998 Resolution);
- up to a maximum of 73,000,000 “old” Telecom Italia ordinary shares (2001 Resolution).

3.2 Indication of the persons charged with administering the Plan and their functions and powers

The Board of Directors of the “old” Telecom Italia entrusted the task of taking all the steps needed for the implementation of the Plan and the application of the Rules to the Chairman, with the right to delegate same to the head of the Human Resources Central Function.

In addition, on 25 July 2002 the Board of Directors authorized the Chairman to award, by 31 December 2002, a given number of Options with characteristics and terms and conditions similar to those of the Options awarded directly on 26 March 2002 (including the method for determining the strike price).
3.3 **Procedures for revising the Plan, inter alia in the event of changes in the underlying objectives**

Pursuant to the Rules and if necessary to keep the basic content and aims of the Plan unchanged, the Board of Directors may require the approval of the competent corporate bodies to amend the manner, conditions and time limits for exercising the Options in the event of extraordinary corporate actions, legislative or regulatory changes, or other circumstances that make this necessary.

In particular, if changes in the applicable law result in the implementation of the Plan causing the Company to incur tax or social security liabilities, the Board of Directors may take appropriate steps to attenuate or neutralize their adverse impact on the Company.

3.4 **Description of how the availability and allocation of the financial instruments underlying the Plan were established**

The Options incorporate the right to subscribe for newly-issued shares deriving from the increase in capital with the exclusion of the right of pre-emption referred to in point 2 of Article 5.4 of the bylaws.

3.5 **Role played by each director in determining the characteristics of the Plan; any conflicts of interest involving the directors concerned**

The Board of Directors of the “old” Telecom Italia included:

- on 26 March 2002: Marco Tronchetti Provera (Chairman), Gilberto Benetton (Deputy Chairman), Enrico Bondi and Carlo Orazio Buora (Managing Directors), Umberto Colombo, Francesco Denozza, Luigi Fausti, Guido Ferrari, Paolo Maria Grandi, Natalino Irti, Gianni Mion, Massimo Moratti, Carlo Alessandro Puri Negri, Pier Francesco Saviotti and Roberto Ulissi;
- on 25 July 2002: Marco Tronchetti Provera (Chairman), Gilberto Benetton (Deputy Chairman), Enrico Bondi and Carlo Orazio Buora (Managing Directors), Umberto Colombo, Francesco Denozza, Luigi Fausti, Guido Ferrari, Natalino Irti, Gianni Mion, Pietro Modiano, Massimo Moratti, Carlo Alessandro Puri Negri, Pier Francesco Saviotti and Roberto Ulissi

At that time, the Remuneration Committee included: Luigi Fausti (Chairman), Pier Francesco Saviotti and Umberto Colombo.

As regards the decision to implement the Plan, none of the directors was exposed to a conflict of interest.

3.6 **Steps in the approval of the Plan**

As specified above, the Plan was approved by the Board of Directors of the “old” Telecom Italia under the mandate granted by the extraordinary shareholders’ meeting held on 15 December 1998 (convened by the Board of Directors by a resolution approved on 2 November 1998), 10 August 2000 (convened by the
Board of Directors by a resolution approved on 29 May 2000), 3 May 2001 (convened by the Board of Directors by a resolution approved on 30 March 2001) and 12 June 2001 (convened by the Board of Directors by a resolution approved on 11 May 2001). In fact the extraordinary meeting had authorized the Board for up to a maximum of five years starting from the above dates, to increase the share capital by issuing, in one or more tranches, ordinary shares, ranking pari passu with existing shares as to dividend payments, for cash, to be offered to

- managers of the “old” Telecom Italia or its parent companies or subsidiaries (1998 Resolution), or
- managers and other employees of the “old” Telecom Italia or its parent companies or subsidiaries (2001 Resolution),

to be identified by name by the Board of Directors, with the exclusion of the right of pre-emption in accordance with the combined effect of the last paragraph of Article 2441 of the Civil Code and Article 134 of the Consolidated Law on Finance, by issuing

- up to a maximum of 73,000,000 “old” Telecom Italia ordinary shares (1998 Resolution);
- up to a maximum of 73,000,000 “old” Telecom Italia ordinary shares (2001 Resolution).

The guidelines for the Plan were drawn up by the Remuneration Committee on 22 March 2002.

On 26 March 2002 the Board of Directors launched the Plan by approving the Rules, an initial list of the Beneficiaries with details of the Options awarded to each of them and the strike price, set equal to the Fair Value of the “old” Telecom Italia ordinary shares at that date.

On 25 July 2002, given the favourable opinion rendered by the Remuneration Committee on the same date, the Board of Directors authorized the Chairman to increase the number of Beneficiaries by 31 December 2002, by awarding a given number of Options with characteristics and terms and conditions equivalent to the characteristics and terms and conditions of the Options awarded directly on 26 March 2002 (including the method for determining the strike price, equivalent to Fair Value at the Grant Date). The Chairman exercised the authority so granted on 1 August 2002 and 1 October 2002. As a matter of record, the Options awarded on 1 October 2002 were exercised in full prior to 1 September 2007.

As of the effective date of the Olivetti Merger (4 August 2003), the original number of shares subscribable under the Plan – one “old” Telecom Italia ordinary share for each Option – was recalculated on the basis of the exchange ratio adopted for the Olivetti Merger (3.300871 Shares for each “old” Telecom Italia ordinary share). Consequently, the subscription price for each Share deriving from the exercise of the Options, which was originally

- €9.665 for each “old” Telecom Italia ordinary share (Options with Grant Date 26 March 2002) and
- €7.952 for each “old” Telecom Italia ordinary share (Options with Grant Date 1 August 2002),
is now €2,928,015 and €2,409,061, respectively, following the application of the above mentioned ratio.

3.7 Date of the decision taken by the competent body concerning the award of the financial instruments and any proposal made to such body by the remuneration committee, if any

See Section 3.6.

3.8 Market prices on the above-mentioned dates of the financial instruments on which the Plan is based, if traded on regulated markets

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Market price (*) (in euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 November 1998</td>
<td>The Board of Directors of the &quot;old&quot; Telecom Italia called an extraordinary meeting of shareholders for the 1998 Resolution</td>
<td>1.892</td>
</tr>
<tr>
<td>15 December 1998</td>
<td>The extraordinary meeting of shareholders of the &quot;old&quot; Telecom Italia approved the 1998 Resolution</td>
<td>2.116</td>
</tr>
<tr>
<td>29 May 2000</td>
<td>The Board of Directors of the &quot;old&quot; Telecom Italia called an extraordinary meeting of shareholders for a first amendment to the 1998 Resolution</td>
<td>4.464</td>
</tr>
<tr>
<td>10 August 2000</td>
<td>The extraordinary meeting of shareholders of the &quot;old&quot; Telecom Italia approved the first amendment to the 1998 Resolution</td>
<td>4.376</td>
</tr>
<tr>
<td>30 March 2001</td>
<td>The Board of Directors of the &quot;old&quot; Telecom Italia called an extraordinary meeting of shareholders for a second amendment to the 1998 Resolution</td>
<td>3.475</td>
</tr>
<tr>
<td>3 May 2001</td>
<td>The extraordinary meeting of shareholders of the &quot;old&quot; Telecom Italia approved the second amendment to the 1998 Resolution</td>
<td>3.770</td>
</tr>
<tr>
<td>11 May 2001</td>
<td>The Board of Directors of the &quot;old&quot; Telecom Italia called an extraordinary meeting of shareholders for the 2001 Resolution</td>
<td>3.528</td>
</tr>
<tr>
<td>12 June 2001</td>
<td>The extraordinary meeting of shareholders of the &quot;old&quot; Telecom Italia approved the 2001 Resolution</td>
<td>3.303</td>
</tr>
<tr>
<td>22 March 2002</td>
<td>The Remuneration Committee of the &quot;old&quot; Telecom Italia examined the proposed Plan</td>
<td>2.979</td>
</tr>
<tr>
<td>26 March 2002</td>
<td>The Board of Directors of the &quot;old&quot; Telecom Italia approved the Plan</td>
<td>2.980</td>
</tr>
<tr>
<td>25 July 2002</td>
<td>The Remuneration Committee of the &quot;old&quot; Telecom Italia examined the proposal to authorize the Chairman to increase the number of Beneficiaries</td>
<td>2.407</td>
</tr>
<tr>
<td></td>
<td>The Board of Directors of the &quot;old&quot; Telecom Italia authorized the Chairman to increase the number of Beneficiaries</td>
<td></td>
</tr>
<tr>
<td>1 August 2002</td>
<td>Authority granted was exercised for the first time by the acting Chairman</td>
<td>2.432</td>
</tr>
<tr>
<td>1 October 2002</td>
<td>Authority granted was exercised for the second time by the acting Chairman</td>
<td>2.167</td>
</tr>
<tr>
<td>Date</td>
<td>Event</td>
<td>Price</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------------------------------------------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>24 May 2003</td>
<td>The extraordinary shareholders’ meeting of the “old” Telecom Italia approved the plan for the merger with Olivetti</td>
<td>2.257</td>
</tr>
<tr>
<td>26 May 2003</td>
<td>The extraordinary shareholders’ meeting of Olivetti approved the plan for the merger with the “old” Telecom Italia</td>
<td>2.327</td>
</tr>
<tr>
<td>4 August 2003</td>
<td>Effective date of the Olivetti Merger</td>
<td>2.249</td>
</tr>
</tbody>
</table>

(*) For the dates prior to the effective date of the Olivetti Merger, the price shown is the official price of the "old" Telecom Italia ordinary shares recorded on each of the above dates on Borsa Italiana's MTA electronic share market, adjusted on the basis of the exchange ratio adopted for the Olivetti Merger, equal to 3.300871 Shares for each "old" Telecom Italia ordinary share. The price shown for the effective date of the Olivetti Merger (4 August 2003) is the official price of the Shares recorded on that day on Borsa Italiana's MTA electronic share market.

3.9 Time limits and procedures considered by the Issuer in identifying the calendar for the award of the financial instruments in implementing plans, of the possible coincidence between (i) such award or decisions taken in this respect by the Remuneration Committee and (ii) the spread of any inside information referred to in Article 114.1 of the Consolidated Law on Finance

At the Grant Dates, press releases were issued as part of the Issuer’s normal activity; specifically:

- On 26 March 2002 a press release was issued, announcing the Board of Directors’ approval of the financial statements and giving notice of the ordinary meeting of shareholders;
- On 1 August 2002 a press release was issued on the closing of a previously announced divestment transaction;
- On 1 October 2002 a press release was issued to announce a media business agreement (merger between Stream and Tele+).
4. CHARACTERISTICS OF THE FINANCIAL INSTRUMENTS AWARDED

4.1 Description of how the Plan is structured
The Plan is based on the award, free of charge, of Options making it possible to subscribe for Shares with settlement by means of physical delivery (stock options) at a predetermined price.

At 1 September 2007 the Options existing numbered 15,716,553, corresponding (consequent on the application, for each Beneficiary and each individual lot, of the exchange ratio adopted for the Olivetti Merger) to 51,877,967 Equivalent Options, all exercisable.

4.2 Indication of the period of actual implementation of the Plan, with reference also to any different cycles envisaged
With respect to the 51,877,967 Equivalent Options existing at 1 September 2007:
• a first lot of 14,514,647 Equivalent Options can be exercised by 3 March 2008;
• a second lot of 15,403,424 Equivalent Options can be exercised by 3 March 2009;
• a third lot of 21,959,896 Equivalent Options can be exercised by 3 March 2010.

4.3 Expiration of the Plan
The expiration of the Plan, meaning the deadline for the increase in capital for the exercise of the related Options, is:
• 31 March 2008 for the first lot;
• 31 March 2009 for the second lot;
• 31 March 2010 for the third lot.

4.4 Maximum number of Options awarded in each fiscal year in relation to the persons individually identified or to the categories specified
The Options were all awarded in fiscal year 2002.

The following table shows the Equivalent Options awarded as of 1 September 2007 to the Beneficiaries individually identified in Sections 1.1 and 1.3 and the categories specified in Sections 1.2 and 1.4:
<table>
<thead>
<tr>
<th>Name</th>
<th>Fiscal year of award</th>
<th>Options at 1/9/2007</th>
<th>Equivalent Options at 1/9/2007 (<em><strong>)&lt;br&gt;(</strong></em>)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massimo Castelli</td>
<td>2002</td>
<td>40,000</td>
<td>132,034</td>
</tr>
<tr>
<td>Luca Luciani</td>
<td>2002</td>
<td>180,000</td>
<td>594,156</td>
</tr>
<tr>
<td>Stefano Pileri</td>
<td>2002</td>
<td>360,000</td>
<td>1,188,313</td>
</tr>
<tr>
<td>Key Managers</td>
<td>2002</td>
<td>620,000</td>
<td>2,046,537</td>
</tr>
<tr>
<td>Other employees (*)</td>
<td>2002</td>
<td>12,950,553</td>
<td>42,747,813</td>
</tr>
<tr>
<td>Former employees (**)</td>
<td>2002</td>
<td>1,566,000</td>
<td>5,169,114</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>15,716,553</td>
<td>51,877,967</td>
</tr>
</tbody>
</table>

(*) Other Beneficiaries, employees of Telecom Italia and its parent companies and subsidiaries at the Grant Date and at 1 September 2007.

(**) Other Beneficiaries, employees of Telecom Italia and its parent companies and subsidiaries at the Grant Date and no longer employees at 1 September 2007 (the category includes the heirs of Beneficiaries who died in the meantime).

(***) The Equivalent Options are calculated separately for each Beneficiary and lot and then summed.

### 4.5 Plan implementing procedures and clauses

The extraordinary shareholders’ meeting of the “old” Telecom Italia held on 15 December 1998 authorized the Board for up to a maximum of five years starting from the date of same to increase the share capital by issuing, in one or more tranches, up to a maximum of 73,000,000 “old” Telecom Italia ordinary shares, ranking pari passu with existing shares as to dividend payments, for cash, to be offered (according to the resolution, as amended by the Extraordinary Shareholders’ Meeting held on 10 August 2000 and 3 May 2001) to managers and other employees of the “old” Telecom Italia or its parent companies or subsidiaries, to be identified by name by the Board of Directors, with the exclusion of the right of pre-emption in accordance with the combined effect of the last paragraph of Article 2441 of the Civil Code and Article 134 of the Consolidated Law on Finance.

The meeting also charged the Board of Directors with drawing up the Rules, and establishing the strike price for each of the tranches of the share capitale increase, according to the limits established by law.

The extraordinary shareholders’ meeting of the “old” Telecom Italia held on 12 June 2001 authorized the Board for up to a maximum of five years starting from the date of same to increase the share capital by issuing, in one or more tranches, up to a maximum of 73,000,000 “old” Telecom Italia ordinary shares, ranking pari passu with existing shares as to dividend payments, for cash, to be offered to managers and other employees of the “old” Telecom Italia or its parent companies or subsidiaries, to be identified by name by the Board of Directors, with the exclusion of the right of pre-emption in accordance with the combined effect of the last paragraph of Article 2441 of the Civil Code and Article 134 of the Consolidated Law on Finance.

The meeting also charged the Board of Directors with establishing the characteristics, time limits, conditions and manner of implementing the Plan and exercising the Options and with preparing the Rules.
The Plan consists in awarding each Beneficiary a number of Options determined at the Grant Date by the Board of Directors or by the Chairman under a mandate from the Board.

Originally, each Option gave the right to subscribe for one “old” Telecom Italia ordinary share; following the Olivetti Merger, with effect from 4 August 2003 the subscription ratio was changed on the basis of the exchange ratio established for the shareholders of the two companies in the merger. More specifically, each option of the stock option plans of the “old” Telecom Italia now permits the holder to subscribe for 3.300871 Shares.

The Options are personal and may not be transferred inter vivos. Options not exercised within the time limits established expire and consequently no longer give any right to Beneficiaries or their heirs.

The exercise of the Options is not subject to the satisfaction of any conditions or to the achievement of given results. At 1 September 2007 all the Options awarded under the Plan were exercisable.

4.6 Indication of any restrictions on the availability of the Options or the Shares

The Options are personal and may not be transferred inter vivos. If they are inherited, the person(s) having entitlement keep the right to exercise all the Options awarded on the same conditions as the employees in service after fulfilling the obligations provided for by applicable law.

Shares issued pursuant to the exercise of the Options will rank pari passu with existing shares as to dividend payments and have the same characteristics and rights as the Telecom Italia ordinary shares in circulation at their date of issue.

Availability restrictions are not envisaged for the newly-issued Shares.

4.7 Description of any resolutory conditions in relation to the award of Options under the Plan if the Beneficiaries carry out hedging transactions neutralizing any prohibition on the sale of the financial instruments awarded, including in the form of options, or of the financial instruments deriving from the exercise of such options

There are no resolutory conditions in relation to the Options awarded under the Plan for the case in which the Beneficiaries carry out hedging transactions.

4.8 Description of the effects produced by termination of employment

In accordance with the Rules, an essential condition for exercise of the Options is that Beneficiaries, at the time of exercising their Options, be employed by the Issuer or one of its parent companies or subsidiaries, even if different from the company they were employed by at the Grant Date.

Moreover, following termination of the employment relationship, the Rules state that:
• in the event of dismissal as a result of reaching the age limit or of resignation for retirement, Beneficiaries keep their right to exercise the Options awarded to them on the same conditions as employees in service;

• in the event of consensual termination of the employment relationship, dismissal on justified objective grounds or resignation for just cause, Beneficiaries keep their right to exercise the exercisable Options, which must be exercised within six months of the termination of the employment relationship (the Options awarded but not yet exercisable expire definitively with the notification of the termination of the employment relationship);

• in the event of dismissal for just cause or on justified subjective grounds or of resignation not for just cause, Beneficiaries lose all the Options awarded to them (including those exercisable but not yet exercised) with the notification of the termination of the employment relationship;

• in the event of inheritance, the persons having entitlement keep the right to exercise the exercisable Options on the same conditions as employees in service.

It should be noted that in the event of the exit from the Group of the company or business unit with which there was the employment relationship at the Grant Date, the Rules provide for Beneficiaries to keep the right to exercise their exercisable Options, which must be exercised within six months of the effective date of the transfer. The Company’s Board of Directors may nonetheless establish longer periods for the exercise of such exercisable Options (or permit the exercise of all or part of the Options awarded but not yet exercisable and establish time limits and procedures for the purpose).

In the event of a cash and/or exchange tender offer for the Shares, Beneficiaries keep the Options awarded and the right to exercise the exercisable Options. The Company’s Board of Directors or the person delegated by the Board – by way of derogation from what is established – may allow the early exercise of all or part of the Options awarded but not yet exercisable and establish time limits and procedures for the purpose.

4.9 Indication of any other grounds for annulling the Plan
No grounds are envisaged for annulling the Plan.

4.10 Reasons for an option for the Company to repurchase the financial instruments underlying the Plan, introduced pursuant to Article 2357 et seq. of the Civil Code, and related description
Not applicable: no provision is made for a repurchase option, either for the Options or the Shares.

4.11 Any loans or other facilitations that are to be granted for the purchase of the Shares pursuant to paragraph 3 of Article 2358 of the Civil Code
4.12 **Indication of the cost the Company is expected to incur at the time of the assignment of the shares, as determined on the basis of predefined terms and conditions, in total and for each financial instrument in the Plan**

Since any exercise of the Options is to be met by an increase in capital (see Section 3.1), no cost is envisaged for the purchase of the Shares. The exercise of the Options, as provided for by the Plan, leads to a dilution of Telecom Italia shareholders’ interest in the Company’s capital, as described in Section 4.13.

The administration of the Plan will be performed by Telecom Italia as part of the current activities handled by its corporate structures, without any additional cost for the Company.

In accordance with the relevant accounting standards (first Italian GAAP and then IFRS), Telecom Italia did not include any cost deriving from the valuation at fair value of the Options at the Grant Date. In particular, in application of IFRS and with reference to IFRS 2 ("Share-based Payment"), Telecom Italia availed of the exemption provided by paragraph 25B of IFRS 1 ("First-time Adoption of International Financial Reporting Standards") and did not apply the rules of IFRS 2 to the stock-option plans awarded prior to 7 November 2002.

4.13 **Indication of any capital dilution effects caused by the Plan**

If the residual amount of the increase in capital for the Plan at 1 September 2007 (equal under the bylaws to €28,532,881.85) were fully taken up, the share capital would be diluted by 0.27% of the total paid up at 1 September 2007 and by 0.39% of the part made up of Shares.

Consequently, the present owners of Shares would see a dilution of 0.39% in their interest in relation to the total number of Shares.

4.14 **Any restrictions on the exercise of voting rights or the attribution of property rights**

Not applicable: the Shares issued for the exercise of the Options rank pari passu with existing shares as to dividend payments.

4.15 **If the shares are not traded on regulated markets, provide all the information needed to assess the value attributed to them**

Not applicable: the newly-issued Shares are traded on the MTA electronic share market organized and operated by Borsa Italiana S.p.A.

4.16 **Number of financial instruments underlying each Option**
As shown in Section 3.6, each Option originally gave the right to subscribe for one "old" Telecom Italia ordinary share. Starting from the effective date of the Olivetti Merger (4 August 2003), the number of subscribable Shares was changed on the basis of the exchange ratio established for the merger.

More specifically, each Option now permits the holder to subscribe for 3.300871 Shares.

4.17 Expiry of the Options
The exercise period of each lot of the Options is five years, as of the date of the start of the right to exercise each lot. More specifically:

- for the first lot (14,514,647 Equivalent Options at 1 September 2007) the expiry date is 3 March 2008;
- for the second lot (15,403,424 Equivalent Options at 1 September 2007) the expiry date is 3 March 2009;
- for the third lot (21,959,896 Equivalent Options at 1 September 2007) the expiry date is 3 March 2010;

4.18 Procedures, calendar and clauses for the exercise of the Options
All the Options existing at 1 September 2007 may be exercised at any time and their exercise is not subject to any conditions.

The right to exercise the Options is suspended however from the tenth trading day prior to the date of Telecom Italia shareholders’ meetings at the first call attended by holders of Shares up to and including the day on which the meeting takes place, at the first or subsequent calls, and up to the first day the Shares are quoted “ex” when a dividend is paid and whenever the Company’s Board of Directors deems this to be necessary.

4.19 Strike price of the Options
The method for determining the strike price of the Options was determined by the Board of Directors of the “old” Telecom Italia in its meeting on 26 March 2002, as the arithmetic mean of the official prices of the ordinary share in the month prior to the Grant Date of the subscription rights (the Fair Value). Application of this criterion gave a strike price of:

- €9.665 for each “old” Telecom Italia ordinary share (for the Options with Grant Date 26 March 2002); and
- €7.952 for each “old” Telecom Italia ordinary share (for the Options with Grant Date 1 August 2002).

However, as indicated in Section 3.6, as of the effective date of the Olivetti Merger (4 August 2003), the original number of shares subscribable under the Plan (one “old” Telecom Italia ordinary share for each Option) was recalculated on the basis of the exchange ratio adopted for the merger. Consequently, as a result of applying
the above-mentioned exchange ratio, the subscription price for each Share deriving from the exercise of the Options is now:
- €2.928015 for the Options with Grant Date 26 March 2002); and
- €2.409061 (for the Options with Grant Date 1 August 2002).

4.20 Possible reasons for the strike price of the Options awarded not being equal to the fair market value

The strike price is equal to the Fair Value at the Grant Date of the Options, without prejudice to the application of the adjustment coefficient consequent on the Olivetti Merger to the subscription price of the Shares, as shown in Section 4.19.

4.21 Criteria on the basis of which different strike prices are provided for different persons or categories of Beneficiaries

As specified above, the strike prices vary according to the Grant Date of the Options, with no distinction between the categories Beneficiaries belong to.

4.22 If the financial instruments underlying the options are not traded on regulated markets, indicate the value attributable to the underlying instruments or the methods for determining their value

Not applicable: the financial instruments underlying the Options are newly-issued ordinary shares of Telecom Italia S.p.A., listed on the MTA electronic share market organized and operated by Borsa Italiana S.p.A.

4.23 Methods for making the adjustments rendered necessary by extraordinary corporate actions and other transactions that cause the number of underlying instruments to change

Pursuant to the Rules and if necessary to keep the basic content and aims of the Plan unchanged, the Board of Directors may require the approval of the competent corporate bodies to amend the manner, conditions and time limits for exercising the Options, especially in the event of extraordinary corporate actions that make this necessary.

In application of this principle, the subscription ratio and strike price were changed consequent on the Olivetti Merger, as described in Sections 4.16 and 4.19.
### TELECOM ITALIA - 2002 STOCK OPTION PLAN

**COMPENSATION PLANS BASED ON FINANCIAL INSTRUMENTS**

Table 1 of Model 7 of Annex 3A of Consob Regulation 11971/1999 on issuers

---

**Date:** 1/9/2007

<table>
<thead>
<tr>
<th>Name or category</th>
<th>Position</th>
<th>Date of shareholders' resolution</th>
<th>Description of instrument</th>
<th>Number of financial instruments underlying the options assigned but not exercisable</th>
<th>Number of financial instruments underlying the options assigned but not exercised</th>
<th>Grant Date by bod (board of directors) or cb (competent body), [remuneration committee = rc]</th>
<th>Strike price (*)</th>
<th>Market price of the underlying financial instruments at the Grant Date (**)</th>
<th>Expiry of option</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PERSONS WITH GOVERNANCE FUNCTIONS IN TELECOM ITALIA S.P.A. (3)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**KEY MANAGERS (4), OTHER EMPLOYEES (5) FORMER EMPLOYEES (6)**

<table>
<thead>
<tr>
<th>Key Managers</th>
<th>Date of shareholders' resolution</th>
<th>Description of instrument</th>
<th>Number of financial instruments underlying the options assigned but not exercisable</th>
<th>Number of financial instruments underlying the options assigned but not exercised</th>
<th>Grant Date by bod (board of directors) or cb (competent body), [remuneration committee = rc]</th>
<th>Strike price (*)</th>
<th>Market price of the underlying financial instruments at the Grant Date (**)</th>
<th>Expiry of option</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>other employees</th>
<th>Date of shareholders' resolution</th>
<th>Description of instrument</th>
<th>Number of financial instruments underlying the options assigned but not exercisable</th>
<th>Number of financial instruments underlying the options assigned but not exercised</th>
<th>Grant Date by bod (board of directors) or cb (competent body), [remuneration committee = rc]</th>
<th>Strike price (*)</th>
<th>Market price of the underlying financial instruments at the Grant Date (**)</th>
<th>Expiry of option</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>former employees</th>
<th>Date of shareholders' resolution</th>
<th>Description of instrument</th>
<th>Number of financial instruments underlying the options assigned but not exercisable</th>
<th>Number of financial instruments underlying the options assigned but not exercised</th>
<th>Grant Date by bod (board of directors) or cb (competent body), [remuneration committee = rc]</th>
<th>Strike price (*)</th>
<th>Market price of the underlying financial instruments at the Grant Date (**)</th>
<th>Expiry of option</th>
</tr>
</thead>
</table>

**Total** 51,877,967
Notes

(*) Subscription price of the Telecom Italia ordinary shares deriving from the exercise of the options.

(**) For options originally on old ordinary shares (i.e. ordinary shares of the "old" Telecom Italia, pre-Olivetti-merger) the price shown is the official price of the old ordinary shares recorded on Borsa Italiana S.p.A.'s MTA electronic share market at the Grant Date of the options, adjusted on the basis of the exchange ratio established for the Olivetti merger, equal to 3.300871 new ordinary shares (i.e. ordinary shares of the "new" Telecom Italia, post-Olivetti-merger) for each old ordinary share held.

(3) Persons with governance functions in Telecom Italia referred to in Article 152-sexies, paragraph 1(c)(c.2) of Consob Regulation 11971/1999 on issuers who own options at 1 September 2007.

(4) The group of managers having regular access to inside information and authorized to take management decisions that can influence the development and prospects of the listed issuer (Article 152-sexies, paragraph 1(c)(c.2) of Consob Regulation 11971/1999 on issuers) who own options at 1 September 2007, if not already in the list referred to in note (3).

(5) Other beneficiaries, employees of Telecom Italia and subsidiary and parent companies at the Grant Date and 1 September 2007.

(6) Other beneficiaries, employees of Telecom Italia and subsidiary and parent companies at the Grant Date and no longer employees at 1 September 2007. (The category includes the successors of defunct beneficiaries)
2000-2002 Stock Option Plan

This section of the Information Document is devoted to the 2000-2002 Stock Option Plan, launched by the Board of Directors of Tim on 22 December 1999, as amended by the subsequent resolutions adopted on 6 May 2002 and 6 November 2002. Accordingly, in this section Plan is to be taken as meaning the 2000-2002 Stock Option Plan and likewise Beneficiary, Option, Grant Date and Rules are to be taken as meaning the Beneficiary, Option, Grant Date and Rules of the 2000-2002 Stock Option Plan.

The increase in capital for the 2000-2002 Stock Option Plan, for the part still remaining at 24 July 2007 (valid also at 1 September 2007) is shown in point 1 of Article 5.5 of the Company’s bylaws.

1. Beneficiaries of the Plan

1.1 Names of the Beneficiaries to whom the Options are awarded because they are members of the Board of Directors of the Issuer or the Issuer’s parent companies or subsidiaries

There are no Beneficiaries who have been awarded Options because they are members of the Board of Directors of the Issuer or the Issuer’s parent companies or subsidiaries.

1.2 Categories of employees or collaborators of the Issuer or the Issuer’s parent companies or subsidiaries

This plan was designed for key managers of Tim or other companies of the Telecom Italia Group.

1.3 Names of the Beneficiaries belonging to the following groups:

a) persons performing executive functions in the Issuer pursuant to Article 152-sexies, paragraph 1(c)(c.2) of the Regulation on Issuers

Not applicable: at 1 September 2007 no Beneficiary performed executive functions.

b) persons performing executive functions in a subsidiary of the Issuer if the book value of the holding is equal to more than 50 per cent of the Issuer’s balance sheet assets, pursuant to Article 152-sexies, paragraph 1(c)(c.3) of the Regulation on Issuers

Not applicable: none of the Issuer’s subsidiaries satisfies the condition referred to in Article 152-sexies, paragraph 1(c)(c.3) of the Regulation on Issuers.

c) natural persons controlling the Issuer who are employees or collaborators of same

Not applicable: Telecom Italia is not controlled by any person within the meaning of Article 93 of the Consolidated Law on Finance.
1.4 Description and indication of the number, divided by category:

a) of the managers having regular access to inside information and authorized to take management decisions that can influence the development and prospects of the Issuer, pursuant to Article 152-sexies, paragraph 1(c)(c.2) of the Regulation on Issuers

Not applicable: at 1 September 2007 none of the Key Managers of Telecom Italia was a Beneficiary.

b) of the managers having regular access to inside information and authorized to take management decisions that can influence the development and prospects of a subsidiary of the Issuer if the book value of the holding is equal to more than 50 per cent of the Issuer's balance sheet assets, pursuant to Article 152-sexies, paragraph 1(c)(c.3) of the Regulation on Issuers

Not applicable: none of the Issuer's subsidiaries satisfies the condition referred to in Article 152-sexies, paragraph 1(c)(c.3) of the Regulation on Issuers.

c) of any other categories of employees or collaborators for whom different Plan characteristics have been provided

Not applicable: the Plan does not provide different characteristics for different categories of Beneficiaries.

d) of the persons indicated at points a) and/or b) for whom different strike prices are provided

Not applicable: the Plan does not provide different strike prices for different categories of Beneficiaries.

2. REASONS FOR THE ADOPTION OF THE PLAN

2.1 Objectives of the Award

The aim of the Plan was to motivate and increase the loyalty of key employees of Tim or other companies of the Telecom Italia Group by using a mechanism in line with common practice both in Italy and abroad.

More specifically, the plan was set in the context of a diversified compensation package for management that relied on stock options as the main means of retaining managers and aligning their interests with those of the shareholders by allowing Beneficiaries to enjoy the rise in value of the shares upon completion of the vesting period.

To this end, the exercise of the Options awarded was divided into three lots, each representing one third of the total amount awarded. At 1 September 2007, the Options of the first lot were exercised in full.
2.2 Key variables, including performance indicators considered for the purpose of awarding the Options

The essential condition for the award of the options was the same for all Beneficiaries and consisted in the existence of an employment relationship with Tim or with other companies of the Telecom Italia Group at the Grant Date.

Options could be exercised subject to the achievement of certain results, as measured by the performance indicator known as EVA (Economic Value Added), with reference to:

- Tim’s 1999 budget, for the first lot
- Tim’s 2000 budget, for the second lot,
- Tim’s 2001 budget, for the third lot,

after financial investments.

The performance objectives for each lot were achieved.

2.3 Factors involved in determining the amount of share-based compensation

The quantity of Options awarded under the plan was determined by the Board of Directors of Tim taking into account the role played by the individual Beneficiaries.

2.4 Reasons for a decision to adopt compensation plans based on financial instruments not issued by the Issuer

Not applicable: the Plan is based on the award of Options for the subscription of the Company’s shares.

2.5 Significant tax and accounting implications for the design of the Plan

There were no significant tax and accounting implications that influenced the design of the Plan.

2.6 Any support for the Plan from the Fund for encouraging employee ownership referred to in Article 4(112) of Law 350/2003

The plan does not receive support from the Fund for encouraging employee ownership referred to in Article 4(112) of Law 350/2003.
3. **APPROVAL PROCEDURE AND CALENDAR FOR THE AWARD OF THE FINANCIAL INSTRUMENTS**

3.1 **Scope of the powers and functions delegated by the shareholders’ meeting to the Board of Directors for the implementation of the Plan**

The Plan was approved by the Board of Directors of Tim in its meeting on 22 December 1999 under the mandate granted by the shareholders in the extraordinary meeting held on 18 December 1998. In fact this shareholders’ meeting had authorized the Board for up to a maximum of five years starting from the date of same to increase the share capital by issuing up to a maximum of 40,000,000 Tim ordinary shares, ranking pari passu with existing shares as to dividend payments, in one or more tranches, to be offered for cash to managers of Tim or companies of the Telecom Italia Group, to be identified by name by the Board of Directors, with the exclusion of the right of pre-emption in accordance with the combined effect of the last paragraph of Article 2441 of the Civil Code and Article 134 of the Consolidated Law on Finance.

3.2 **Indication of the persons charged with administering the Plan and their functions and powers**

The Board of Directors of Tim authorized the Chairman, the Deputy Chairman and the Managing Director to take – separately and through attorneys-in-fact – all the steps needed for the implementation of the Plan.

3.3 **Procedures for revising the Plan, inter alia in the event of changes in the underlying objectives**

In accordance with the Rules, in case of organizational, corporate and personnel management changes during the term of the Plan, the Board of Directors may take any action deemed necessary under the circumstances. More specifically, the Board of Directors has expressly indicated that it may require the approval of the competent corporate bodies to amend the terms and conditions of the exercise of the Options in the event of:

- a split or reverse split of the Shares;
- an increase in capital by means of a bonus issue of new Shares;
- an increase in share capital for cash with the issue of new Shares subject to the right of pre-emption, serving also for convertible bonds and bonds with subscription warrants and any equity-related transaction giving rise to the detachment of a negotiable right;
- the merger of the Company into another or the spin-off of part of the Company, without prejudice to the right of the Board of Directors to set a new expiry date for the exercise of the Options already awarded, on pain of their expiring;
- the payment of extraordinary dividends on the Shares;
3.4 Description of how the availability and allocation of the financial instruments underlying the Plan were established

The Options incorporate the right to subscribe for newly-issued shares deriving from the increase in capital with the exclusion of the right of pre-emption referred to in point 1 of Article 5.5 of the bylaws.

3.5 Role played by each director in determining the characteristics of the Plan; any conflicts of interest involving the directors concerned

The Board of Directors of Tim that approved the implementation of the Plan on 22 December 1999 included: Roberto Colaninno (Chairman), Umberto Nicodano (Deputy Chairman), Marco De Benedetti (Managing Director), Massimo Brunelli, Andrea Camanzi, Guido Ferrarini and Paolo Savona. At that time the Remuneration Committee included the following Directors: Paolo Savona (Chairman), Guido Ferrarini and Marco De Benedetti.

The Board of Directors of Tim that on 6 May 2002 changed the way the Options could be exercised (changing them to American-style options, which can be exercised at any time before the expiry date) included: Enrico Bondi (Chairman) Carlo Buora (Deputy Chairman), Marco De Benedetti (Managing Director), Carlo Bertazzo, Marco Cerrina Feroni, Enzo Grilli, Attilio Leonardo Lentati, Gianni Mion, Riccardo Perissich, Paolo Savona, Mauro Sentinelli and Rodolfo Zich. At that time the Remuneration Committee included the following Directors: Enzo Grilli (Chairman), Attilio Leonardo Lentati and Rodolfo Zich.

The Board of Directors of Tim that on 6 November 2002 resolved to extend the expiry date of the Options included: Carlo Buora (Chairman), Gianni Mion (Deputy Chairman), Marco De Benedetti (Managing Director), Carlo Bertazzo, Oscar Cristianci, Enzo Grilli, Attilio Leonardo Lentati, Gaetano Micciché, Enrico Parazzini, Riccardo Perissich, Paolo Savona, Mauro Sentinelli and Rodolfo Zich. At that time the Remuneration Committee included the following Directors: Paolo Savona (Chairman), Guido Ferrarini and Marco De Benedetti.

The Managing Director abstained from voting on the list of Beneficiaries.

3.6 Steps in the approval of the Plan

As specified above, the Plan was approved by the Board of Directors of Tim in its meeting on 22 December 1999, under the mandate granted by the shareholders in the extraordinary meeting held on 18 December 1998 (which had been convened by resolution of the Board of Directors in the meeting held on 4 November 1998). In fact this shareholders’ meeting had authorized the Board for up to a maximum of five years starting from the date of same to increase the share capital by issuing up to a maximum of 40,000,000 Tim ordinary shares, ranking pari passu with existing shares as to dividend payments, in one or more tranches, to be offered for cash to
managers of Tim or companies of the Telecom Italia Group, to be identified by name by the Board of Directors, with the exclusion of the right of pre-emption in accordance with the combined effect of the last paragraph of Article 2441 of the Civil Code and Article 134 of the Consolidated Law on Finance.

The guidelines for the Plan were drawn up by the Remuneration Committee on 22 December 1999.

On 22 December 1999, the Board of Directors resolved to launch the Plan, approving the Rules, the list of Beneficiaries with the details of the Options awarded to each, and the strike price of the Options, the arithmetic mean of the official prices of the shares quoted on the MTA electronic share market during the six months prior to the incentive period (June-December 1999).

Subsequently, the Board of Directors of Tim
• resolved, on 6 May 2002, to allow the exercise of the Options at any time (originally the Options could be exercised only during specified periods);
• resolved, on 6 November 2002, to extend the expiry date of all the Options to 31 December 2008 (originally: 31 December 2005).

As of the effective date of the Tim Merger (30 June 2005), the original number of shares that could be purchased under the Plan – one Tim ordinary share for each Option – changed as a result of the share exchange ratio of 1.73 Shares for each ordinary Tim share set for the Tim Merger. Consequently, the strike price for each Share decreased from €6.42 per ordinary Tim share to €3.710983.

3.7 Date of the decision taken by the competent body concerning the award of the financial instruments and any proposal made to such body by the Remuneration Committee

See Section 3.6.

3.8 Market prices on the above-mentioned dates of the financial instruments on which the Plan is based, if traded on regulated markets

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Market price (*) (in euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 November 1998</td>
<td>The Board of Directors of Tim called an extraordinary meeting of shareholders for the share capital increase</td>
<td>3.061</td>
</tr>
<tr>
<td>18 December 1998</td>
<td>The extraordinary meeting of shareholders of Tim approved the share capital increase</td>
<td>3.286</td>
</tr>
<tr>
<td>22 December 1999</td>
<td>The Remuneration Committee of Tim approved the proposed Plan</td>
<td>6.155</td>
</tr>
<tr>
<td></td>
<td>The Board of Directors of Tim approved the Plan</td>
<td></td>
</tr>
<tr>
<td>6 May 2002</td>
<td>The Board of Directors of Tim resolved to allow options to be exercised at any time before expiry</td>
<td>2.638</td>
</tr>
<tr>
<td>6 November 2002</td>
<td>The Board of Directors of Tim extended the expiry date of the Options until 31 December 2008</td>
<td>2.808</td>
</tr>
<tr>
<td>5 April 2005</td>
<td>The extraordinary meeting of shareholders of Tim approved</td>
<td>2.964</td>
</tr>
</tbody>
</table>
the merger of Tim into Telecom Italia

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>7 April 2005</td>
<td>The extraordinary meeting of shareholders of Telecom Italia approved the merger of Tim into Telecom Italia</td>
<td>3.024</td>
</tr>
<tr>
<td>30 June 2005</td>
<td>Effective date of the Tim merger</td>
<td>2.595</td>
</tr>
</tbody>
</table>

(*) For the dates prior to the effective date of the Tim Merger, the price shown is the official price of Tim ordinary shares recorded on each of the above dates on Borsa Italiana's MTA electronic share market (1998 prices converted from lire into euros), adjusted on the basis of the exchange ratio adopted for the Tim Merger, equal to 1.73 Shares for each Tim ordinary share. The price shown for the effective date of the Tim Merger (30 June 2005) is the official price of the Shares recorded on that day on Borsa Italiana's MTA electronic share market.

3.9 Time limits and procedures considered by the Issuer in identifying the calendar for the award of the financial instruments in implementing plans, of the possible coincidence between (i) such award or decisions taken in this respect by the Remuneration Committee and (ii) the spread of any inside information referred to in Article 114.1 of the Consolidated Law on Finance.

Tim did not issue a press release at the Grant Date.
4. CHARACTERISTICS OF THE FINANCIAL INSTRUMENTS AWARDED

4.1 Description of how the Plan is structured
The Plan is based on the award, free of charge, of Options making it possible to subscribe for Shares with settlement by means of physical delivery (stock options) at a predetermined price.

At 1 September 2007 the Options existing numbered 9,748,990, corresponding (consequent on the application, for each Beneficiary and each individual lot, of the exchange ratio adopted for the Olivetti Merger) to 16,865,659 Equivalent Options, all exercisable.

4.2 Indication of the period of actual implementation of the Plan, with reference also to any different cycles envisaged
All the 16,865,659 Equivalent Options existing at 1 September 2007 can be exercised before 31 December 2008.

4.3 Expiration of the Plan
The expiration of the Plan, meaning the deadline for the increase in capital for the exercise of the Options, is 31 December 2008.

4.4 Maximum number of Options awarded in each fiscal year in relation to the persons individually identified or to the categories specified
Not applicable.

For the sake of completeness, the following table shows the distribution of Equivalent Options awarded as of 1 September 2007 between Beneficiaries in service and other Beneficiaries.

<table>
<thead>
<tr>
<th>Name</th>
<th>Fiscal year of award</th>
<th>Options at 1/9/2007</th>
<th>Equivalent Options at 1/9/2007 (***).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees (*)</td>
<td>1999</td>
<td>4,513,996</td>
<td>7,809,159</td>
</tr>
<tr>
<td>Former employees (**)</td>
<td>1999</td>
<td>5,234,994</td>
<td>9,056,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>9,748,990</td>
<td>16,865,659</td>
</tr>
</tbody>
</table>

(*) Other Beneficiaries, employees of Tim (now Telecom Italia) and companies of the Telecom Italia Group at the Grant Date and at 1 September 2007.

(**) Other Beneficiaries, employees of Tim (now Telecom Italia) and companies of the Telecom Italia Group at the Grant Date and no longer employees at 1 September 2007 (the category includes the heirs of Beneficiaries who died in the meantime).

(***) The Equivalent Options are calculated separately for each Beneficiary and lot and then summed.
4.5 Plan implementing procedures and clauses

The extraordinary shareholders’ meeting of Tim held on 18 December 1998 authorized the Board for up to a maximum of five years starting from the date of same to increase the share capital by issuing, in one or more tranches, up to a maximum of 40,000,000 Tim ordinary shares, ranking pari passu with existing shares as to dividend payments, for cash, to be offered to managers and employees of Tim or other Telecom Italia Group companies, to be identified by name by the Board of Directors, with the exclusion of the right of pre-emption in accordance with the combined effect of the last paragraph of Article 2441 of the Civil Code and Article 134 of the Consolidated Law on Finance.

The meeting also charged the Board of Directors with establishing the characteristics, time limits, conditions and manner of implementing the Plan and exercising the Options and with preparing the Rules.

The Plan consists in awarding each Beneficiary a number of Options determined at the Grant Date by the Board of Directors.

Originally, each Option gave the right to subscribe for one Tim ordinary share; following the Tim Merger, with effect from 30 June 2005 the subscription ratio was changed on the basis of the exchange ratio established for the shareholders of the two companies in the merger. More specifically, each option of the Tim stock option plans now permits the holder to subscribe for 1.73 Shares.

The Options are personal and may not be transferred *inter vivos*. Options not exercised within the time limits established expire and consequently no longer give any right to Beneficiaries or their heirs.

Moreover, the exercise of the Options has been made subject to the achievement of a performance indicator, Economic Value Added (EVA), with reference to:
- Tim’s 1999 budget for the first lot;
- Tim’s 2000 budget for the second lot;
- Tim’s 2001 budget for the third lot;

after financial investments.

In time the performance indicators were achieved for all three lots. At 1 September 2007 all the Options awarded under the Plan were exercisable.

4.6 Indication of any restrictions on the availability of the Options or the Shares

The Options are personal and may not be transferred *inter vivos*. If they are inherited, the person(s) having entitlement keep the right to exercise all the Options awarded on the same conditions as the employees in service after fulfilling the obligations provided for by applicable law.

Shares issued pursuant to the exercise of the Options will rank pari passu with existing shares as to dividend payments and have the same characteristics and rights as the Telecom Italia ordinary shares in circulation at their date of issue.

Availability restrictions are not envisaged for the newly-issued Shares.
4.7 Description of any resolutory conditions in relation to the award of Options under the Plan if the Beneficiaries carry out hedging transactions neutralizing any prohibition on the sale of the financial instruments awarded, including in the form of options, or of the financial instruments deriving from the exercise of such options

There are no resolutory conditions in relation to the Options awarded under the Plan for the case in which the Beneficiaries carry out hedging transactions.

4.8 Description of the effects produced by termination of employment

In accordance with the Rules, an essential condition for exercise of the Options is that Beneficiaries, at the time of exercising their Options, be employed by the Issuer or one of its parent companies or subsidiaries, even if different from the company they were employed by at the Grant Date.

Moreover, following termination of the employment relationship, the Rules state that:

- in the event of dismissal with or without notice, Beneficiaries lose their right to exercise the Options with effect from the notification of dismissal;
- in the event of voluntary resignation, Beneficiaries lose their right to exercise the Options with effect from the notification of resignation;
- in the event of consensual termination of the employment relationship, the Board of Directors may permit, on a case-by-case basis, the exercise of all or part of the exercisable Options:
  - in the event of interruption of the employment relationship with the right to receive an old-age or seniority pension, or of the exit from the Telecom Italia Group of the company with which there is the employment relationship, or of a cash and/or exchange tender offer for the Shares, the Options awarded remain exercisable;
  - in the event of inheritance, the persons having entitlement keep the right to exercise the exercisable Options on the same conditions as employees in service.

4.9 Indication of any other grounds for annulling the Plan

No grounds are envisaged for annulling the Plan.

4.10 Reasons for an option for the Company to repurchase the financial instruments underlying the Plan, introduced pursuant to Article 2357 et seq. of the Civil Code, and related description

Not applicable: no provision is made for a repurchase option, either for the Options or the Shares.
4.11 Any loans or other facilitations that are to be granted for the purchase of the Shares pursuant to paragraph 3 of Article 2358 of the Civil Code

Not applicable: no provision is made for facilitations pursuant to paragraph 3 of Article 2358 of the Civil Code.

4.12 Indication of the cost the Company is expected to incur at the time of the assignment of the shares, as determined on the basis of predefined terms and conditions, in total and for each financial instrument in the Plan

Since any exercise of the Options is to be met by an increase in capital (see Section 3.1), no cost is envisaged for the purchase of the Shares. The exercise of the Options, as provided for by the Plan, leads to a dilution of Telecom Italia shareholders’ interest in the Company’s capital, as described in Section 4.13.

The administration of the Plan will be performed by Telecom Italia as part of the current activities handled by its corporate structures, without any additional cost for the Company.

In accordance with the relevant accounting standards (first Italian GAAP and then IFRS), Telecom Italia did not include any cost deriving from the valuation at fair value of the Options at the Grant Date. In particular, in application of IFRS and with reference to IFRS 2 (“Share-based Payment”), Telecom Italia availed of the exemption provided by paragraph 25B of IFRS 1 (“First-time Adoption of International Financial Reporting Standards”) and did not apply the rules of IFRS 2 to the stock-option plans awarded prior to 7 November 2002.

4.13 Indication of any capital dilution effects caused by the Plan

If the residual amount of the increase in capital for the Plan at 1 September 2007 (equal under the bylaws to €9,276,112.45) were fully taken up, the share capital would be diluted by 0.09% of the total paid up at 1 September 2007 and by 0.13% of the part made up of Shares.

Consequently, the present owners of Shares would see a dilution of 0.13% in their interest in relation to the total number of Shares.

4.14 Any restrictions on the exercise of voting rights or the attribution of property rights

Not applicable: the Shares issued for the exercise of the Options rank pari passu with existing shares as to dividend payments.

4.15 If the shares are not traded on regulated markets, provide all the information needed to assess the value attributed to them

Not applicable: the newly-issued Shares are traded on the MTA electronic share market organized and operated by Borsa Italiana S.p.A.
4.16 **Number of financial instruments underlying each Option**

As shown in Section 3.6, each Option originally gave the right to subscribe for one Tim ordinary share. Starting from the effective date of the Tim Merger (30 June 2005), the number of subscribable Shares was changed on the basis of the exchange ratio established for the merger.

More specifically, each Option now permits the holder to subscribe for 1.73 Shares.

4.17 **Expiry of the Options**

At 1 September 2007 all the 16,865,659 Equivalent Options were exercisable, with expiry date 31 December 2008.

4.18 **Procedures, calendar and clauses for the exercise of the Options**

All the Options existing at 1 September 2007 may be exercised at any time and their exercise is not subject to any conditions.

The right to exercise the Options is suspended however from the tenth trading day prior to the date of Telecom Italia shareholders’ meetings at the first call attended by holders of Shares up to and including the day on which the meeting takes place, at the first or subsequent calls, and up to the first day the Shares are quoted “ex” when a dividend is paid and in the event of:

- a split or reverse split of the Shares;
- an increase in capital by means of a bonus issue of new Shares;
- an increase in share capital for cash with the issue of new Shares subject to the right of pre-emption, serving also for convertible bonds and bonds with subscription warrants and any equity-related transaction giving rise to the detachment of a negotiable right;
- the merger of the Company into another or the spin-off of part of the Company, without prejudice to the right of the Board of Directors to set a new expiry date for the exercise of the Options already awarded, on pain of their expiring;
- the payment of extraordinary dividends on the Shares;
- a reduction in capital by retirement of Shares, except for treasury shares;
- other circumstances that make such action necessary.

4.19 **Strike price of the Options**

The strike price of the Options was determined by the Board of Directors of Tim in its meeting on 22 December 1999, as the arithmetic mean of the official prices of the ordinary Tim shares on the MTA electronic share market in the 6 months prior to the incentive period (June-December 1999). Application of this criterion gave a strike price of €6.42 per share.
However, as indicated in Section 3.6, as of the effective date of the Tim Merger (30 June 2005), the original number of shares subscribable under the Plan (one Tim ordinary share for each Option) was recalculated on the basis of the exchange ratio adopted for the merger. Consequently, as a result of applying the above-mentioned exchange ratio, the subscription price for each Share deriving from the exercise of the Options (originally €6.42 for each Tim ordinary share) is now €3.710983.

4.20 Possible reasons for the strike price of the Options awarded not being equal to the fair market value

In the absence of specific legal provisions, at the date of the Plan's approval (22 December 1999) the strike price was determined with reference to the average of the official prices of Tim ordinary shares on the MTA electronic share market in the six months preceding the incentive period (June-December 1999). The adjustment coefficient consequent on the Tim Merger was then applied to the strike price obtained in this way, as shown in Section 4.19.

4.21 Criteria on the basis of which different strike prices are provided for different persons or categories of Beneficiaries

Not applicable: the strike price of the Options is the same for all the Beneficiaries.

4.22 If the financial instruments underlying the options are not traded on regulated markets, indicate the value attributable to the underlying instruments or the methods for determining their value

Not applicable: the financial instruments underlying the Options are newly-issued ordinary shares of Telecom Italia S.p.A., listed on the MTA electronic share market organized and operated by Borsa Italiana S.p.A.

4.23 Methods for making the adjustments rendered necessary by extraordinary corporate actions and other transactions that cause the number of underlying instruments to change

Pursuant to the Rules and if necessary to keep the basic content and aims of the Plan unchanged, the Board of Directors may require the approval of the competent corporate bodies to amend the conditions for exercising the Options, especially in the event of extraordinary corporate actions that make this necessary.

In application of this principle, the subscription ratio and strike price were changed consequent on the Tim Merger, as described in Sections 4.16 and 4.19.
### TELECOM ITALIA - 2000-2002 STOCK OPTION PLAN

### COMPENSATION PLANS BASED ON FINANCIAL INSTRUMENTS

Table 1 of Model 7 of Annex 3A of Consob Regulation 11971/1999 on issuers

Date: 1/9/2007

<table>
<thead>
<tr>
<th>Name or category</th>
<th>Position</th>
<th>Date of shareholders’ resolution</th>
<th>Description of instrument</th>
<th>Number of financial instruments underlying the options assigned but not exercisable</th>
<th>Number of financial instruments underlying the options assigned but not exercised</th>
<th>Grant Date by bod (board of directors) or cb (competent body), [remuneration committee = rc]</th>
<th>Strike price (*)</th>
<th>Market price of the underlying financial instruments at the Grant Date (**)</th>
<th>Expiry of option</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>3.710983 6.155</td>
<td>31/12/2008</td>
<td></td>
</tr>
<tr>
<td></td>
<td>former employees</td>
<td>18/12/1998 07/04/2005</td>
<td>Options on Telecom Italia ordinary shares (physical settlement)</td>
<td>=</td>
<td>4,408,611 4,647,889</td>
<td>bod/cb 22/12/1999 rc 22/12/1999</td>
<td>3.710983 6.155</td>
<td>31/12/2008</td>
<td></td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>3.710983 6.155</td>
<td>31/12/2008</td>
<td></td>
</tr>
</tbody>
</table>

**Total** 16,865,659

### Notes

(*) Subscription price of the Telecom Italia ordinary shares deriving from the exercise of the options.

(**) For options originally on Tim ordinary shares the price shown is the official price of the Tim ordinary shares recorded on Borsa Italiana S.p.A.’s MTA electronic share market at the Grant Date of the options, adjusted on the basis of the exchange ratio established for the Tim merger, equal to 1.73 Telecom Italia ordinary shares for each Tim ordinary share held.

(5) Beneficiaries, employees of Tim (now Telecom Italia) and Telecom Italia Group companies at the Grant Date and at 1 September 2007.

(6) Other beneficiaries, employees of Tim (now Telecom Italia) and Telecom Italia Group companies at the Grant Date and no longer employees at 1 September 2007. (the category includes the successors of defunct beneficiaries)
2002-2003 STOCK OPTION PLAN

This section of the Information Document is devoted to the 2002-2003 Stock Option Plan, launched by the Board of Directors of Tim on 12 February 2002. Accordingly, in this section Plan is to be taken as meaning the 2002-2003 Stock Option Plan and likewise Beneficiary, Option, Grant Date and Rules are to be taken as meaning the Beneficiary, Option, Grant Date and Rules of the 2002-2003 Stock Option Plan.

The increase in capital for the 2002-2003 Stock Option Plan, for the part still remaining at 24 July 2007 (valid also at 1 September 2007) is shown in point 2 of Article 5.5 of the Company’s bylaws.

1. BENEFICIARIES OF THE PLAN

1.1 Names of the Beneficiaries to whom the Options are awarded because they are members of the Board of Directors of the Issuer or the Issuer’s parent companies or subsidiaries

There are no Beneficiaries who have been awarded Options because they are members of the Board of Directors of the Issuer or the Issuer’s parent companies or subsidiaries.

1.2 Categories of employees or collaborators of the Issuer or the Issuer’s parent companies or subsidiaries

This plan was designed for key managers and key employees of Tim or other companies of the Telecom Italia Group.

1.3 Names of the Beneficiaries belonging to the following groups:

   a) persons performing executive functions in the Issuer pursuant to Article 152-sexies, paragraph 1(c)(c.2) of the Regulation on Issuers

      Not applicable: at 1 September 2007 no Beneficiary performed executive functions.

   b) persons performing executive functions in a subsidiary of the Issuer if the book value of the holding is equal to more than 50 per cent of the Issuer’s balance sheet assets, pursuant to Article 152-sexies, paragraph 1(c)(c.3) of the Regulation on Issuers

      Not applicable: none of the Issuer’s subsidiaries satisfies the condition referred to in Article 152-sexies, paragraph 1(c)(c.3) of the Regulation on Issuers.
c) natural persons controlling the Issuer who are employees or collaborators of same

Not applicable: Telecom Italia is not controlled by any person within the meaning of Article 93 of the Consolidated Law on Finance.

1.4 Description and indication of the number, divided by category:

a) of the managers having regular access to inside information and authorized to take management decisions that can influence the development and prospects of the Issuer, pursuant to Article 152-sexies, paragraph 1(c)(c.2) of the Regulation on Issuers

Not applicable: at 1 September 2007 none of the Key Managers of Telecom Italia was a Beneficiary.

b) of the managers having regular access to inside information and authorized to take management decisions that can influence the development and prospects of a subsidiary of the Issuer if the book value of the holding is equal to more than 50 per cent of the Issuer’s balance sheet assets, pursuant to Article 152-sexies, paragraph 1(c)(c.3) of the Regulation on Issuers

Not applicable: none of the Issuer’s subsidiaries satisfies the condition referred to in Article 152-sexies, paragraph 1(c)(c.3) of the Regulation on Issuers.

c) of any other categories of employees or collaborators for whom different Plan characteristics have been provided

Not applicable: the Plan does not provide different characteristics for different categories of Beneficiaries.

d) of the persons indicated at points a) and/or b) for whom different strike prices are provided

Not applicable: the Plan does not provide different strike prices for different categories of Beneficiaries.
2. REASONS FOR THE ADOPTION OF THE PLAN

2.1 Objectives of the Award

The aim of the Plan was to motivate and increase the loyalty of key employees of Tim or other companies of the Telecom Italia Group’s key resources by using a mechanism in line with common practice both in Italy and abroad.

More specifically, the plan was set in the context of a diversified compensation package for management that relied on stock options as the main means of retaining managers and aligning their interests with those of the shareholders by allowing Beneficiaries to enjoy the rise in value of the shares upon completion of the vesting period.

To this end, the exercise of the options awarded was divided into two lots, each representing 50% of the total amount awarded. Upon vesting (December 2002 for the first lot and December 2003 for the second lot), the Options can be exercised at any time until 31 December 2008.

2.2 Key variables, including performance indicators considered for the purpose of awarding the Options

The essential condition for the award of the options was the same for all Beneficiaries and consisted in the existence of an employment relationship with Tim or with other companies of the Telecom Italia Group at the Grant Date.

The award of the Options was not related to performance objectives.

2.3 Factors involved in determining the amount of share-based compensation

The quantity of Options awarded under the plan was determined by the Board of Directors of Tim taking into account the role played by the individual Beneficiaries.

2.4 Reasons for a decision to adopt compensation plans based on financial instruments not issued by the Issuer

Not applicable: the Plan is based on the award of Options for the subscription of the Company’s shares.

2.5 Significant tax and accounting implications for the design of the Plan

Except for the manner in which the strike price of the Options is determined (as illustrated in section 4.19 below), there were no significant tax and accounting implications that influenced the design of the Plan.
2.6 Any support for the Plan from the Fund for encouraging employee ownership referred to in Article 4(112) of Law 350/2003

The plan does not receive support from the Fund for encouraging employee ownership referred to in Article 4(112) of Law 350/2003.
3. **APPROVAL PROCEDURE AND CALENDAR FOR THE AWARD OF THE FINANCIAL INSTRUMENTS**

3.1 **Scope of the powers and functions delegated by the shareholders’ meeting to the Board of Directors for the implementation of the Plan**

The Plan was approved by the Board of Directors of Tim in its meeting on 12 February 2002 under the mandate granted by the shareholders in the extraordinary meeting held on 10 October 2000. In fact this shareholders’ meeting had authorized the Board for up to a maximum of five years starting from the date of same to increase the share capital by issuing up to a maximum of 82,000,000 Tim ordinary shares, ranking pari passu with existing shares as to dividend payments, in one or more tranches, to be offered for cash to managers of Tim or companies of the Telecom Italia Group, to be identified by name by the Board of Directors, with the exclusion of the right of pre-emption in accordance with the combined effect of the last paragraph of Article 2441 of the Civil Code and Article 134 of the Consolidated Law on Finance.

3.2 **Indication of the persons charged with administering the Plan and their functions and powers**

The Board of Directors of Tim authorized the Chairman, the Deputy Chairman and the Managing Director to take – separately and through attorneys-in-fact – all the steps needed for the implementation of the Plan.

3.3 **Procedures for revising the Plan, inter alia in the event of changes in the underlying objectives**

Pursuant to the Rules and if necessary to keep the basic content and aims of the Plan unchanged, the Board of Directors may require the approval of the competent corporate bodies to amend the manner, conditions and time limits for exercising the Options in the event of extraordinary corporate actions, legislative or regulatory changes, or other circumstances that make this necessary.

In particular, if changes in the applicable law result in the implementation of the Plan causing the Company to incur tax or social security liabilities, the Board of Directors may take appropriate steps to attenuate or neutralize their adverse impact on the Company.

3.4 **Description of how the availability and allocation of the financial instruments underlying the Plan were established**

The Options incorporate the right to subscribe for newly-issued shares deriving from the increase in capital with the exclusion of the right of pre-emption referred to in point 2 of Article 5.5 of the bylaws.
3.5 Role played by each director in determining the characteristics of the Plan; any conflicts of interest involving the directors concerned

The Board of Directors of Tim that approved the implementation of the Plan on 12 February 2002 included: Enrico Bondi (Chairman), Carlo Buora (Deputy Chairman), Marco De Benedetti (Managing Director), Carlo Bertazzo, Marco Cerrina Feroni, Pierpaolo Cotone, Enzo Grilli, Attilio Leonardo Lentati, Gianni Mion, Enrico Parazzini, Riccardo Perissich, Paolo Savona and Rodolfo Zich. At that time the Remuneration Committee included the following Directors: Enzo Grilli (Chairman), Pierpaolo Cotone and Rodolfo Zich.

The Managing Director abstained from voting.

3.6 Steps in the approval of the Plan

As specified above, the Plan was approved by the Board of Directors of Tim in its meeting on 12 February 2002, under the mandate granted by the shareholders in the extraordinary meeting held on 10 October 2000 (which had been convened by resolution of the Board of Directors in the meeting held on 4 September 2000). In fact this shareholders’ meeting had authorized the Board for up to a maximum of five years starting from the date of same to increase the share capital by issuing up to a maximum of 82,000,000 Tim ordinary shares, ranking pari passu with existing shares as to dividend payments, in one or more tranches, to be offered for cash to managers and employees of Tim or companies of the Telecom Italia Group, to be identified by name by the Board of Directors, with the exclusion of the right of pre-emption in accordance with the combined effect of the last paragraph of Article 2441 of the Civil Code and Article 134 of the Consolidated Law on Finance.

The guidelines for the Plan were drawn up by the Remuneration Committee on 17 January 2002.

On 12 February 2002, the Board of Directors of Tim resolved to launch the Plan, approving the Rules, the list of Beneficiaries with the details of the Options awarded to each, as well as the strike price of the Options, equal to the Fair Value of Tim ordinary shares at that date.

As of the effective date of the Tim Merger (30 June 2005), the original number of shares that could be purchased under the Plan – one Tim ordinary share for each Option – changed as a result of the share exchange ratio of 1.73 Shares for each ordinary Tim share set for the Tim Merger. Consequently, the strike price for each Share decreased from €5.67 per ordinary Tim share to €3.277457.

3.7 Date of the decision taken by the competent body concerning the award of the financial instruments and any proposal made to such body by the Remuneration Committee

See Section 3.6.
3.8 Market prices on the above-mentioned dates of the financial instruments on which the Plan is based, if traded on regulated markets

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Market price (*) (in euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 September 2000</td>
<td>The Board of Directors of Tim called an extraordinary meeting of shareholders for the share capital increase</td>
<td>6.008</td>
</tr>
<tr>
<td>10 October 2000</td>
<td>The extraordinary meeting of shareholders of Tim approved the share capital increase</td>
<td>5.290</td>
</tr>
<tr>
<td>17 January 2002</td>
<td>The Remuneration Committee of Tim approved the proposed Plan</td>
<td>3.333</td>
</tr>
<tr>
<td>12 February 2002</td>
<td>The Board of Directors of Tim approved the Plan</td>
<td>2.984</td>
</tr>
<tr>
<td>5 April 2005</td>
<td>The extraordinary meeting of shareholders of Tim approved the merger of Tim into Telecom Italia</td>
<td>2.964</td>
</tr>
<tr>
<td>7 April 2005</td>
<td>The extraordinary meeting of shareholders of Telecom Italia approved the merger of Tim into Telecom Italia</td>
<td>3.024</td>
</tr>
<tr>
<td>30 June 2005</td>
<td>Effective date of the Tim merger</td>
<td>2.595</td>
</tr>
</tbody>
</table>

(*) For the dates prior to the effective date of the Tim Merger, the price shown is the official price of Tim ordinary shares recorded on each of the above dates on Borsa Italiana's MTA electronic share market (1998 prices converted from lire into euros), adjusted on the basis of the exchange ratio adopted for the Tim Merger, equal to 1.73 Shares for each Tim ordinary share. The price shown for the effective date of the Tim Merger (30 June 2005) is the official price of the Shares recorded on that day on Borsa Italiana's MTA electronic share market.

3.9 Time limits and procedures considered by the Issuer in identifying the calendar for the award of the financial instruments in implementing plans, of the possible coincidence between (i) such award or decisions taken in this respect by the Remuneration Committee and (ii) the spread of any inside information referred to in Article 114.1 of the Consolidated Law on Finance

At the Grant Date, Tim issued a press release on the approval of the preliminary accounts for fiscal year 2001.
4. CHARACTERISTICS OF THE FINANCIAL INSTRUMENTS AWARDED

4.1 Description of how the Plan is structured

The Plan is based on the award, free of charge, of Options making it possible to subscribe for Shares with settlement by means of physical delivery (stock options) at a predetermined price.

At 1 September 2007 the Options existing numbered 17,100,000, corresponding (consequent on the application, for each Beneficiary and each individual lot, of the exchange ratio adopted for the Olivetti Merger) to 29,583,000 Equivalent Options, all exercisable.

4.2 Indication of the period of actual implementation of the Plan, with reference also to any different cycles envisaged

All the 29,583,000 Equivalent Options existing at 1 September 2007 can be exercised before 31 December 2008.

4.3 Expiration of the Plan

The expiration of the Plan, meaning the deadline for the increase in capital for the exercise of the Options, is 31 December 2008.

4.4 Maximum number of Options awarded in each fiscal year in relation to the persons individually identified or to the categories specified

Not applicable.

For the sake of completeness, the following table shows the distribution of Equivalent Options awarded as of 1 September 2007 between Beneficiaries in service and other Beneficiaries.

| Name                        | Fiscal year of award | Options at 1/9/2007 | Equivalent Options at 1/9/2007 (***)
|-----------------------------|----------------------|---------------------|----------------------------------------
| Employees (*)               | 2002                 | 15,565,000          | 26,927,450                             
| Former employees (**)       | 2002                 | 1,535,000           | 2,655,550                              
| Total                       |                      | 17,100,000          | 29,583,000                             

(*) Other Beneficiaries, employees of Tim (now Telecom Italia) and companies of the Telecom Italia Group at the Grant Date and at 1 September 2007.

(**) Other Beneficiaries, employees of Tim (now Telecom Italia) and companies of the Telecom Italia Group at the Grant Date and no longer employees at 1 September 2007 (the category includes the heirs of Beneficiaries who died in the meantime).

(***) The Equivalent Options are calculated separately for each Beneficiary and lot and then summed.
4.5 Plan implementing procedures and clauses

The extraordinary shareholders’ meeting of Tim held on 10 October 2000 authorized the Board for up to a maximum of five years starting from the date of same to increase the share capital by issuing, in one or more tranches, up to a maximum of 82,000,000 Tim ordinary shares, ranking pari passu with existing shares as to dividend payments, for cash, to be offered to managers and employees of Tim or other Telecom Italia Group companies, to be identified by name by the Board of Directors, with the exclusion of the right of pre-emption in accordance with the combined effect of the last paragraph of Article 2441 of the Civil Code and Article 134 of the Consolidated Law on Finance.

The meeting also charged the Board of Directors with establishing the characteristics, time limits, conditions and manner of implementing the Plan and exercising the Options and with preparing the Rules.

The Plan consists in awarding each Beneficiary a number of Options determined at the Grant Date by the Board of Directors.

Originally, each Option gave the right to subscribe for one Tim ordinary share; following the Tim Merger, with effect from 30 June 2005 the subscription ratio was changed on the basis of the exchange ratio established for the shareholders of the two companies in the merger. More specifically, each option of Tim’s stock option plans now permits the holder to subscribe for 1.73 Shares.

The Options are personal and may not be transferred *inter vivos*. Options not exercised within the time limits established expire and consequently no longer give any right to Beneficiaries or their heirs.

The exercise of the Options is not subject to the satisfaction of any conditions or to the achievement of given results. At 1 September 2007 all the Options awarded under the Plan were exercisable.

4.6 Indication of any restrictions on the availability of the Options or the Shares

The Options are personal and may not be transferred *inter vivos*. If they are inherited, the person(s) having entitlement keep the right to exercise all the Options awarded on the same conditions as the employees in service after fulfilling the obligations provided for by applicable law.

Shares issued pursuant to the exercise of the Options will rank pari passu with existing shares as to dividend payments and have the same characteristics and rights as the Telecom Italia ordinary shares in circulation at their date of issue.

Availability restrictions are not envisaged for the newly-issued Shares.

4.7 Description of any resolutory conditions in relation to the award of Options under the Plan if the Beneficiaries carry out hedging transactions neutralizing any prohibition on the sale of the financial instruments awarded, including in the form of options, or of the financial instruments deriving from the exercise of such options
There are no resolutory conditions in relation to the Options awarded under the Plan for the case in which the Beneficiaries carry out hedging transactions.

4.8 Description of the effects produced by termination of employment

In accordance with the Rules, an essential condition for exercise of the Options is that Beneficiaries, at the time of exercising their Options, be employed by the Issuer or one of its parent companies or subsidiaries, even if different from the company they were employed by at the Grant Date.

Moreover, following termination of the employment relationship, the Rules state that:

• in the event of dismissal as a result of reaching the age limit or of resignation for retirement, Beneficiaries keep their right to exercise the Options awarded to them on the same conditions as employees in service;

• in the event of consensual termination of the employment relationship, dismissal on justified objective grounds or resignation for just cause, Beneficiaries keep their right to exercise the exercisable Options, which must be exercised within six months of the termination of the employment relationship (the Options awarded but not yet exercisable expire definitively with the notification of the termination of the employment relationship;

• in the event of dismissal for just cause or on justified subjective grounds or of resignation not for just cause, Beneficiaries lose all the Options awarded to them (including those exercisable but not yet exercised) with the notification of the termination of the employment relationship

• in the event of inheritance, the persons having entitlement keep the right to exercise the exercisable Options on the same conditions as employees in service.

It should be noted that in the event of the exit from the Group of the company or business unit with which there was the employment relationship at the Grant Date, the Rules provide for Beneficiaries to keep the right to exercise their exercisable Options, which must be exercised within six months of the effective date of the transfer. The Company’s Board of Directors may nonetheless establish longer periods for the exercise of such exercisable Options (or permit the exercise of all or part of the Options awarded but not yet exercisable and establish time limits and procedures for the purpose).

In the event of a cash and/or exchange tender offer for the Shares, Beneficiaries keep the Options awarded and the right to exercise the exercisable Options. The Company’s Board of Directors or the person delegated by the Board – by way of derogation from what is established – may allow the early exercise of all or part of the Options awarded but not yet exercisable and establish time limits and procedures for the purpose.
4.9 Indication of any other grounds for annulling the Plan
No grounds are envisaged for annulling the Plan.

4.10 Reasons for an option for the Company to repurchase the financial instruments underlying the Plan, introduced pursuant to Article 2357 et seq. of the Civil Code, and related description
Not applicable: no provision is made for a repurchase option, either for the Options or the Shares.

4.11 Any loans or other facilitations that are to be granted for the purchase of the Shares pursuant to paragraph 3 of Article 2358 of the Civil Code
Not applicable: no provision is made for facilitations pursuant to paragraph 3 of Article 2358 of the Civil Code.

4.12 Indication of the cost the Company is expected to incur at the time of the assignment of the shares, as determined on the basis of predefined terms and conditions, in total and for each financial instrument in the Plan
Since any exercise of the Options is to be met by an increase in capital (see Section 3.1), no cost is envisaged for the purchase of the Shares. The exercise of the Options, as provided for by the Plan, leads to a dilution of Telecom Italia shareholders’ interest in the Company’s capital, as described in Section 4.13.

The administration of the Plan will be performed by Telecom Italia as part of the current activities handled by its corporate structures, without any additional cost for the Company.

In accordance with the relevant accounting standards (first Italian GAAP and then IFRS), Telecom Italia did not include any cost deriving from the valuation at fair value of the Options at the Grant Date. In particular, in application of IFRS and with reference to IFRS 2 (“Share-based Payment”), Telecom Italia availed of the exemption provided by paragraph 25B of IFRS 1 (“First-time Adoption of International Financial Reporting Standards”) and did not apply the rules of IFRS 2 to the stock-option plans awarded prior to 7 November 2002.

4.13 Indication of any capital dilution effects caused by the Plan
If the residual amount of the increase in capital for the Plan at 1 September 2007 (equal under the bylaws to €16,270,650.00) were fully taken up, the share capital would be diluted by 0.15% of the total paid up at 1 September 2007 and by 0.22% of the part made up of Shares.

Consequently, the present owners of Shares would see a dilution of 0.22% in their interest in relation to the total number of Shares.
4.14 Any restrictions on the exercise of voting rights or the attribution of property rights

Not applicable: the Shares issued for the exercise of the Options rank pari passu with existing shares as to dividend payments.

4.15 If the shares are not traded on regulated markets, provide all the information needed to assess the value attributed to them

Not applicable: the newly-issued Shares are traded on the MTA electronic share market organized and operated by Borsa Italiana S.p.A.

4.16 Number of financial instruments underlying each Option

As shown in Section 3.6, each Option originally gave the right to subscribe for one Tim ordinary share. Starting from the effective date of the Tim Merger (30 June 2005), the number of subscribable Shares was changed on the basis of the exchange ratio established for the merger.

More specifically, each Option now permits the holder to subscribe for 1.73 Shares.

4.17 Expiry of the Options

At 1 September 2007 all the 29,583,000 Equivalent Options were exercisable, with expiry date 31 December 2008.

4.18 Procedures, calendar and clauses for the exercise of the Options

All the Options existing at 1 September 2007 may be exercised at any time and their exercise is not subject to any conditions.

The right to exercise the Options is suspended however from the tenth trading day prior to the date of Telecom Italia shareholders’ meetings at the first call attended by holders of Shares up to and including the day on which the meeting takes place, at the first or subsequent calls, and up to the first day the Shares are quoted “ex” when a dividend is paid and whenever the Company’s Board of Directors deems this to be necessary.

4.19 Strike price of the Options

The strike price of the Options was determined by the Board of Directors of Tim in its meeting on 12 February 2002, as the arithmetic mean of the official prices of the ordinary share in the month prior to the Grant Date of the subscription rights (the Fair Value), i.e. on the day of the meeting. Application of this criterion gave a strike price of €5.67 per share.

However, as indicated in Section 3.6, as of the effective date of the Tim Merger (30 June 2005), the original number of shares subscribable under the Plan (one Tim ordinary share for each Option) was recalculated on the basis of the exchange
ratio adopted for the merger. Consequently, as a result of applying the above-mentioned exchange ratio, the subscription price for each Share deriving from the exercise of the Options (originally €5.67 for each Tim ordinary share) is now €3.277457.

4.20 Possible reasons for the strike price of the Options awarded not being equal to the fair market value

The strike price is equal to the Fair Value at the Grant Date, without prejudice to the application of the adjustment coefficient consequent on the Tim Merger to the subscription price of the Shares, as shown in Section 4.19.

4.21 Criteria on the basis of which different strike prices are provided for different persons or categories of Beneficiaries

Not applicable: the strike price of the Options is the same for all the Beneficiaries.

4.22 If the financial instruments underlying the options are not traded on regulated markets, indicate the value attributable to the underlying instruments or the methods for determining their value

Not applicable: the financial instruments underlying the Options are newly-issued ordinary shares of Telecom Italia S.p.A., listed on the MTA electronic share market organized and operated by Borsa Italiana S.p.A.

4.23 Methods for making the adjustments rendered necessary by extraordinary corporate actions and other transactions that cause the number of underlying instruments to change

Pursuant to the Rules and if necessary to keep the basic content and aims of the Plan unchanged, the Board of Directors may require the approval of the competent corporate bodies to amend to the manner, conditions and time limits for exercising the Options, especially in the event of extraordinary corporate actions that make this necessary.

In application of this principle, the subscription ratio and strike price were changed consequent on the Tim Merger, as described in Sections 4.16 and 4.19.
# TELECOM ITALIA - 2002-2003 STOCK OPTION PLAN

**COMPENSATION PLANS BASED ON FINANCIAL INSTRUMENTS**  
Table 1 of Model 7 of Annex 3A of Consob Regulation 11971/1999 on issuers

| Name or category | Position | Date of shareholders' resolution | Description of instrument | Number of financial instruments underlying the options assigned but not exercisable | Number of financial instruments underlying the options assigned but not exercised | Grant Date by bod (board of directors) or cb (competent body), [remuneration committee = rc] | Strike price (*) | Market price of the underlying financial instruments at the Grant Date (**) | Expiry of option |
|------------------|----------|---------------------------------|---------------------------|----------------------------------|----------------------------------|--------------------------------|=----------------|--------------------------------|=----------------|
| employees (5) former employees (6) |          |                                 |                           |                                  |                                  |                               |                |                                  |                |
| former employees |          | 10/10/2000 07/04/2005           | Options on Telecom Italia ordinary shares (physical settlement) | = 1,327,775                     | = 1,327,775                      | bod/cb 12/02/2002 rc 17/01/2002 | 3.277457       | 2.984                                          | 31/12/2008     |
| **Total**        |          |                                 |                           |                                  |                                  |                               |                | 29,583,000                                    |                |

**Notes**

(*) Subscription price of the Telecom Italia ordinary shares deriving from the exercise of the options.

(**) Options originally on Tim ordinary shares the price shown is the official price of the Tim ordinary shares recorded on Borsa Italiana S.p.A.’s MTA electronic share market at the Grant Date of the options, adjusted on the basis of the exchange ratio established for the Tim merger, equal to 1.73 Telecom Italia ordinary shares for each Tim ordinary share held.

(5) Beneficiaries, employees of Tim (now Telecom Italia) and Telecom Italia Group companies at the Grant Date and at 1 September 2007.

(6) Other beneficiaries, employees of Tim (now Telecom Italia) and Telecom Italia Group companies at the Grant Date and no longer employees at 1 September 2007. (the category includes the successors of defunct beneficiaries)
2003-2005 Stock Option Plan

This section of the Information Document is devoted to the 2003-2005 Stock Option Plan, launched by the Board of Directors of Tim on 6 May 2002. Accordingly, in this section Plan is to be taken as meaning the 2003-2005 Stock Option Plan and likewise Beneficiary, Option, Grant Date and Rules are to be taken as meaning the Beneficiary, Option, Grant Date and Rules of the 2003-2005 Stock Option Plan.

The increase in capital for the 2003-2005 Stock Option Plan, for the part still remaining at 24 July 2007 (valid also at 1 September 2007) is shown in point 3 of Article 5.5 of the Company’s bylaws

1. Beneficiaries of the Plan

1.1 Names of the Beneficiaries to whom the Options are awarded because they are members of the Board of Directors of the Issuer or the Issuer’s parent companies or subsidiaries

There are no Beneficiaries who have been awarded Options because they are members of the Board of Directors of the Issuer or the Issuer’s parent companies or subsidiaries.

1.2 Categories of employees or collaborators of the Issuer or the Issuer’s parent companies or subsidiaries

This plan was designed for two categories of employees (management and non-management staff) of Tim and/or its parent companies or subsidiaries, and more specifically:

- beneficiaries under a stock option plan of Tim (2001-2003 Plans and Supplementary Plans, which were discontinued), and still in service at the Grant Date, subject to their irrevocable, full and unconditional waiver of the relevant options;
- other recently recruited employees who were not beneficiaries under any other stock option plan and who, at the Grant Date, qualified for participation in the incentive programme.

1.3 Names of the Beneficiaries belonging to the following groups:

a) persons performing executive functions in the Issuer pursuant to Article 152-sexes, paragraph 1(c)(c.2) of the Regulation on Issuers

Not applicable: at 1 September 2007 no Beneficiary performed executive functions.

b) persons performing executive functions in a subsidiary of the Issuer if the book value of the holding is equal to more than 50 per cent of the Issuer’s balance sheet assets, pursuant to Article 152-sexes, paragraph 1(c)(c.3) of the Regulation on Issuers
Not applicable: none of the Issuer’s subsidiaries satisfies the condition referred to in Article 152-sexies, paragraph 1(c)(c.3) of the Regulation on Issuers.

c) natural persons controlling the Issuer who are employees or collaborators of same

Not applicable: Telecom Italia is not controlled by any person within the meaning of Article 93 of the Consolidated Law on Finance.

1.4 Description and indication of the number, divided by category:

a) of the managers having regular access to inside information and authorized to take management decisions that can influence the development and prospects of the Issuer, pursuant to Article 152-sexies, paragraph 1(c)(c.2) of the Regulation on Issuers

Not applicable: at 1 September 2007 none of the Key Managers of Telecom Italia was a Beneficiary.

b) of the managers having regular access to inside information and authorized to take management decisions that can influence the development and prospects of a subsidiary of the Issuer if the book value of the holding is equal to more than 50 per cent of the Issuer’s balance sheet assets, pursuant to Article 152-sexies, paragraph 1(c)(c.3) of the Regulation on Issuers

Not applicable: none of the Issuer’s subsidiaries satisfies the condition referred to in Article 152-sexies, paragraph 1(c)(c.3) of the Regulation on Issuers.

c) of any other categories of employees or collaborators for whom different Plan characteristics have been provided

Not applicable: the Plan does not provide different characteristics for different categories of Beneficiaries.

d) of the persons indicated at points a) and/or b) for whom different strike prices are provided

Not applicable: the Plan does not provide different strike prices for different categories of Beneficiaries.
2. REASONS FOR THE ADOPTION OF THE PLAN

2.1 Objectives of the Award

The Plan was designed for the managers of Tim and other companies of the Telecom Italia Group who were beneficiaries under previous Tim stock option plans (2001-2003 Plans and 2001-2003 Supplementary Plans), subject to their waiver of the relevant options, and to recently recruited managers who were not beneficiaries under any existing stock option plan. In fact, due to the overall performance of stock markets, and especially the telecommunications sector in Italy and Europe, the 2001-2003 Stock Option Plan and the 2001-2003 Supplementary Plans no longer performed their original incentive and management retention function (see 1.2 above).

The exercise of the Options awarded (for a duration of five years from the completion of the vesting period) was divided into three lots: 33% after one year from the award; 33% after two years; and the remaining 34% after three years (however, see section 3.6 for early exercise of the Options of the third lot).

2.2 Key variables, including performance indicators considered for the purpose of awarding the Options

The essential condition for the award of the options was the same for all Beneficiaries and consisted in the existence of an employment relationship with Tim or with other companies of the Telecom Italia Group at the Grant Date.

The award of the Options was not related to performance objectives.

2.3 Factors involved in determining the amount of share-based compensation

Beneficiaries under the 2001-2003 Stock Option Plans and the 2001-2003 Supplementary Plans received, upon waiver of the relevant options, an equal number of options less 10%.

The Options awarded to the new Beneficiaries were proportional to the package attributable to the Beneficiaries under the 2001-2003 Stock Option Plans and the 2001-2003 Supplementary Plans.

2.4 Reasons for a decision to adopt compensation plans based on financial instruments not issued by the Issuer

Not applicable: the Plan is based on the award of Options for the subscription of the Company’s shares.
2.5 Significant tax and accounting implications for the design of the Plan

Except for the manner in which the strike price of the Options is determined (as illustrated in section 4.19 below), there were no significant tax and accounting implications that influenced the design of the Plan.

2.6 Any support for the Plan from the Fund for encouraging employee ownership referred to in Article 4(112) of Law 350/2003

The plan does not receive support from the Fund for encouraging employee ownership referred to in Article 4(112) of Law 350/2003.
3. APPROVAL PROCEDURE AND CALENDAR FOR THE AWARD OF THE FINANCIAL INSTRUMENTS

3.1 Scope of the powers and functions delegated by the shareholders’ meeting to the Board of Directors for the implementation of the Plan

The Plan was approved by the Board of Directors of Tim in its meeting on 6 May 2002 under the mandate granted by the shareholders in the extraordinary meeting held on 10 October 2000. In fact, this shareholders’ meeting had authorized the Board for up to a maximum of five years starting from the date of same to increase the share capital by issuing up to a maximum of 82,000,000 Tim ordinary shares, ranking pari passu with existing shares as to dividend payments, in one or more tranches, to be offered for cash to managers of Tim or companies of the Telecom Italia Group, to be identified by name by the Board of Directors, with the exclusion of the right of pre-emption in accordance with the combined effect of the last paragraph of Article 2441 of the Civil Code and Article 134 of the Consolidated Law on Finance.

3.2 Indication of the persons charged with administering the Plan and their functions and powers

The Board of Directors of Tim authorized the Chairman, the Deputy Chairman and the Managing Director to take – separately and through attorneys-in-fact – all the steps needed for the implementation of the Plan.

3.3 Procedures for revising the Plan, inter alia in the event of changes in the underlying objectives

Pursuant to the Rules and if necessary to keep the basic content and aims of the Plan unchanged, the Board of Directors may require the approval of the competent corporate bodies to amend the manner, conditions and time limits for exercising the Options in the event of extraordinary corporate actions, legislative or regulatory changes, or other circumstances that make this necessary.

In particular, if changes in the applicable law result in the implementation of the Plan causing the Company to incur tax or social security liabilities, the Board of Directors may take appropriate steps to attenuate or neutralize their adverse impact on the Company.

3.4 Description of how the availability and allocation of the financial instruments underlying the Plan were established

The Options incorporate the right to subscribe for newly-issued shares deriving from the increase in capital with the exclusion of the right of pre-emption referred to in point 3 of Article 5.5 of the bylaws.
3.5 Role played by each director in determining the characteristics of the Plan; any conflicts of interest involving the directors concerned

The Board of Directors of Tim that approved the implementation of the Plan on 6 May 2002 included: Enrico Bondi (Chairman), Carlo Buora (Deputy Chairman), Marco De Benedetti (Managing Director), Carlo Bertazzo, Marco Cerrina Feroni, Enzo Grilli, Attilio Leonardo Lentati, Gianni Mion, Riccardo Perissich, Paolo Savona, Mauro Sentinelli and Rodolfo Zich. At that time the Remuneration Committee included the following Directors: Enzo Grilli (Chairman), Attilio Leonardo Lentati and Rodolfo Zich.

The Managing Director and Mauro Sentinelli abstained from voting.

3.6 Steps in the approval of the Plan

As specified above, the Plan was approved by the Board of Directors of Tim in its meeting on 6 May 2002, under the mandate granted by the shareholders in the extraordinary meeting held on 10 October 2000 (which had been convened by resolution of the Board of Directors in the meeting held on 4 September 2000). In fact this shareholders’ meeting had authorized the Board for up to a maximum of five years starting from the date of same to increase the share capital by issuing up to a maximum of 82,000,000 Tim ordinary shares, ranking pari passu with existing shares as to dividend payments, in one or more tranches, to be offered for cash to managers and employees of Tim or companies of the Telecom Italia Group, to be identified by name by the Board of Directors, with the exclusion of the right of pre-emption in accordance with the combined effect of the last paragraph of Article 2441 of the Civil Code and Article 134 of the Consolidated Law on Finance.

The guidelines for the Plan were drawn up by the Remuneration Committee on 2 May 2002.

On 6 May 2002, the Board of Directors of Tim resolved to launch the Plan, approving the Rules, the list of Beneficiaries with the details of the Options awarded to each, as well as the strike price of the Options, which was equal to the Fair Value of Tim ordinary shares at that date.

On 22 December 2004, in view of the start of the merger of Tim into Telecom Italia, the Board of Directors resolved to allow the early exercise of the Options of the third lot (originally the exercise period had been due to start in May 2005).

As of the Tim Merger effective date (30 June 2005), the original number of shares that could be purchased under the Plan – one Tim ordinary share for each Option – changed as a result of the share exchange ratio of 1.73 Shares for each ordinary Tim share set for the Tim Merger. Consequently, the strike price for each Share decreased from €5.07 per ordinary Tim share to €2.930636.
3.7 Date of the decision taken by the competent body concerning the award of the financial instruments and any proposal made to such body by the Remuneration Committee

See Section 3.6.

3.8 Market prices on the above-mentioned dates of the financial instruments on which the Plan is based, if traded on regulated markets

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Market price (*) (in euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 September 2000</td>
<td>The Board of Directors of Tim called an extraordinary meeting of shareholders for the share capital increase</td>
<td>6.008</td>
</tr>
<tr>
<td>10 October 2000</td>
<td>The extraordinary meeting of shareholders of Tim approved the share capital increase</td>
<td>5.290</td>
</tr>
<tr>
<td>2 May 2002</td>
<td>The Remuneration Committee of Tim approved the proposed Plan</td>
<td>2.757</td>
</tr>
<tr>
<td>6 May 2002</td>
<td>The Board of Directors of Tim approved the Plan</td>
<td>2.638</td>
</tr>
<tr>
<td>22 December 2004</td>
<td>The Board of Directors of Tim approved the early exercise of the Options of the third lot</td>
<td>3.165</td>
</tr>
<tr>
<td>5 April 2005</td>
<td>The extraordinary meeting of shareholders of Tim approved the merger of Tim into Telecom Italia</td>
<td>2.964</td>
</tr>
<tr>
<td>7 April 2005</td>
<td>The extraordinary meeting of shareholders of Telecom Italia approved the merger of Tim into Telecom Italia</td>
<td>3.024</td>
</tr>
<tr>
<td>30 June 2005</td>
<td>Effective date of the Tim Merger</td>
<td>2.595</td>
</tr>
</tbody>
</table>

(*) For the dates prior to the effective date of the Tim Merger, the price shown is the official price of Tim ordinary shares recorded on each of the above dates on Borsa Italiana's MTA electronic share market, adjusted on the basis of the exchange ratio adopted for the Tim Merger, equal to 1.73 Shares for each Tim ordinary share. The price shown for the effective date of the Tim Merger (30 June 2005) is the official price of the Shares recorded on that day on Borsa Italiana's MTA electronic share market.

3.9 Time limits and procedures considered by the Issuer in identifying the calendar for the award of the financial instruments in implementing plans, of the possible coincidence between (i) such award or decisions taken in this respect by the Remuneration Committee and (ii) the spread of any inside information referred to in Article 114.1 of the Consolidated Law on Finance

At the Grant Date, Tim issued a press release on the approval of its quarterly report for the period ended 31 March 2002.
4. **CHARACTERISTICS OF THE FINANCIAL INSTRUMENTS AWARDED**

4.1 **Description of how the Plan is structured**

The Plan is based on the award, free of charge, of Options making it possible to subscribe for Shares with settlement by means of physical delivery (stock options) at a predetermined price.

At 1 September 2007 the Options existing numbered 1,685,900, corresponding (consequent on the application, for each Beneficiary and each individual lot, of the exchange ratio adopted for the Olivetti Merger) to 2,916,605 Equivalent Options, all exercisable.

4.2 **Indication of the period of actual implementation of the Plan, with reference also to any different cycles envisaged**

With respect to the 2,916,605 Equivalent Options existing at 1 September 2007:
- a first lot of 725,042 Equivalent Options can be exercised by 31 May 2008;
- a second lot of 920,186 Equivalent Options can be exercised by 31 May 2009;
- a third lot of 1,271,377 Equivalent Options can be exercised by 31 May 2010.

4.3 **Expiration of the Plan**

The expiration of the Plan, meaning the deadline for the increase in capital for the exercise of the Options, is 31 December 2010.

4.4 **Maximum number of Options awarded in each fiscal year in relation to the persons individually identified or to the categories specified**

Not applicable.

For the sake of completeness, the following table shows the distribution of Equivalent Options awarded as of 1 September 2007 between Beneficiaries in service and other Beneficiaries.

<table>
<thead>
<tr>
<th>Name</th>
<th>Fiscal year of award</th>
<th>Options at 1/9/2007</th>
<th>Equivalent Options at 1/9/2007 (***):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees (*)</td>
<td>2002</td>
<td>1,585,900</td>
<td>2,743,605</td>
</tr>
<tr>
<td>Former employees (**)</td>
<td>2002</td>
<td>100,000</td>
<td>173,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>1,685,900</td>
<td>2,916,605</td>
</tr>
</tbody>
</table>

(*) Other Beneficiaries, employees of Tim (now Telecom Italia) and companies of the Telecom Italia Group at the Grant Date and at 1 September 2007.

(**) Other Beneficiaries, employees of Tim (now Telecom Italia) and companies of the Telecom Italia Group at the Grant Date and no longer employees at 1 September 2007 (the category includes the heirs of Beneficiaries who died in the meantime).
4.5 Plan implementing procedures and clauses

The extraordinary shareholders’ meeting of Tim held on 10 October 2000 authorized the Board for up to a maximum of five years starting from the date of same to increase the share capital by issuing, in one or more tranches, up to a maximum of 82,000,000 Tim ordinary shares with, ranking pari passu with existing shares as to dividend payments, for cash, to be offered to managers and employees of Tim or other Telecom Italia Group companies, to be identified by name by the Board of Directors, with the exclusion of the right of pre-emption in accordance with the combined effect of the last paragraph of Article 2441 of the Civil Code and Article 134 of the Consolidated Law on Finance.

The meeting also charged the Board of Directors with establishing the characteristics, time limits, conditions and manner of implementing the Plan and exercising the Options and with preparing the Rules.

The Plan consists in awarding each Beneficiary a number of Options determined at the Grant Date by the Board of Directors.

Originally, each Option gave the right to subscribe for one Tim ordinary share; following the Tim Merger, with effect from 30 June 2005 the subscription ratio was changed on the basis of the exchange ratio established for the shareholders of the two companies in the merger. More specifically, each option of Tim’s stock option plans now permits the holder to subscribe for 1.73 Shares.

The Options are personal and may not be transferred 

Options not exercised within the time limits established expire and consequently no longer give any right to Beneficiaries or their heirs.

The exercise of the Options is not subject to the satisfaction of any conditions or to the achievement of given results. At 1 September 2007 all the Options awarded under the Plan were exercisable.

4.6 Indication of any restrictions on the availability of the Options or the Shares

The Options are personal and may not be transferred 

If they are inherited, the person(s) having entitlement keep the right to exercise all the Options awarded on the same conditions as the employees in service after fulfilling the obligations provided for by applicable law.

Shares issued pursuant to the exercise of the Options will rank pari passu with existing shares as to dividend payments and have the same characteristics and rights as the Telecom Italia ordinary shares in circulation at their date of issue.

Availability restrictions are not envisaged for the newly-issued Shares.

4.7 Description of any resolutory conditions in relation to the award of Options under the Plan if the Beneficiaries carry out hedging transactions neutralizing any prohibition on the sale of the financial instruments awarded, including in
the form of options, or of the financial instruments deriving from the exercise of such options

There are no resolutory conditions in relation to the Options awarded under the Plan for the case in which the Beneficiaries carry out hedging transactions.

4.8 Description of the effects produced by termination of employment

In accordance with the Rules, an essential condition for exercise of the Options is that Beneficiaries, at the time of exercising their Options, be employed by the Issuer or a Telecom Italia Group company, even if different from the company they were employed by at the Grant Date.

Moreover, following termination of the employment relationship, the Rules state that:

• in the event of dismissal as a result of reaching the age limit or of resignation for retirement, Beneficiaries keep their right to exercise the Options awarded to them on the same conditions as employees in service;

• in the event of consensual termination of the employment relationship, dismissal on justified objective grounds or resignation for just cause, Beneficiaries keep their right to exercise the exercisable Options, which must be exercised within six months of the termination of the employment relationship (the Options awarded but not yet exercisable expire definitively with the notification of the termination of the employment relationship);

• in the event of dismissal for just cause or on justified subjective grounds or of resignation not for just cause, Beneficiaries lose all the Options awarded to them (including those exercisable but not yet exercised) with the notification of the termination of the employment relationship;

• in the event of inheritance, the persons having entitlement keep the right to exercise the exercisable Options on the same conditions as employees in service.

It should be noted that in the event of the exit from the Group of the company or business unit with which there was the employment relationship at the Grant Date, the Rules provide for Beneficiaries to keep the right to exercise their exercisable Options, which must be exercised within six months of the effective date of the transfer. The Company’s Board of Directors may nonetheless establish longer periods for the exercise of such exercisable Options (or permit the exercise of all or part of the Options awarded but not yet exercisable and establish time limits and procedures for the purpose).

In the event of a cash and/or exchange tender offer for the Shares, Beneficiaries keep the right to exercise the exercisable Options. The Company’s Board of Directors or the person delegated by the Board – by way of derogation from what is established – may allow the early exercise of all or part of the Options awarded but not yet exercisable and establish time limits and procedures for the purpose.
4.9 Indication of any other grounds for annulling the Plan
No grounds are envisaged for annulling the Plan.

4.10 Reasons for an option for the Company to repurchase the financial instruments underlying the Plan, introduced pursuant to Article 2357 et seq. of the Civil Code, and related description
Not applicable: no provision is made for a repurchase option, either for the Options or the Shares.

4.11 Any loans or other facilitations that are to be granted for the purchase of the Shares pursuant to paragraph 3 of Article 2358 of the Civil Code
Not applicable: no provision is made for facilitations pursuant to paragraph 3 of Article 2358 of the Civil Code.

4.12 Indication of the cost the Company is expected to incur at the time of the assignment of the shares, as determined on the basis of predefined terms and conditions, in total and for each financial instrument in the Plan
Since any exercise of the Options is to be met by an increase in capital (see Section 3.1), no cost is envisaged for the purchase of the Shares. The exercise of the Options, as provided for by the Plan, leads to a dilution of Telecom Italia shareholders’ interest in the Company’s capital, as described in Section 4.13.

The administration of the Plan will be performed by Telecom Italia as part of the current activities handled by its corporate structures, without any additional cost for the Company.

In accordance with the relevant accounting standards (first Italian GAAP and then IFRS), Telecom Italia did not include any cost deriving from the valuation at fair value of the Options at the Grant Date. In particular, in application of IFRS and with reference to IFRS 2 (“Share-based Payment”), Telecom Italia availed of the exemption provided by paragraph 25B of IFRS 1 (“First-time Adoption of International Financial Reporting Standards”) and did not apply the rules of IFRS 2 to the stock-option plans awarded prior to 7 November 2002.

4.13 Indication of any capital dilution effects caused by the Plan
If the residual amount of the increase in capital for the Plan at 1 September 2007 (equal under the bylaws to €1,604,132.75) were fully taken up, the share capital would be diluted by 0.02% of the total paid up at 1 September 2007 and by 0.02% of the part made up of Shares.

Consequently, the present owners of Shares would see a dilution of 0.02% in their interest in relation to the total number of Shares.
4.14 Any restrictions on the exercise of voting rights or the attribution of property rights
Not applicable: the Shares issued for the exercise of the Options rank pari passu with existing shares as to dividend payments.

4.15 If the shares are not traded on regulated markets, provide all the information needed to assess the value attributed to them
Not applicable: the newly-issued Shares are traded on the MTA electronic share market organized and operated by Borsa Italiana S.p.A..

4.16 Number of financial instruments underlying each Option
As shown in Section 3.6, each Option originally gave the right to subscribe for one Tim ordinary share. Starting from the effective date of the Tim Merger (30 June 2005), the number of subscribable Shares was changed on the basis of the exchange ratio established for the merger.
More specifically, each Option now permits the holder to subscribe for 1.73 Shares.

4.17 Expiry of the Options
The exercise period of each lot of the Options is five years, as of the date of the start of the right to exercise each lot. More specifically:
- for the first lot (725,042 Equivalent Options at 1 September 2007) the expiry date is 31 May 2008;
- for the second lot (920,186 Equivalent Options at 1 September 2007) the expiry date is 31 May 2009;
- for the third lot (1,271,377 Equivalent Options at 1 September 2007) the expiry date is 31 May 2010;

4.18 Procedures, calendar and clauses for the exercise of the Options
All the Options existing at 1 September 2007 may be exercised at any time and their exercise is not subject to any conditions.
The right to exercise the Options is suspended however from the tenth trading day prior to the date of Telecom Italia shareholders’ meetings at the first call attended by holders of Shares up to and including the day on which the meeting takes place, at the first or subsequent calls, and up to the first day the Shares are quoted “ex” when a dividend is paid and whenever the Company’s Board of Directors deems this to be necessary.

4.19 Strike price of the Options
The strike price of the Options was determined by the Board of Directors of Tim in its meeting on 6 May 2002, as the arithmetic mean of the official prices of the ordinary share in the month prior to the Grant Date of the subscription rights (the Fair Value), i.e. on the day of the meeting. Application of this criterion gave a strike price of €5.07 per share.

However, as indicated in Section 3.6, as of the effective date of the Tim Merger (30 June 2005), the original number of shares subscribable under the Plan (one Tim ordinary share for each Option) was recalculated on the basis of the exchange ratio adopted for the merger. Consequently, as a result of applying the above-mentioned exchange ratio, the subscription price for each Share deriving from the exercise of the Options (originally €5.07 for each Tim ordinary share) is now €2.930636.

4.20 Possible reasons for the strike price of the Options awarded not being equal to the fair market value

The strike price is equal to the Fair Value at the Grant Date, without prejudice to the application of the adjustment coefficient consequent on the Tim Merger to the subscription price of the Shares, as shown in Section 4.19.

4.21 Criteria on the basis of which different strike prices are provided for different persons or categories of Beneficiaries

Not applicable: the strike price of the Options is the same for all the Beneficiaries.

4.22 If the financial instruments underlying the options are not traded on regulated markets, indicate the value attributable to the underlying instruments or the methods for determining their value

Not applicable: the financial instruments underlying the Options are newly-issued ordinary shares of Telecom Italia S.p.A., listed on the MTA electronic share market organized and operated by Borsa Italiana S.p.A.

4.23 Methods for making the adjustments rendered necessary by extraordinary corporate actions and other transactions that cause the number of underlying instruments to change

Pursuant to the Rules and if necessary to keep the basic content and aims of the Plan unchanged, the Board of Directors may require the approval of the competent corporate bodies to amend the manner, conditions and time limits for exercising the Options, especially in the event of extraordinary corporate actions that make this necessary.

In application of this principle, the subscription ratio and the strike price were changed on the occasion of the Tim Merger, as described in Sections 4.16 and 4.19.
### Teleco Italia - 2003-2005 Stock Option Plan

**Compensation Plans Based on Financial Instruments**

Table 1 of Model 7 of Annex 3A of Consob Regulation 11971/1999 on Issuers

<table>
<thead>
<tr>
<th>Name or Category</th>
<th>Position</th>
<th>Description of Instrument</th>
<th>Date of Shareholders' Resolution</th>
<th>Number of Financial Instruments Underlying the Options Assigned but Not Exercised</th>
<th>Number of Financial Instruments Underlying the Options Assigned but Not Exercised</th>
<th>Grant Date by Bod (Board of Directors) or CB (Competent Body), [Remuneration Committee = Rc]</th>
<th>Strike Price (*)</th>
<th>Market Price of the Underlying Financial Instruments at the Grant Date (**)</th>
<th>Expiry of Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees (5)</td>
<td>Former Employees (6)</td>
<td>Options on Telecom Italia Ordinary Shares (Physical Settlement)</td>
<td>10/10/2000 07/04/2005</td>
<td>667,952 = 863,096 = 1,212,557</td>
<td>bod/cb 06/05/2002 02/05/2002</td>
<td>2.930636 2.930636 2.930636</td>
<td>2.638 2.638 2.638</td>
<td>31/05/2008 31/05/2009 31/05/2010</td>
<td></td>
</tr>
<tr>
<td>Former Employees</td>
<td>Options on Telecom Italia Ordinary Shares (Physical Settlement)</td>
<td>10/10/2000 07/04/2005</td>
<td>57,090 = 57,090 = 58,820</td>
<td>bod/cb 06/05/2002 02/05/2002</td>
<td>2.930636 2.930636 2.930636</td>
<td>2.638 2.638 2.638</td>
<td>31/05/2008 31/05/2009 31/05/2010</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total**: 2,916,605

**Notes**

(*) Subscription price of the Telecom Italia ordinary shares deriving from the exercise of the options.

(**) For options originally on Tim ordinary shares the price shown is the official price of the Tim ordinary shares recorded on Borsa Italiana S.p.A.'s MTA electronic share market at the Grant Date of the options, adjusted on the basis of the exchange ratio established for the Tim merger, equal to 1.73 Telecom Italia ordinary shares for each Tim ordinary share held.

(5) Beneficiaries, employees of Tim (now Telecom Italia) and Telecom Italia Group companies at the Grant Date and at 1 September 2007.

(6) Other beneficiaries, employees of Tim (now Telecom Italia) and Telecom Italia Group companies at the Grant Date and no longer employees at 1 September 2007. (the category includes the successors of defunct beneficiaries)