

TELECOM ITALIA

1H '07 Financial Results

Milan, September 7, 2007

Telecom Italia Group 1H '07 Financial Results

Safe Harbour

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TI Group - Key Financial Results

€ mln

-20 mln € vs. 1H07 preliminary figures due to provisions related to the Italian Antitrust fine notified on Aug. 07

+1.7% excluding change for non-geographic numbers **

+0.7% excluding change for non-geographic numbers**

	1H '07 reported	1H '06 reported	YoY reported	YoY Organic*	2Q '07 reported	YoY reported	YoY Organic*
Revenues	15,470	15,335	+0.9%	+0.2%	7,930	+1.0%	-0.7%
Ebitda	6,294	6,518	-3.4%	-2.8%	3,140	-2.6%	-1.7%
Ebitda margin	40.7%	42.5%	-1.8pp	-1.3pp	39.6%	-1.4pp	-0.4pp
Ebit	3,449	3,801	-9.3%	-5.4%	1,686	-7.2%	-4.5%
Ebit margin	22.3%	24.8%	-2.5pp	-1.4pp	21.3%	-1.8pp	-0.9pp
Net Income	1,500	1,496	+0.3%		725	752	
Capex	2,474	2,216	+258		1,314	+123	
Net Debt	39,175	41,315	+1.9 bln Vs. YE '06				

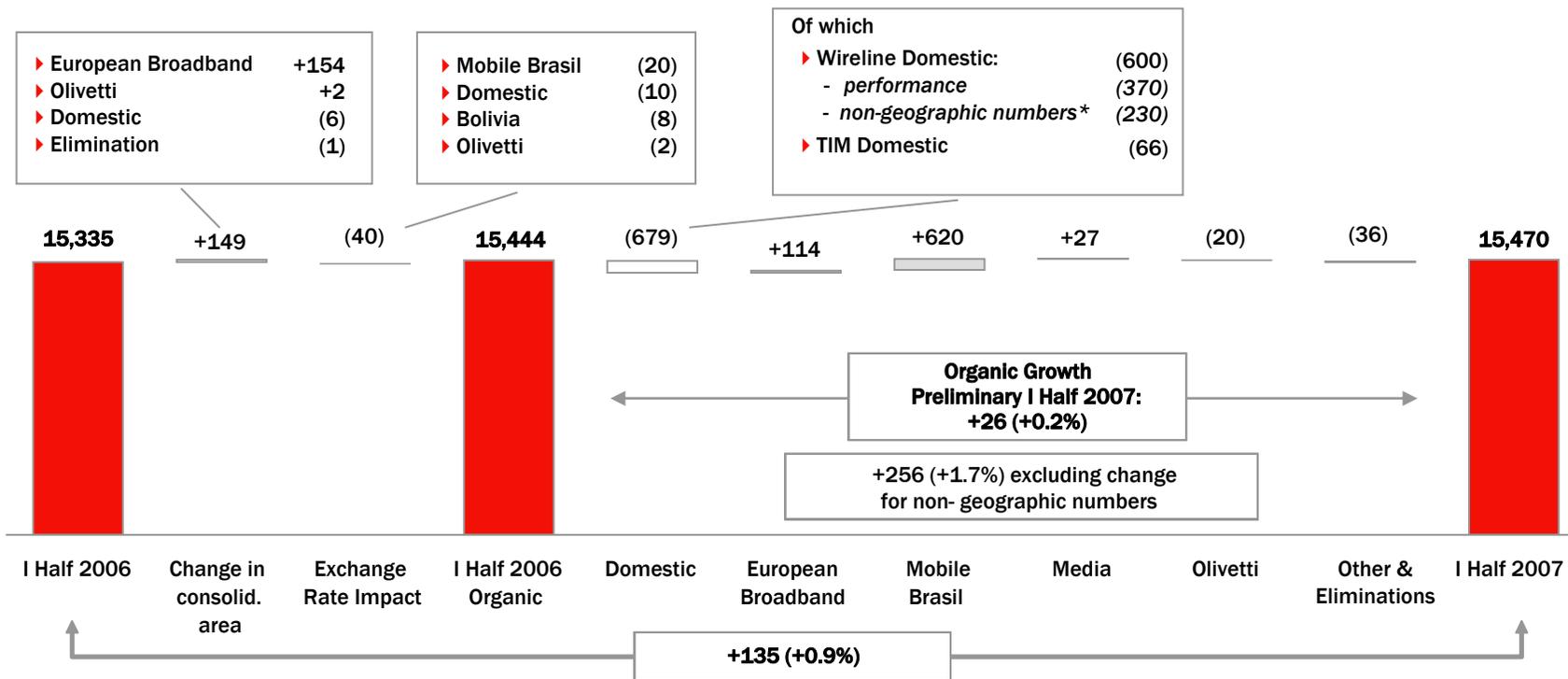
After cash out of € 2.8 bln for dividend payment and € 669 mln for the AOL Germany acquisition

* Excluding changes in consolidation area, exchange rate impact and other non organic items

** In accordance with AGCOM deliberation 417/06/CONS, starting January 1st 2007, Telecom Italia invoices services rendered by OLO on NNG while does not assume credit risks. These services, since January 1st are thus no longer recorded for as revenues and costs in Telecom Italia accounts

TI Group - Revenues 1H '07 vs. 1H '06

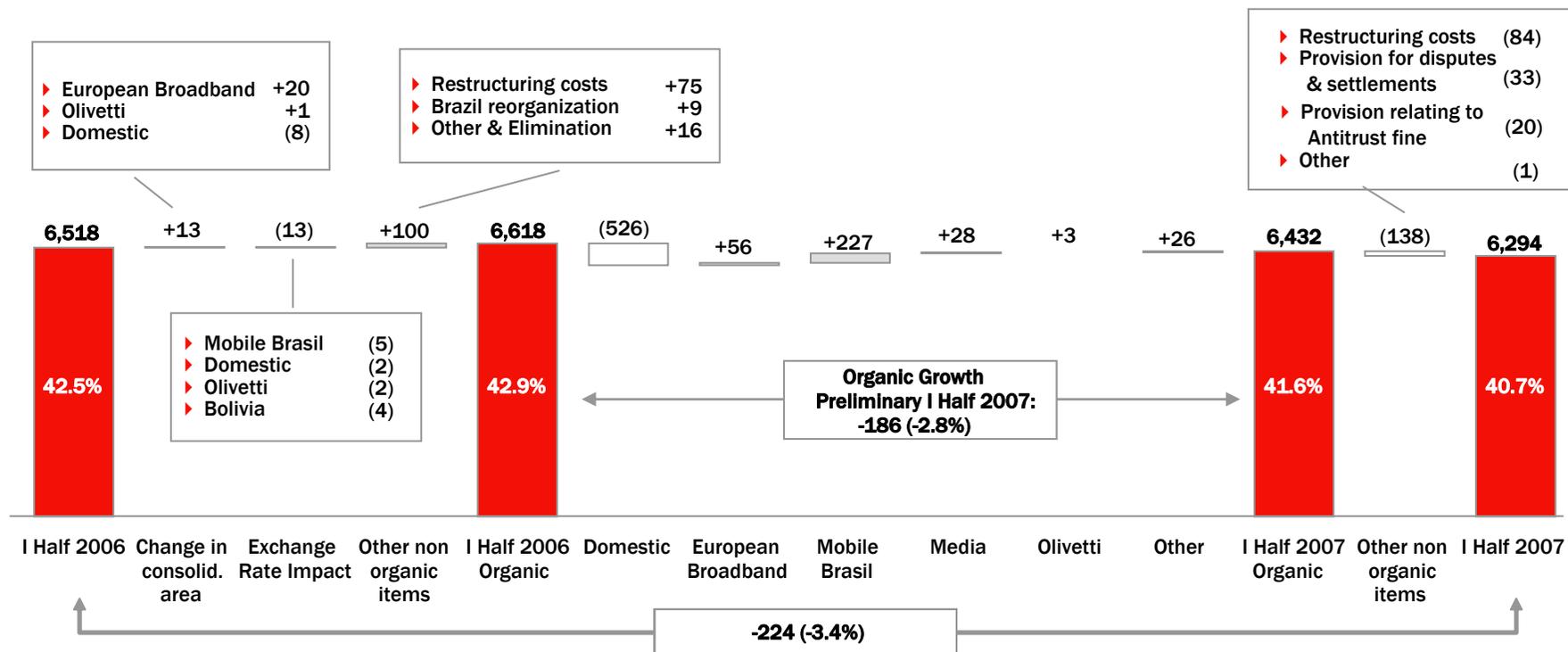
€ mln



(*) In accordance with AGCOM deliberation number 417/06/CONS, starting January 1st 2007, Telecom Italia invoices services rendered by OLO on NNG while does not assume credit risks. These services, since January 1st are thus no longer recorded for as revenues and costs in Telecom Italia accounts

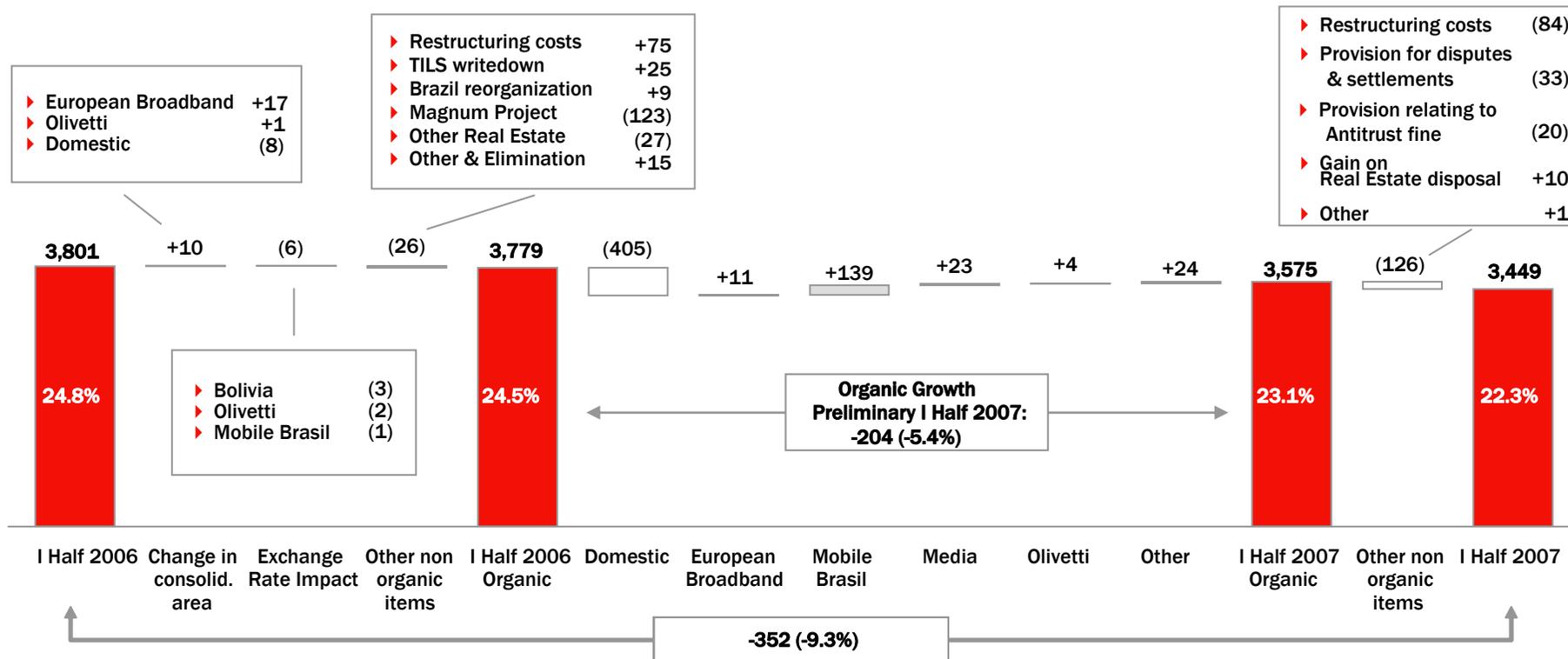
TI Group - EBITDA 1H '07 vs. 1H '06

€ mln



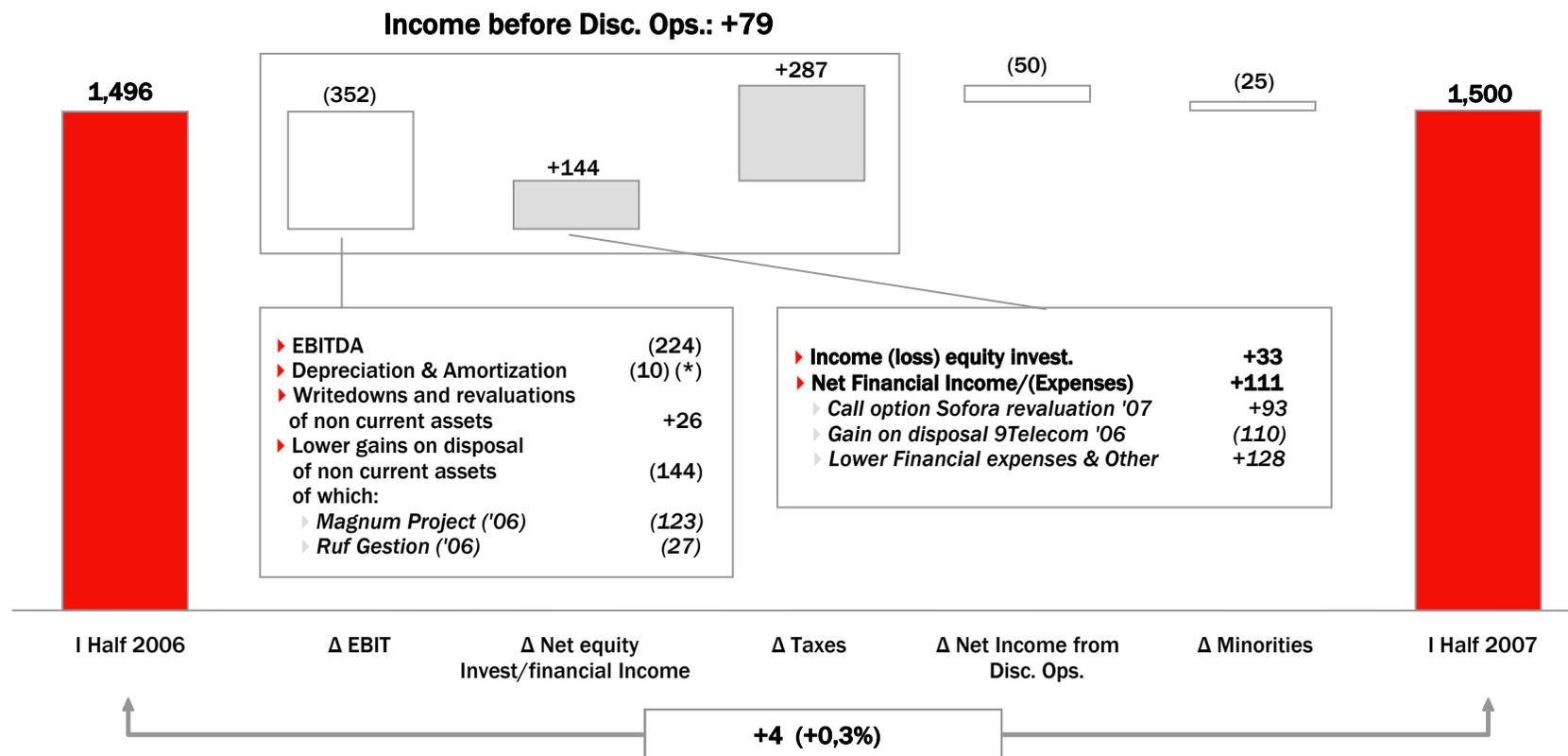
TI Group - EBIT 1H '07 vs. 1H '06

€ mln



TI Group - Net Income 1H '07 vs. 1H '06

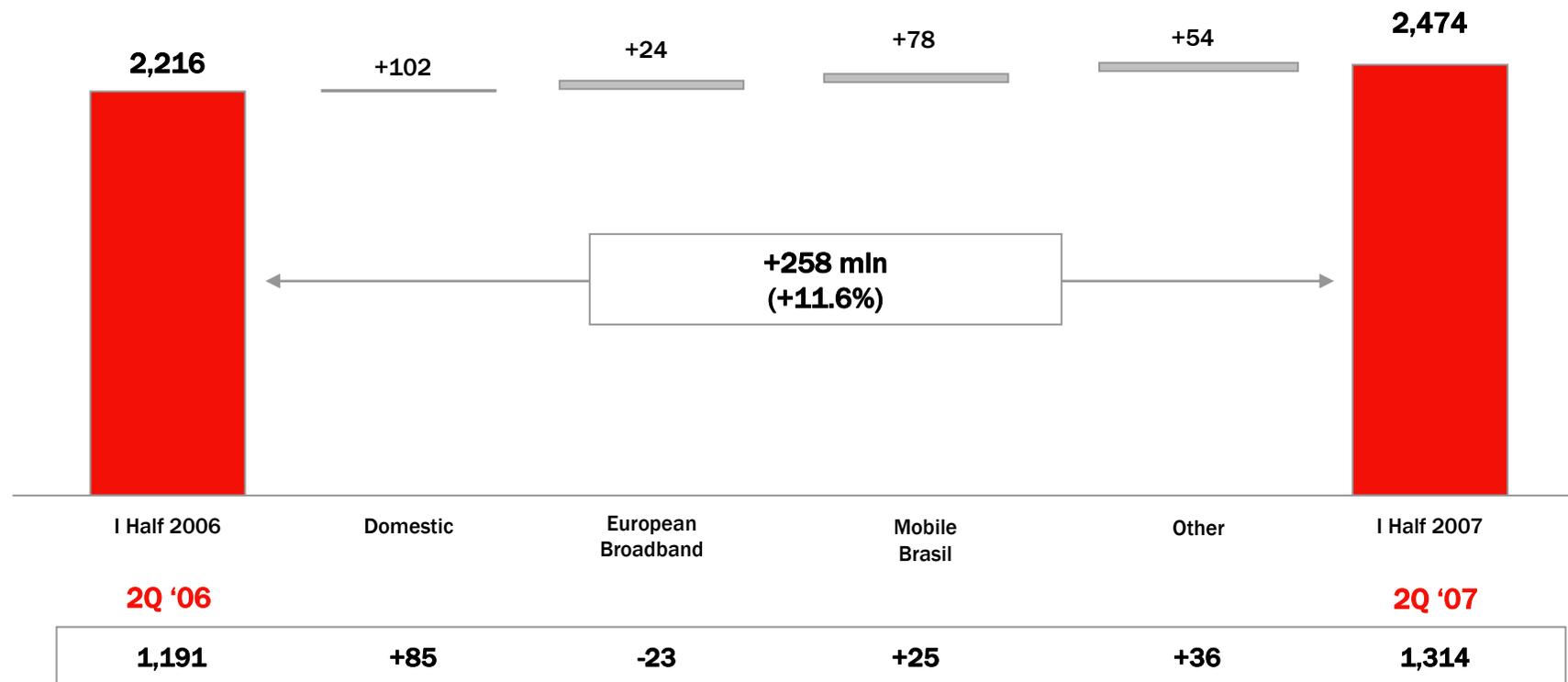
€ mln



(*) Including a positive impact on EBIT for 200M€ vs. 1H 2006 related to depreciation revision of asset's useful lives made in december 2006, as requested by IAS/IFRS 16.

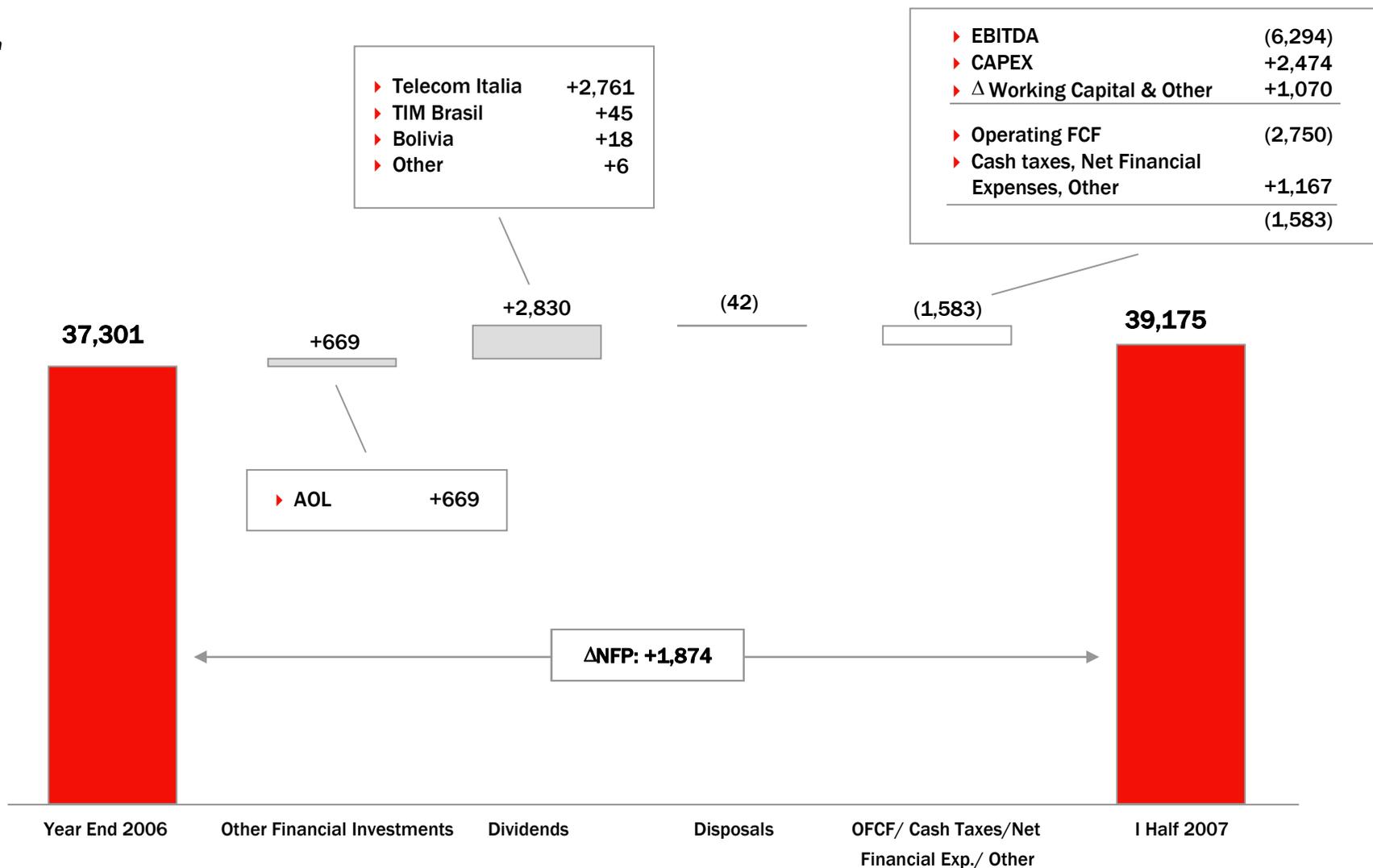
TI Group - Capex 1H '07 vs. 1H '06

€ mln



TI Group - Net Financial Position 1H '07 vs. YE '06

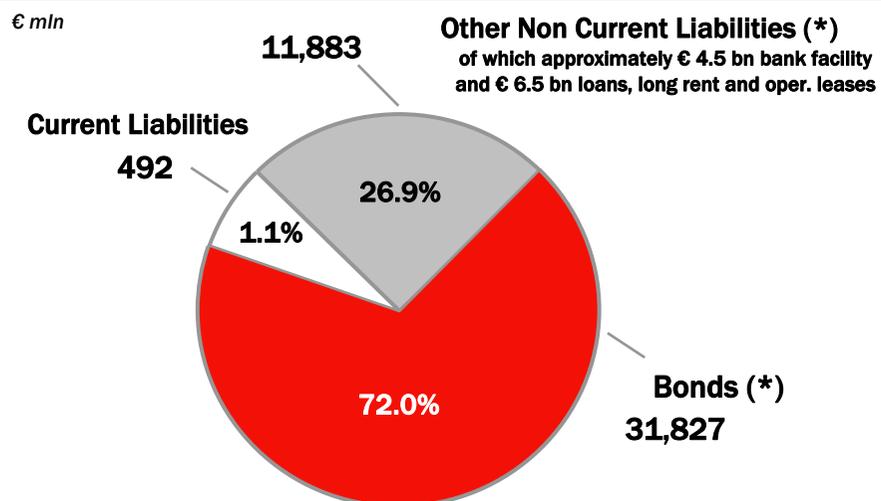
€ mln



Debt structure as of June 30, 2007

Total gross debt: € 44,202 mln⁽¹⁾

Maturities and risk management



▶ Cost of debt: approximately 5,4%

▶ Gross Debt € 44,202

Financial Assets € (5,027)⁽²⁾

Net Financial Position € 39,175

- ▶ € 3.9 bln liquidity position (€ 4.4 bln after € 0.5 bln bond issued in July), plus further € 6.5 bln committed unfunded bank lines grant a stable and ample treasury margin and allow full flexibility for future funding
- ▶ Average bond maturity: 8.53 years
- ▶ Fixed rate portion on debt ~ 70%
- ▶ ~ 38% of outstanding bonds is denominated in USD, GBP and YEN and is fully hedged

(1) Including € 1,119 mln of IAS adj of which € 87 mln on bonds

(2) Nominal Liquidity Position, represented by cash and marketable securities stands at € 3.9 bln

(*) including the current portion of non current liabilities (maturing within 12 months) for € 4,488 mln (of which bonds € 2,409 mln and other € 2,079 mln)

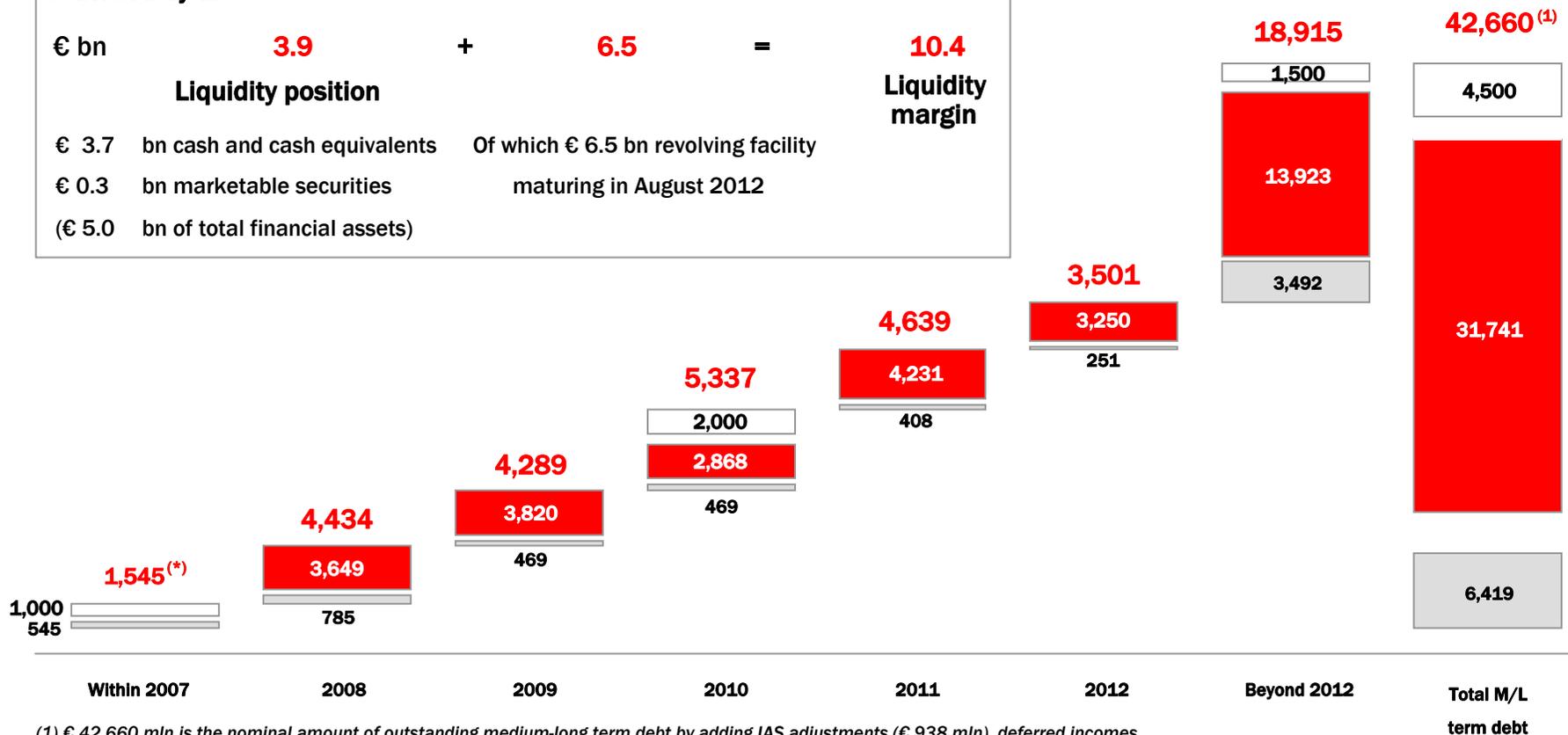
Medium-long term debt Maturity Profile as of June 30, 2007

€ mln

Bonds
 Loans, Long rent and op. leasing (€ 1,976)
 Drawn bank facility

Matched by a:

€ bn	3.9	+	6.5	=	10.4
	Liquidity position				Liquidity margin
€ 3.7 bn cash and cash equivalents			Of which € 6.5 bn revolving facility		
€ 0.3 bn marketable securities			maturing in August 2012		
(€ 5.0 bn of total financial assets)					



(1) € 42,660 mln is the nominal amount of outstanding medium-long term debt by adding IAS adjustments (€ 938 mln), deferred incomes AVEA (€ 111 mln) and current liabilities (€ 492 mln), the gross debt figure of € 44,202 mln is reached.

(*) of which € 1,000 mln voluntary prepayment of the € 3,000 mln drawn bank facility maturing in January 2010.

TI Group – Disposals subsequent to June 30th Impact on Net Financial Position in II Half 2007

Oger Telecom, with a positive impact on NFP of	462M€
Solpart, with a positive impact on NFP of	354M€
Capitalia, with a positive impact on NFP of	55M€
TOTAL IMPACT ON NFP	871M€

Appendix

TI Group – Break up Main Results by BU

€ ml., reported data

	I Quarter				II Quarter				I Half			
	2007	2006	Δ Abs	Δ %	2007	2006	Δ Abs	Δ %	2007	2006	Δ Abs	Δ %
REVENUES												
Domestic	6.009	6.297	-288	(4,6)	6.173	6.580	-407	(6,2)	12.182	12.877	-695	(5,4)
of which												
Wireline Domestic	3.989	4.286	-297	(6,9)	3.994	4.313	-319	(7,4)	7.983	8.599	-616	(7,2)
Tim Domestic	2.365	2.370	-5	(0,2)	2.551	2.612	-61	(2,3)	4.916	4.982	-66	(1,3)
European broadband	304	204	100	49,0	391	223	168	75,3	695	427	268	62,8
Mobile Brasile	1.100	837	263	31,4	1.222	885	337	38,1	2.322	1.722	600	34,8
Media	58	44	14	31,8	67	54	13	24,1	125	98	27	27,6
Olivetti	83	94	-11	(11,7)	109	118	-9	(7,6)	192	212	-20	(9,4)
Other Activities	60	64	-4	(6,3)	49	60	-11	(18,3)	109	124	-15	(12,1)
Elim.	-74	-58	-16		-81	-67	-14		-155	-125	-30	
TI Group	7.540	7.482	58	0,8	7.930	7.853	77	1,0	15.470	15.335	135	0,9
EBITDA												
Domestic	2.853	3.148	-295	(9,4)	2.766	3.062	-296	(9,7)	5.619	6.210	-591	(9,5)
European broadband	30	2	28	1.400,0	58	12	46	383,3	88	14	74	528,6
Mobile Brasile	269	181	88	48,6	316	173	143	82,7	585	354	231	65,3
Media	-11	-28	17	60,7	-10	-24	14	58,3	-21	-52	31	59,6
Olivetti	-10	-12	2	16,7	-7	-14	7	50,0	-17	-26	9	34,6
Other Activities	23	10	13	130,0	18	11	7	63,6	41	21	20	95,2
Elim.	0	-6	6		-1	3	-4		-1	-3	2	
TI Group	3.154	3.295	-141	(4,3)	3.140	3.223	-83	(2,6)	6.294	6.518	-224	(3,4)
EBIT												
Domestic	1.790	2.081	-291	(14,0)	1.666	1.956	-290	(14,8)	3.456	4.037	-581	(14,4)
European broadband	-31	-38	7	18,4	-21	-40	19	47,5	-52	-78	26	33,3
Mobile Brasile	16	-36	52	-	53	-42	95	-	69	-78	147	-
Media	-26	-41	15	36,6	-26	-38	12	31,6	-52	-79	27	34,2
Olivetti	-14	-17	3	17,6	-10	-18	8	44,4	-24	-35	11	31,4
Other Activities	15	28	-13	(46,4)	10	0	10	-	25	28	-3	(10,7)
Elim.	13	7	6		14	-1	15		27	6	21	
TI Group	1.763	1.984	-221	(11,1)	1.686	1.817	-131	(7,2)	3.449	3.801	-352	(9,3)

TI Group – Profit and Loss – 1H '07 vs. 1H '06

€ ml.	I Quarter				II Quarter				I Half			
	2007	2006	Δ Abs	Δ %	2007	2006	Δ Abs	Δ %	2007	2006	Δ Abs	Δ %
REVENUES	7.540	7.482	58	0,8	7.930	7.853	77	1,0	15.470	15.335	135	0,9
Other Operating Income	73	111	(38)	(34,2)	92	200	(108)	(54,0)	165	311	(146)	(46,9)
TOTAL REVENUES & OTHER INCOME	7.613	7.593	20	0,3	8.022	8.053	(31)	(0,4)	15.635	15.646	(11)	(0,1)
Total Purchases of materials and external services	(3.239)	(3.090)	(149)	4,8	(3.647)	(3.679)	32	(0,9)	(6.886)	(6.769)	(117)	1,7
Personnel	(1.013)	(1.018)	5	(0,5)	(912)	(974)	62	(6,4)	(1.925)	(1.992)	67	(3,4)
of which payroll	(963)	(977)	14	(1,4)	(962)	(924)	(38)	4,1	(1.925)	(1.901)	(24)	1,3
Other operating costs	(377)	(314)	(63)	20,1	(455)	(352)	(103)	29,3	(832)	(666)	(166)	24,9
Capitalized Cost and Others	170	124	46	37,1	132	175	(43)	(24,6)	302	299	3	1,0
EBITDA	3.154	3.295	(141)	(4,3)	3.140	3.223	(83)	(2,6)	6.294	6.518	(224)	(3,4)
% on Revenues	41,8%	44,0%			39,6%	41,0%			40,7%	42,5%		
Depreciation & Amortization	(1.400)	(1.428)	28	(2,0)	(1.453)	(1.415)	(38)	2,7	(2.853)	(2.843)	(10)	0,4
Writedowns and revaluations of non current assets	0	(1)	1	-	0	(25)	25	-	0	(26)	26	-
Gains/losses of non current assets realization	9	118	(109)	(92,4)	(1)	34	(35)	-	8	152	(144)	(94,7)
EBIT	1.763	1.984	(221)	(11,1)	1.686	1.817	(131)	(7,2)	3.449	3.801	(352)	(9,3)
% on Revenues	23,4%	26,5%			21,3%	23,1%			22,3%	24,8%		
Income (loss) equity invest. valued equity method	29	12	17		29	13	16		58	25	33	
Net Financial Income / (Expenses)	(456)	(579)	123		(527)	(515)	(12)		(983)	(1.094)	111	
Income before Taxes & Discontinued Op.	1.336	1.417	(81)		1.188	1.315	(127)		2.524	2.732	(208)	
% on Revenues	17,7%	18,9%			15,0%	16,7%			16,3%	17,8%		
Taxes	(561)	(656)	95		(457)	(649)	192		(1.018)	(1.305)	287	
Income before Discontinued Op.	775	761	14		731	666	65		1.506	1.427	79	
Net income (loss) of assets disposed	0	11	(11)		(4)	35	(39)		(4)	46	(50)	
Net Income (ante Minorities)	775	772	3		727	701	26		1.502	1.473	29	
% on Revenues	10,3%	10,3%			9,2%	8,9%			9,7%	9,6%		
Minorities	0	(28)	28		(2)	51	(53)		(2)	23	(25)	
Net Income (post Minorities)	775	744	31		725	752	(27)		1.500	1.496	4	
% on Revenues	10,3%	9,9%			9,1%	9,6%			9,7%	9,8%		

TI Group – Balance Sheet – 1H '07 & FY '06

€ mln	30.06.2007	31.12.2006
Intangible Assets	51.270	50.479
Tangible Assets	17.084	17.215
Financial Assets	1.017	1.624
Deferred Tax Assets	261	912
TOTAL NET ASSETS	69.632	70.230
Working Capital	(2.524)	(3.689)
Total net inventories	318	291
Total net trade accounts receivable	7.915	7.382
Trade accounts payable	(6.318)	(6.810)
Other current assets/liabilities	(3.817)	(3.861)
Total Reserves within 12 months	(622)	(691)
Severance Indemnities	(1.249)	(1.262)
Other Allowances	(1.522)	(1.115)
No fin. assets/liabilities of Disc. Ops.	939	235
NET INVESTED CAPITAL	65.276	64.399
Shareholders Equity	26.101	27.098
Net Financial Position	39.175	37.301
€ mln	30.06.2007	31.12.2006
INVESTMENTS		
Capital Expenditures	2.474	5.114
Financial Investments	669	206
TOTAL	3.143	5.320