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**Telecom Italia takes Europe's biggest step in Voice over IP (VoIP) with
Cisco Systems and Italtel**

*100% of Telecom Italia's national Rome-Milan voice calls and 50% of its international
European voice calls now run over a converged "Voice over IP/MPLS¹" network*

ROME, Italy, 9 October 2002 —As of today, 100% of Telecom Italia's telephone calls made between Italy's capital city, Rome, and its industrial capital, Milan, as well as 50% of all Telecom Italia's International European telephone calls, travel over the Internet Protocol (IP) network. This represents over 3 billion minutes of telephone calls a year running over a Voice over IP (VoIP) solution based on technology from Cisco Systems and implemented by Italtel.

Operating expenses savings, improved return on assets and the ability to quickly roll-out new services were the main reasons that Telecom Italia decided to merge its voice and data networks onto an IP backbone. The IP network uses MPLS "Class of Service" features (ie. the ability to prioritize network traffic) to give different priorities to voice and data so that the highest quality of service can be ensured. The project will allow Telecom Italia to save two thirds of its transit operating expenses over the forthcoming years.

Similar to most incumbent carriers, Telecom Italia has been running a network based on traditional circuit switched connections in parallel with another one for data/Internet traffic based on the Internet protocol (IP). With the newly deployed Cisco MGX 8000 Voice Gateways and Italtel's Multiservice Solution (converged VoIP and data services), both voice and data/Internet traffic will now be based on standard IP protocol.

Telecom Italia will be able to maximize its capital expenditure more effectively through the newly converged IP data and voice network. The old circuit switched network used for voice is based on 66 national transit switches. In contrast, the new Cisco Systems and Italtel's VoIP solution allows Telecom Italia to drive all of its transit traffic with only 24 new IP Exchanges. These IP Exchanges

use the flexibility and resiliency of the IP/MPLS national infrastructure and enable Telecom Italia to operate the network and launch new revenue generating voice, video and data services much more easily. Based on the same concepts, the Telecom Italia Multiservice Pan-European Backbone supports the integrated transport of both voice (wholesale, carrier, etc.) and data services, across the main European cities and North America.

“We chose VoIP because we could save two thirds of our transit operating expenses and give our customers and shareholders a better service. By the end of 2003, we estimate that 80% of Telecom Italia’s transit voice traffic will travel over the Cisco Systems and Italtel Multiservice solution. We chose Cisco Systems and Italtel because they had the most reliable solution. Cisco Systems has more experience in IP technology and VoIP than any other infrastructure company and the partnership with Italtel provides additional expertise in the switching carrier environment. Cisco Systems and Italtel also used our existing infrastructure, which meant we didn’t have to reinvent the wheel and could save money on implementation,” said Stefano Pileri, head of Telecom Italia’s domestic network.

Cisco’s Vice-President for Technology Solutions for Europe, Middle East and Africa, Mark De Simone said, ‘Our work with Telecom Italia and Italtel demonstrates that a single converged IP network makes economic sense. It also shows that Cisco System’s and Italtel’s VoIP solution scales to meet the needs of a country². Cisco is committed to helping service providers evolve their business to more efficient and profitable packet based networks and we are totally focused on providing high availability and highly resilient ‘carrier’ class technology’.

‘The national backbone,” – added Patrizia Grieco, Italtel’s Chief Operating Officer – ‘is the consequence of a major investment by Cisco Systems and Italtel in VoIP technology started in 2000 that has brought together voice and data expertise to implement carrier grade solutions, strongly supported by Telecom Italia, true to its traditions of innovations in leading edge network solutions and services’.

As outlined at the “Technology Day” meeting with the Financial Community, held on July 19th, Telecom Italia is proceeding with the roll-out of this project as part of its overall strategy. Over the next year, Cisco Systems and Italtel will work on the implementation of local switches connecting the edge of the Telecom Italia network (telephone lines) to the core. This will enable local calls to

¹ MPLS is a protocol that enables network traffic (voice, data and video) to prioritized

share a single IP network with data traffic and allow Telecom Italia to benefit from further operating expense savings.

About Telecom Italia

The Telecom Italia Group is Italy's ICT leader, with more than 27.3 million fixed lines and over 24.1 million mobile lines (39.7 million worldwide) at year-end 2001. The Group is focused upon leveraging technological innovation, customer loyalty enhancement, cost control and operating efficiencies.

Telecom Italia is consolidating its leadership position in the domestic market, as well as its mobile unit, TIM's (Telecom Italia Mobile) presence beyond Italy. TIM currently has 39.7 million mobile lines worldwide. In Latin America, TIM is building the first ever Pan-American GSM network.

In the first half of 2001 domestic wireline and wireless telecommunications accounted for 73% of turnover. Alongside these businesses the Group operates in Internet services, satellite telecommunications, information technology and research and development. The Group is currently present in 19 countries through the fixed line and mobile telephony, information marketing and directories sectors. At year-end 2001 the Group recorded revenues of 30.8 million euros and a gross operating result of 13.6 million euros.

About Cisco Systems

Cisco Systems, Inc.(NASDAQ: CSCO) is the worldwide leader in networking for the Internet. Cisco news and information are available at <http://www.cisco.com>. Cisco equipment in Europe is supplied by Cisco Systems International BV, a wholly owned subsidiary of Cisco Systems, Inc.

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About Italtel

Italtel designs, develops and installs new-generation integrated multi-service networks (voice/data/video), with a systems integration capability that ensures tlc fixed and mobile operators and ISPs infrastructure that is reliable and open to networking and future technological

² Telecom Italia has over 25 million customers in Italy

developments. In the last ten years, on average, Italtel has invested 13% of its revenues in innovation. Revenues for 2001 totalled 924,8 million euro. 49% of employees (1600 people) work in the innovation area. Since 2000, Italtel shareholders are Clayton, Dubilier & Rice - the majority shareholder - Telecom Italia, Cisco Systems, Advent International, Brera Capital and the employees.