TELECOM ITALIA

1H 2007 Financial Results

Milan, September 7, 2007

Telecom Italia

1H 2007 Business Performance

RICCARDO RUGGIERO

Agenda

- IH 2007 business performance:
  - Domestic
  - European BroadBand
  - TIM Brasil
- Appendix

1H 07 Results on the way to FY2007 targets

€ Mln, %

	1H 2007 Δ % YoY Organic		2007 Organic Target
TI Group		*Excl. NNG**	
Revenues	+0.2%	+1.7%	+1%/+2%
% EBITDA Margin	-1.3 pp		-2.5/-2.0 pp
Domestic		*Excl. NNG**	
Revenues	-5.3%	-3.6%	-3.5%/-2.5%
Fixed	-7.0%	-4.4%	-3.5%/-2.5%
Mobile	-1.3%		-3.0%/-2.0%
% EBITDA Margin	-1.6pp		-2.0/-1.5 pp
European BroadBand *(reported values)*			
Revenues (abs)	~0,7 Bln €		~1,6 Bln €
% EBITDA Margin (abs)	12.7%		>14%
TIM Brasil		*Excl. Bill & Keep*	
Revenues	+35.9%	+18.1%	>15%
% EBITDA Margin (abs)	25.2%		~23%

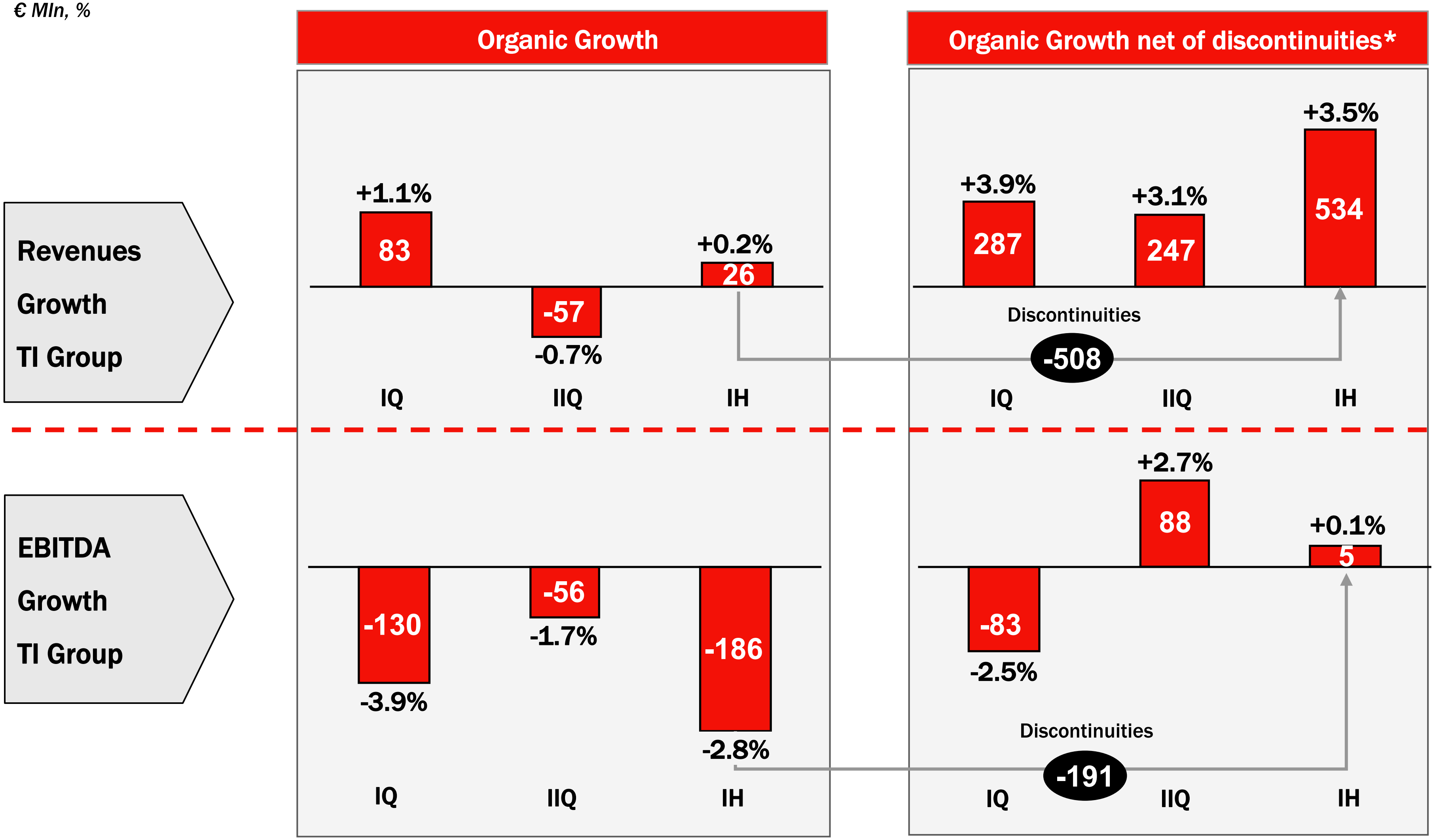
► 14.8% in 2Q07

► >10% Target FY 2007 Net of Bill&Keep

* *Excluding change in accounting for Non Geographic Numbers (-230 mln € in 2006); 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 growth performance net of market discontinuities*

€ Mln, %



** NNG (-119mln€ in 1Q07 and -111 mln€ in 2Q07 on Revenues; no impacy on EBITDA), Bersani Decree (-30mln€ in 1Q07 and -133mln€ in 2Q07 on Revenues and EBITDA), Self regulation on Visitros Traffic (-8mln€ in 1Q07 and -12 mln€ in 2Q07 on Revenues; no impact on EBITDA) and F2M Cut (-47mln€ in 1Q07 and -48mln€in 2Q07 on Revenues; -17mln€ in 1Q07 and -11mln€ in 2Q07 on EBITDA)*

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Domestic Business Highlights

Wireline: improvement in high profitability business performance

		4Q '06	1Q '07	2Q '07
• Successful Value strategy on BroadBand	% Flat on Alice CB	50%	53%	58%
	BB VOIP CB	359	549	924
• Voice traffic stabilization thanks to higher penetration of flat offer	Market Voice Traffic volumes (YoY %)	-4.4%	-4.0%	-3.0%
• Trend inversion on Data business as a result of renewed focus on Top Clients segment and ICT (+21.3% in 2Q07)	Business Data revenues (YoY %)	-19.4%	-11.4%	0.5%

Mobile: value strategy in progress

		4Q '06	1Q '07	2Q '07
• High teen growth on VAS revenues driven by innovative services	VAS Revenues (YoY %)	9.8%	10.8%	20.5%
• Elasticity effect increasingly visible	Outgoing Traffic Volumes (YoY %)	1.8%	2.3%	9.5%
• "Quality" of customers improves	% Post-paid on total acquisitions	19%	22%	31%

** Net of Discontinuities (Bersani Decree, Reding, F2M cut)*

Domestic: Main Results 1H ’07 vs 1H ’06

€ Mln, %

	Reported Data				Organic Data			
	1H '07	1H '06	Δ Abs	Δ %	1H '07	1H '06	Δ Abs	Δ %
Revenues	**12,182**	**12,877**	**-695**	**-5.4%**	**12,182**	**12,861**	**-679**	**-5.3%**
of which fixed	*7,983*	*8,599*	*-616*	*-7.2%*	7,983	8,583	-600	-7.0%
of which mobile	*4,916*	*4,982*	*-66*	*-1.3%*	4,916	4,982	-66	-1.3%
EBITDA	**5,619**	**6,210**	**-591**	**-9.5%**	**5,753**	**6,279**	**-526**	**-8.4%**
% on revenues	46.1%	48.2%	-2.1 p.p.		47.2%	48.8%	-1.6 p.p.	
EBIT	**3,456**	**4,037**	**-581**	**-14.4%**	**3,580**	**3,985**	**-405**	**-10.2%**
% on revenues	28.4%	31.4%	-3.0 p.p.		29.4%	31.0%	-1.6p.p.	
CAPEX	**1,895**	**1,793**	**102**	**5.7%**				
% on revenues	15.6%	13.9%	1.7p.p.					

- -3.6% excluding change in accounting for Non Geographic Numbers* (-230 mln € in 2006)

- -4.4% excluding change in accounting for Non Geographic Numbers* (-230 mln € in 2006)

* *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*

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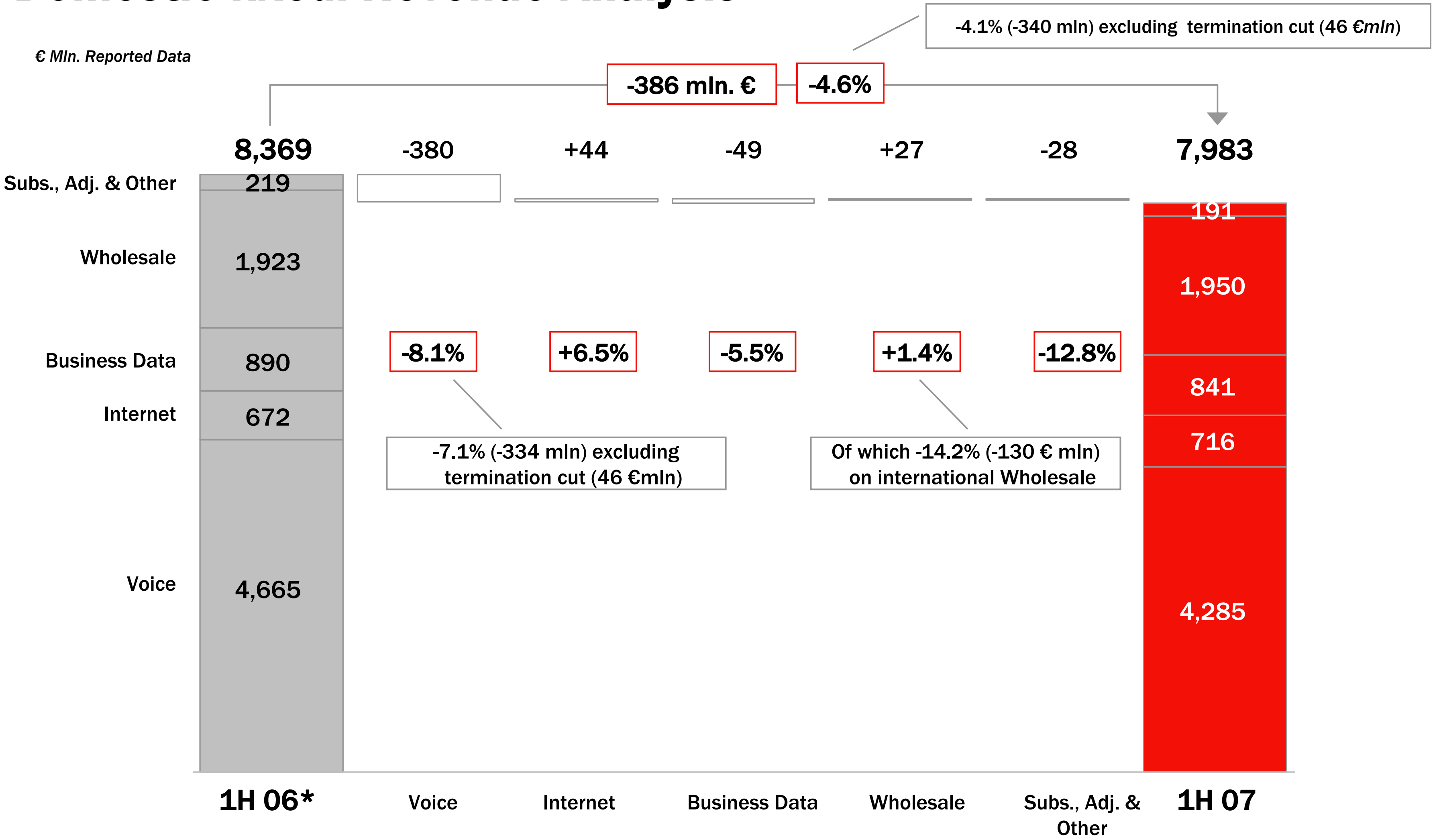
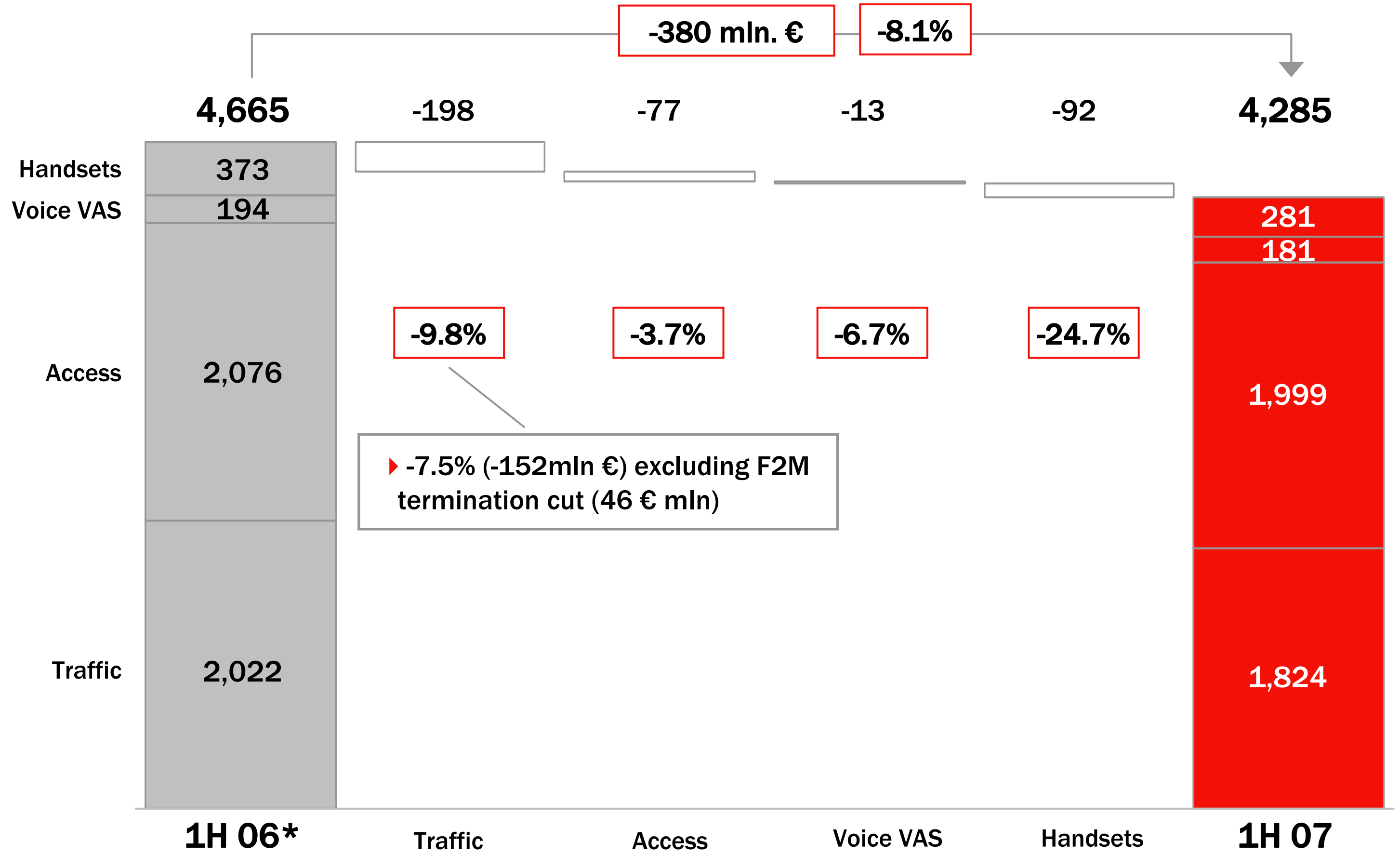
Domestic fixed: Revenue Analysis



** Restated figures, excluding different accounting for Non Geographic Numbers (-230 mln €: -140 mln€ on voice and -90 mln€ on Internet)*

Domestic fixed: Voice Revenues

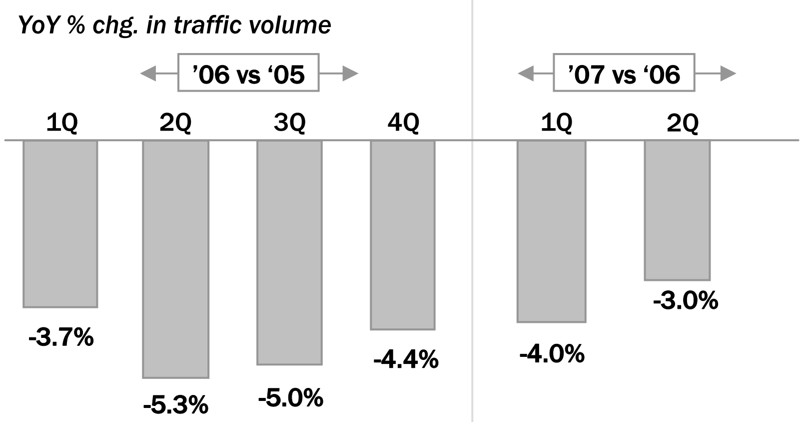
€ Mln, %, Reported Data



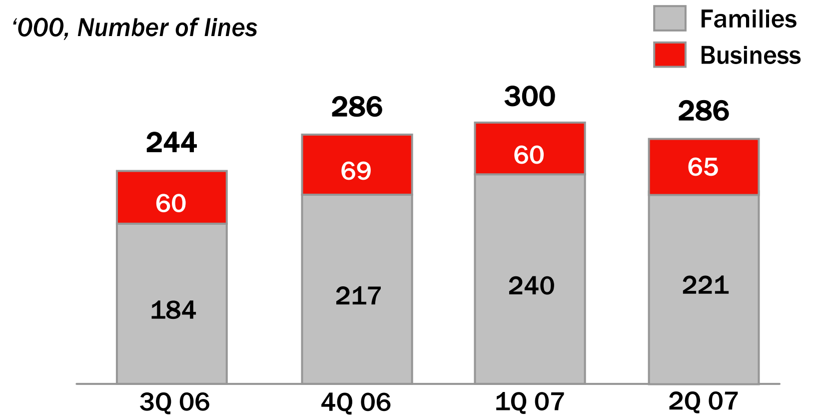
**Restated figures, excluding different accounting for Non Geographic Numbers (-140 mln €: -19 mln € on Traffic and -121mln € on Voice VAS)*

Domestic fixed: Voice Traffic Performance

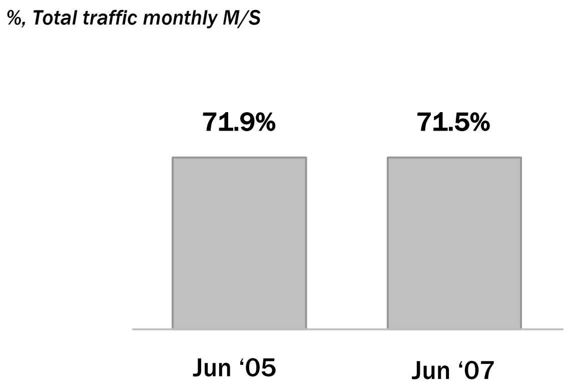
Italian market: domestic voice traffic trend



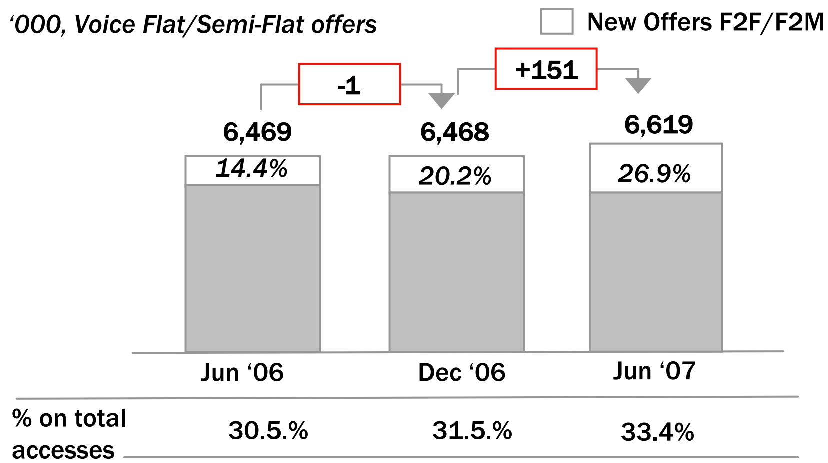
Retention Campaign



Telecom Italia traffic market share trend



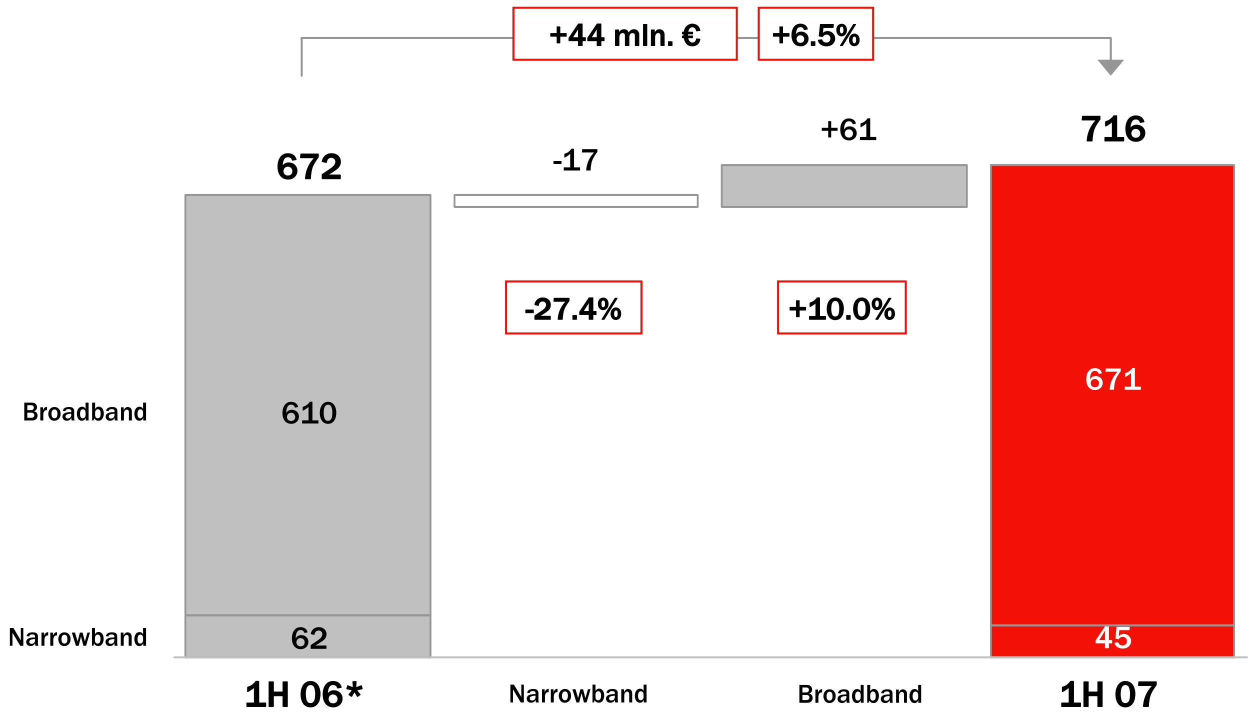
Voice flat/semi-flat offers



Source: Company Data, Analyst Estimates, NRA

Domestic fixed: Internet Revenues

€ Mln, %, Reported Data



** Restated figures, excluding change in accounting for Non Geographic Numbers (-90 mln € on narrowband)*

Domestic Broadband: Portfolio Evolution

Broadband Portfolio

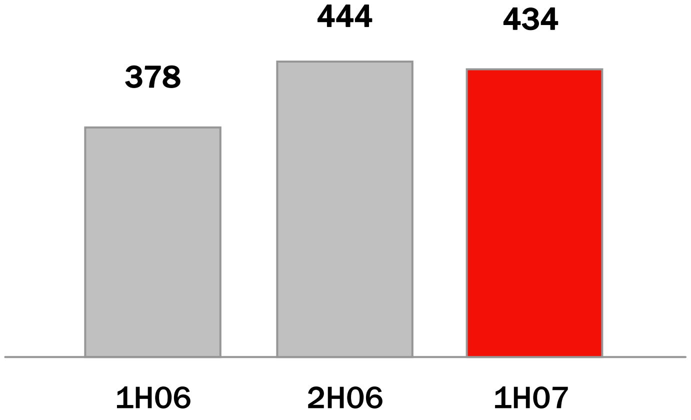
'000 Access lines

	Dec '05	Dec '06	Jun '07	Δ Dec06 vs Dec05	Δ1H07 vs EoY06
Wholesale	890	1,131	1,204	+241	+73
Retail	4,817	5,639	6,073	+822	+434
Total Domestic	5,707	6,770	7,277	+1,063	+507

Total TI BB Portfolio (Domestic + European): **10.5 mln customers**

BB Retail portfolio net growth

'000 Access lines

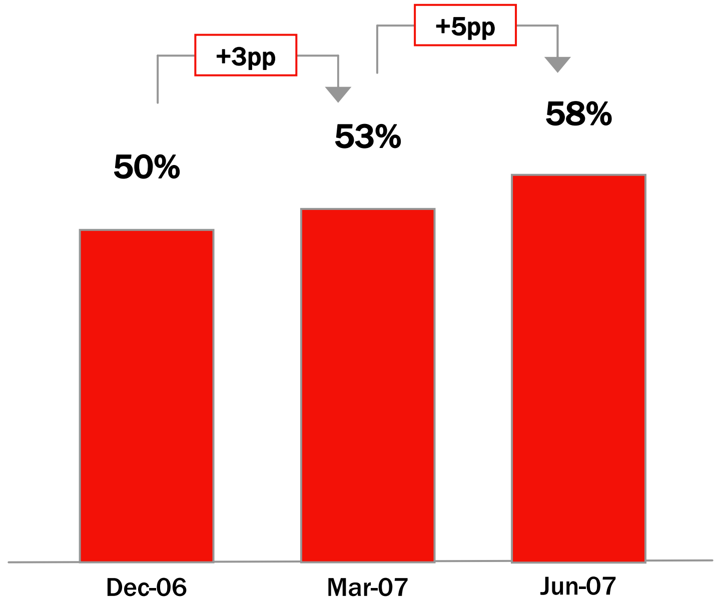


In 1H 2007 BB Retail Portfolio Growth higher than 1H 2006

Domestic BroadBand: Focus on Flat and VoIP Offers

Flat Offers development

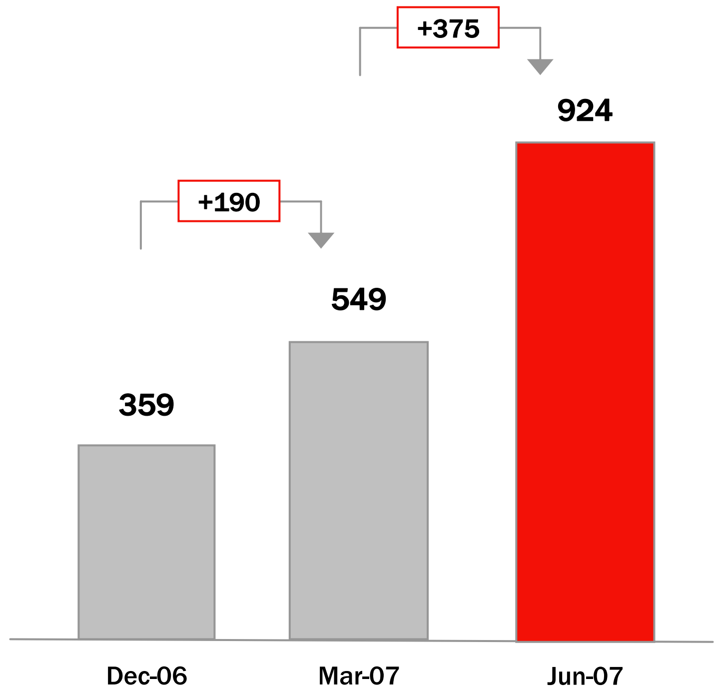
% on Residential Portfolio



Domestic retail* ADSL ARPU	- 12%	-4%
	2Q 06 vs 4Q 05	2Q 07 vs 4Q 06

VoIP portfolio

'000 access lines

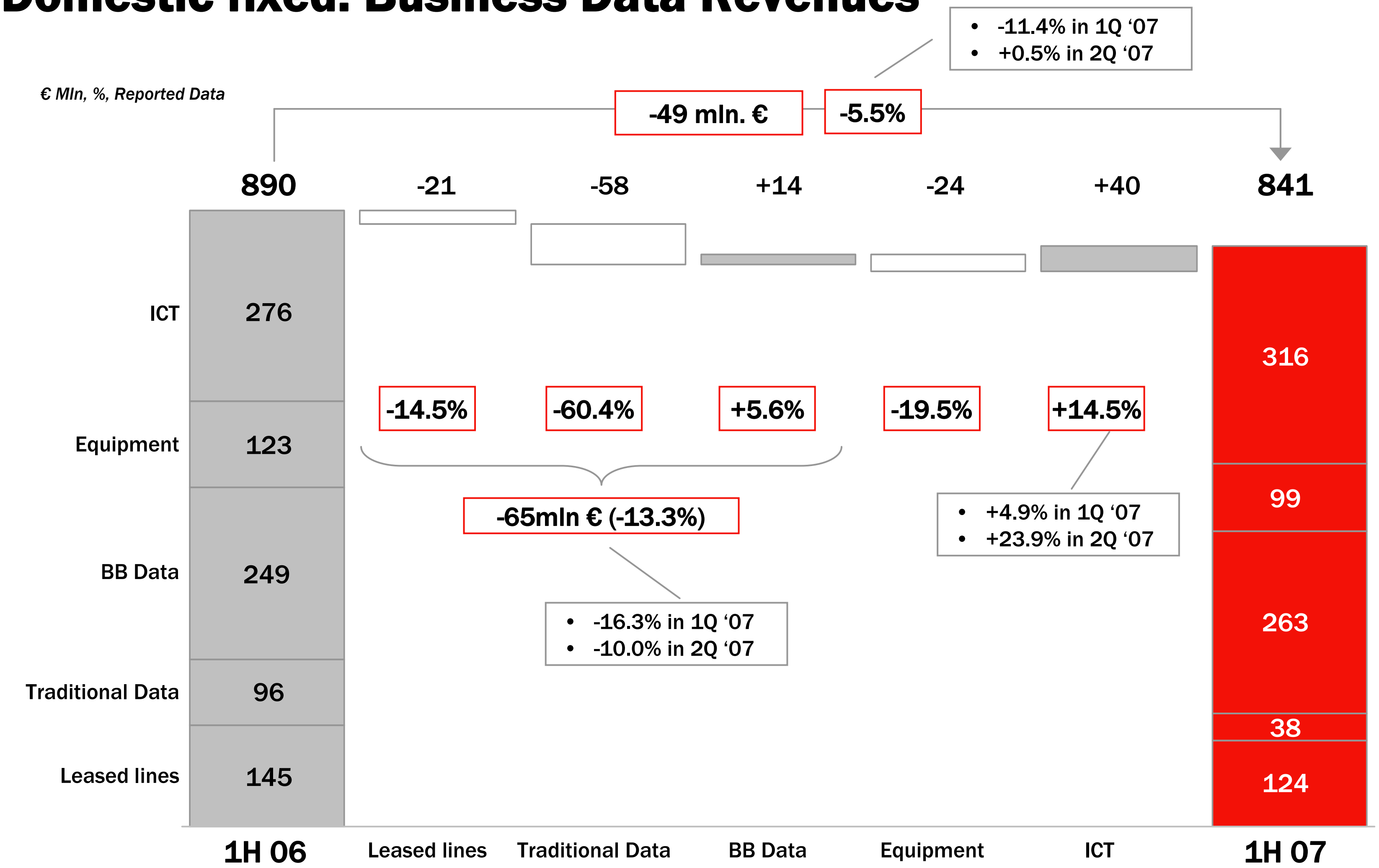


	Dec-06	Mar-07	Jun-07
% on BB access lines	6.4%	9.3%	15.2%

** Including Residential, SOHO and SME's customers*

Domestic fixed: Business Data Revenues

€ Mln, %, Reported Data



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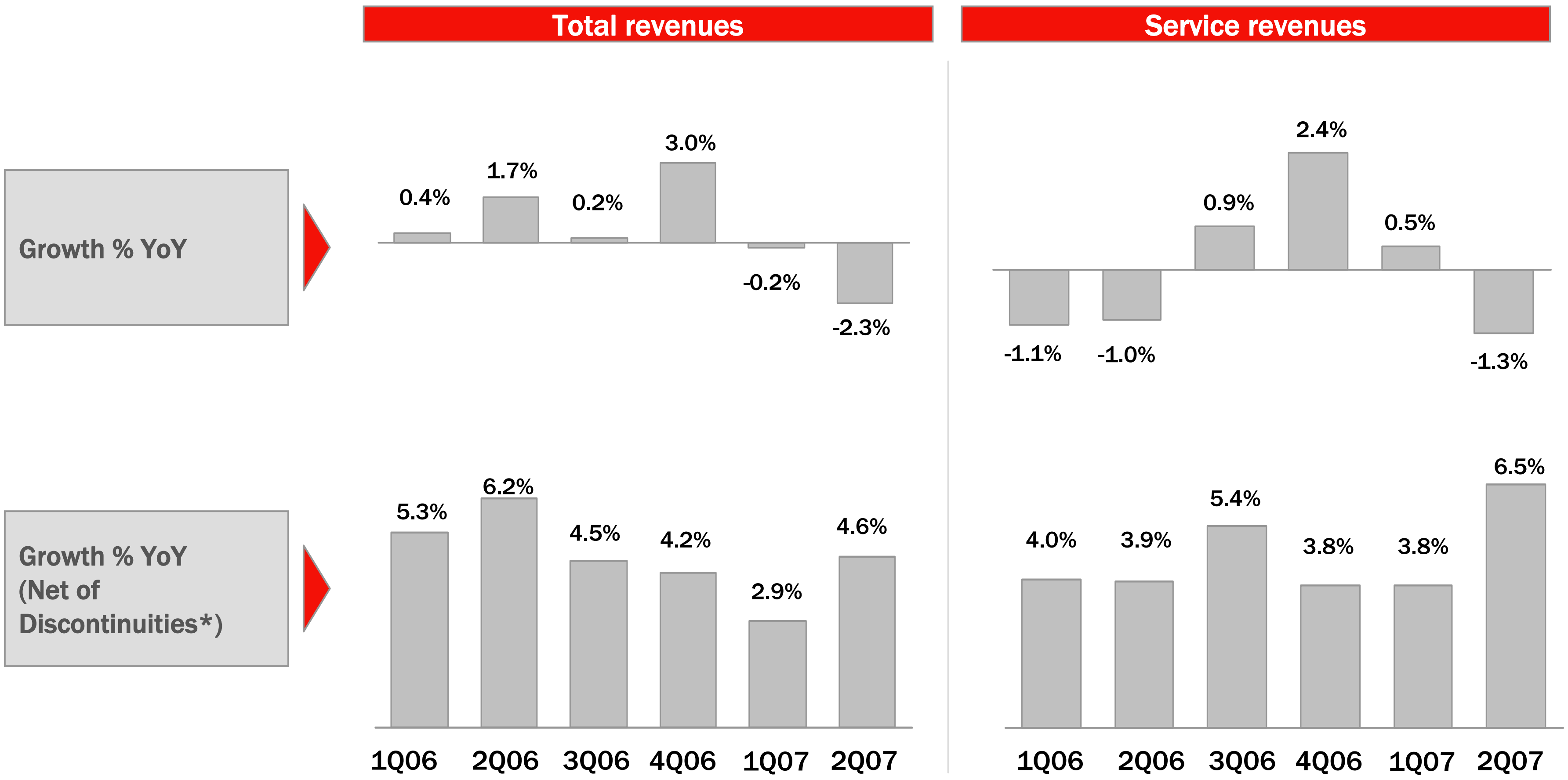
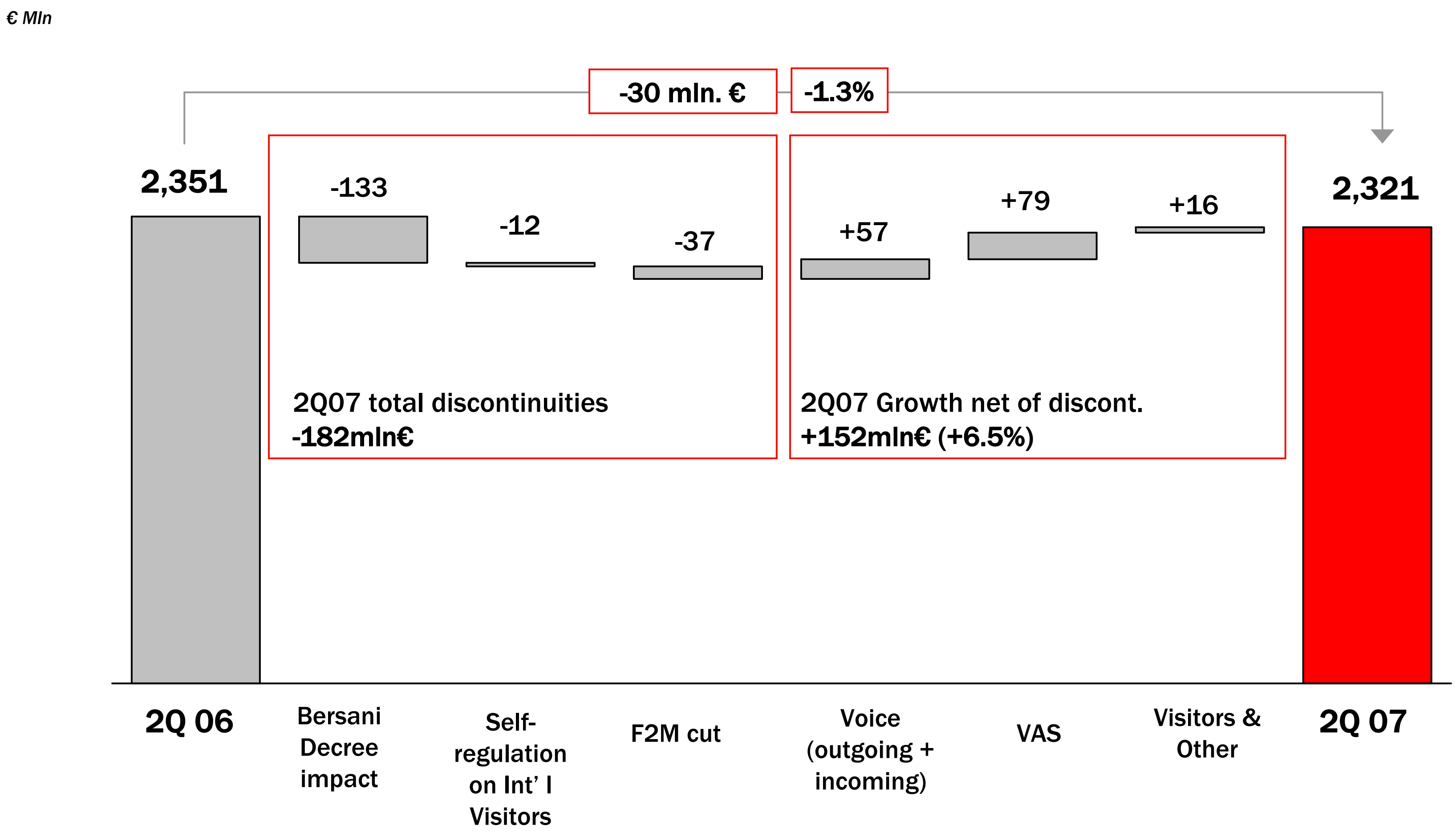
Domestic mobile: Revenue Trends by Quarter

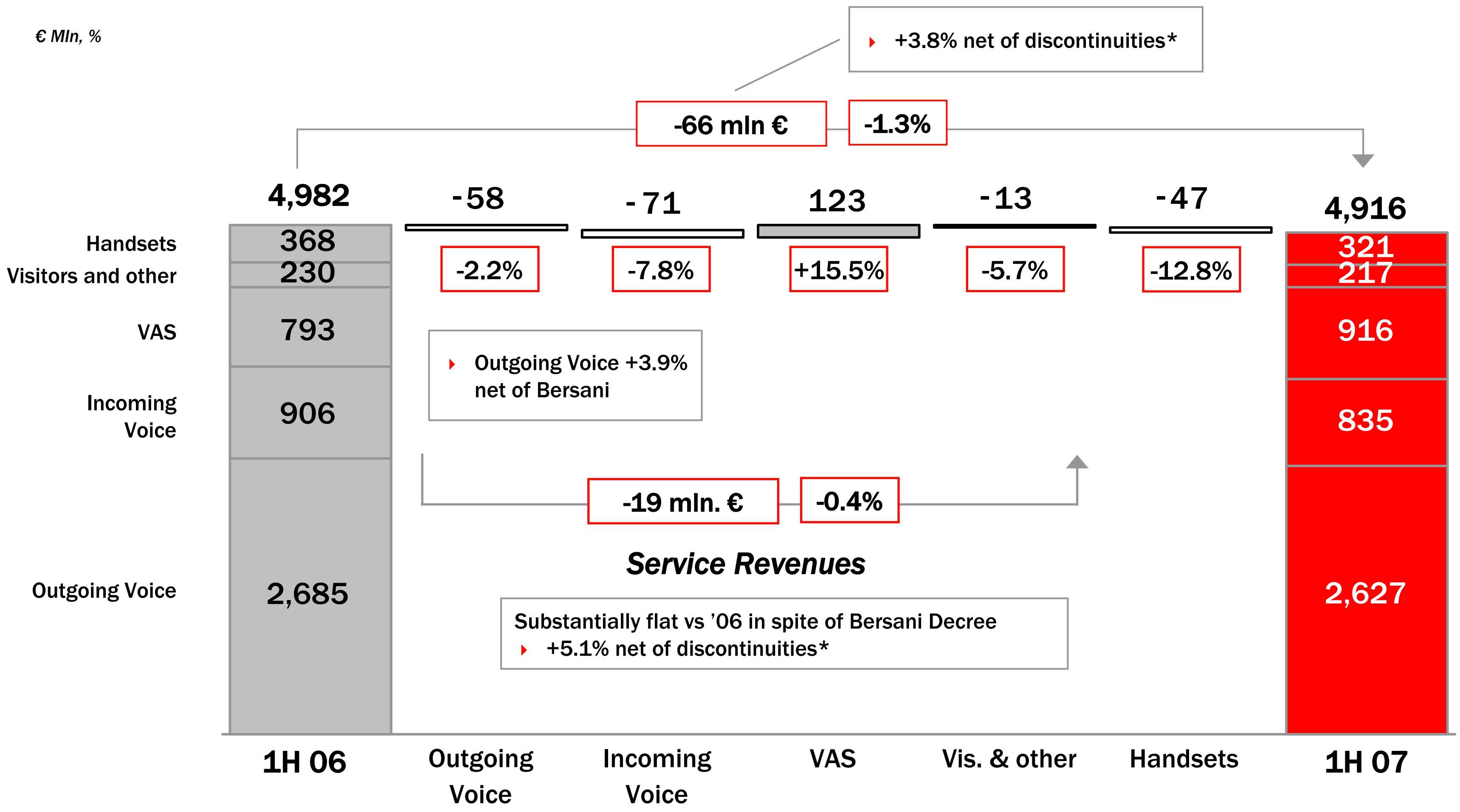


** Bersani Decree (30 mln € IQ '07 133 mln € 2Q '07), self-regulation on Int.l Visitors traffic (in line with European Commission guidelines: 8mln € 1Q '07, 12 mln € 2Q '07) and F2M termination cut (36 mln € in 1Q '07, 37 mln in 2Q '07)*

Q2 Service Revenues trend: managing discontinuities



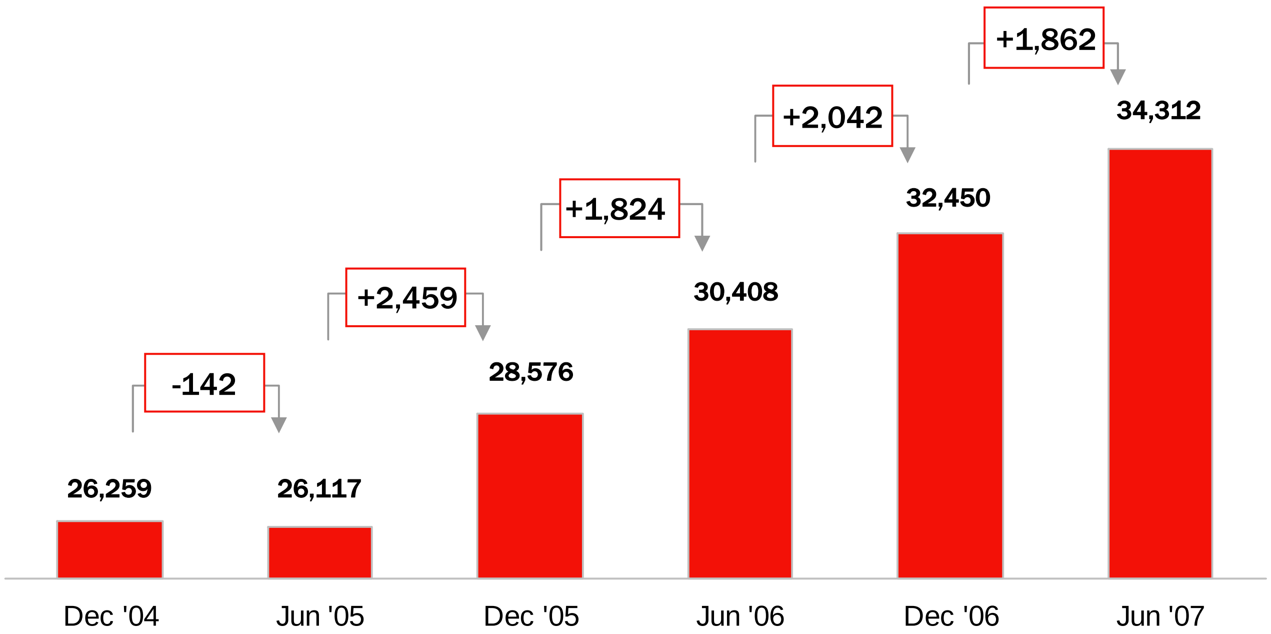
Domestic mobile: Revenue Analysis



* Bersani Decree (163 mln €), self-regulation on Int.l Visitors traffic (in line with European Commission guidelines: 20mln €) and F2M cut (73 Mln€)

Domestic mobile: Customer Base Trend

SIM, '000



KPIs:

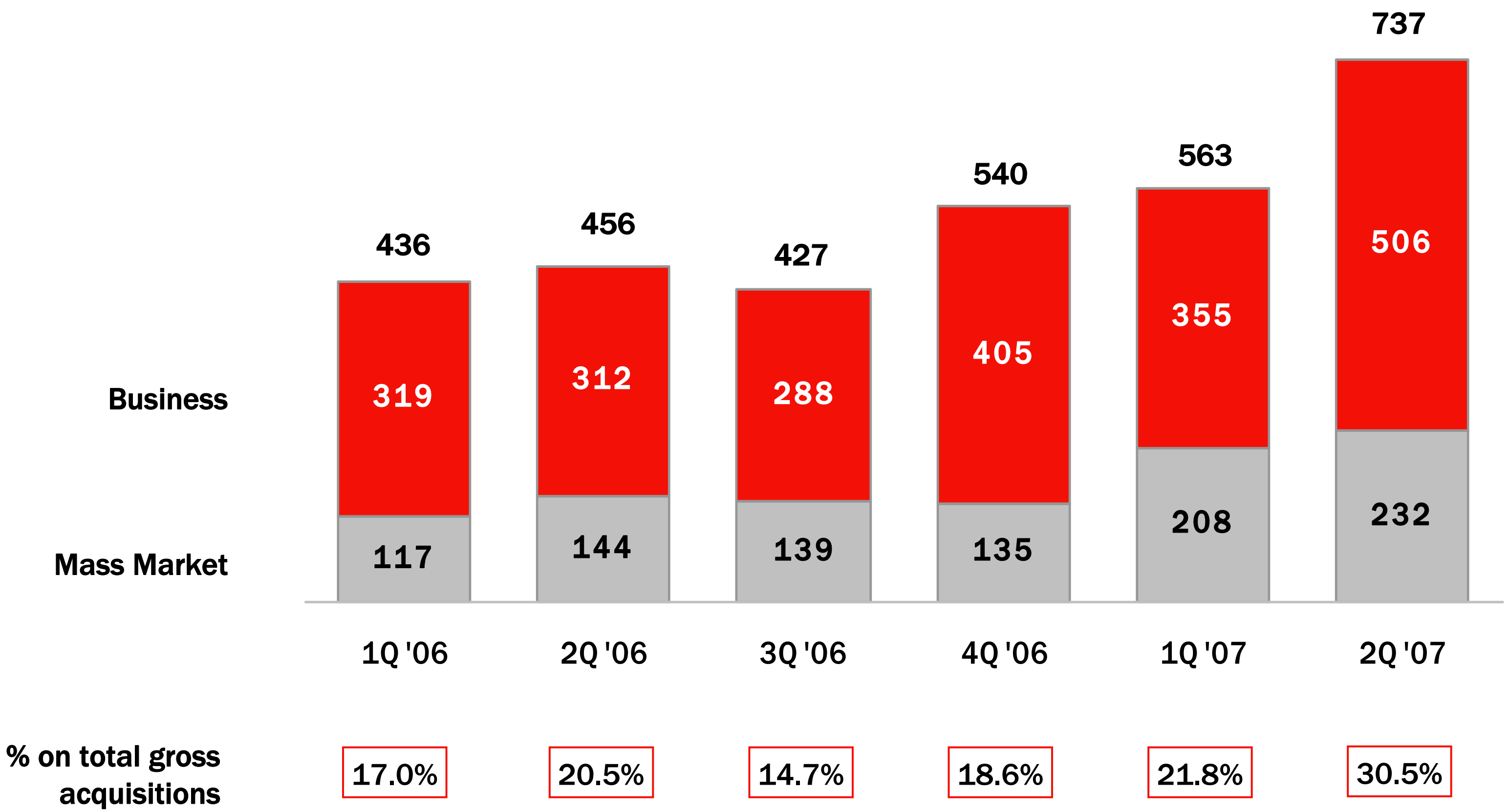
- **> 1.8 mln Net Adds in 1H '07 and stable market share**
- **Postpaid** > 30% of gross adds in 2Q 07
- **Around 1mln UMTS customers added and UMTS penetration reaching 15%** in 1H '07

	Dec '04	Jun '05	Dec '05	Jun '06	Dec '06	Jun '07
Market Share TIM EoY (%)	41.9%	39.4%	40.0%	40.5%	40.4%	40.3%
UMTS* Customers			2,170	3,421	4,206	5,147
UMTS penetration (%)			7.6%	11.3%	13.0%	15.0%

** UMTS customers that generated traffic on TIM's 3G network in the last 90 days*

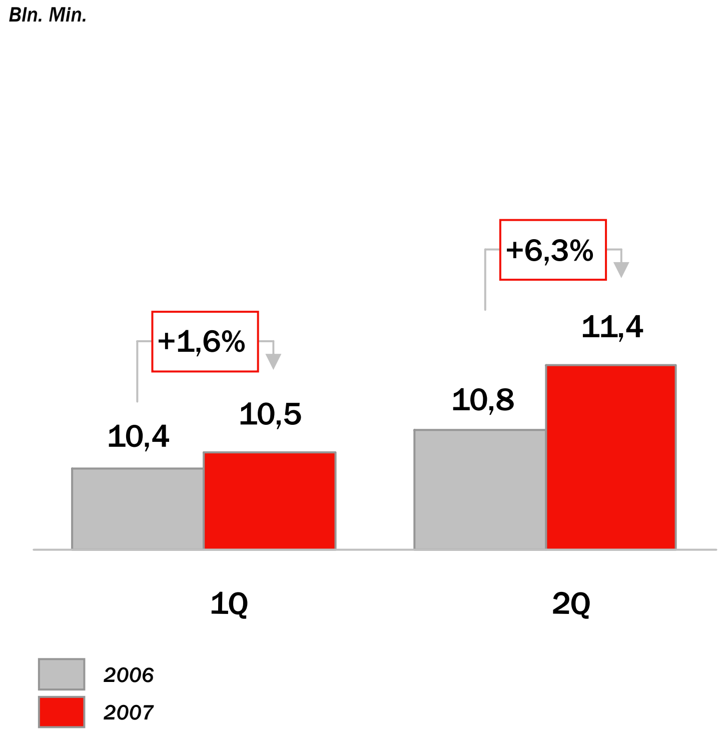
Domestic mobile: Post paid Gross Acquisitions

SIM '000, Not Human included

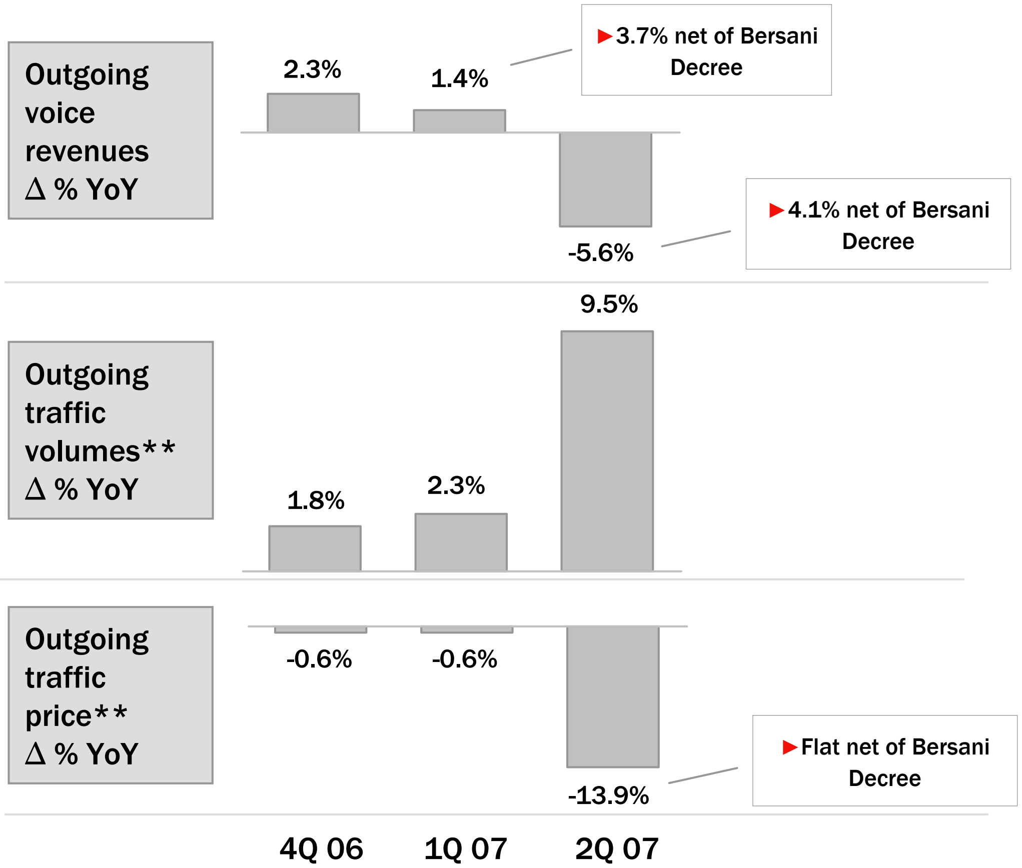


Domestic mobile: Voice Traffic Performance

Total Traffic Volumes*



Outgoing voice

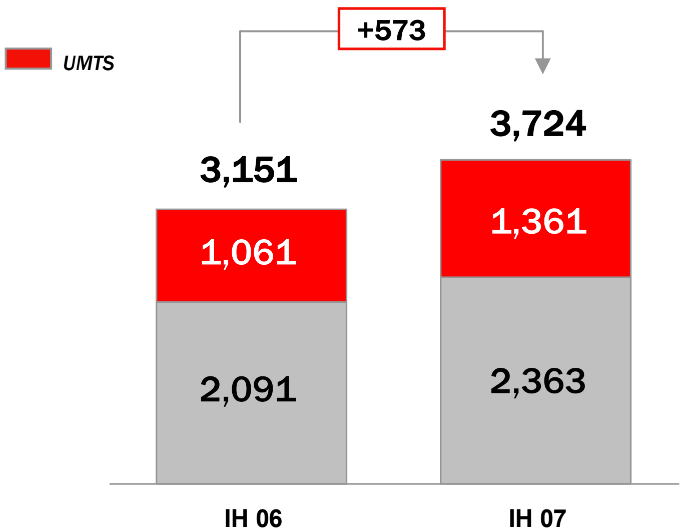


** Incoming + Outgoing, excluding Visitors and roaming*
*** Roaming not included*

TIM Accelerates UMTS and Interactive VAS Penetration

Handsets sold

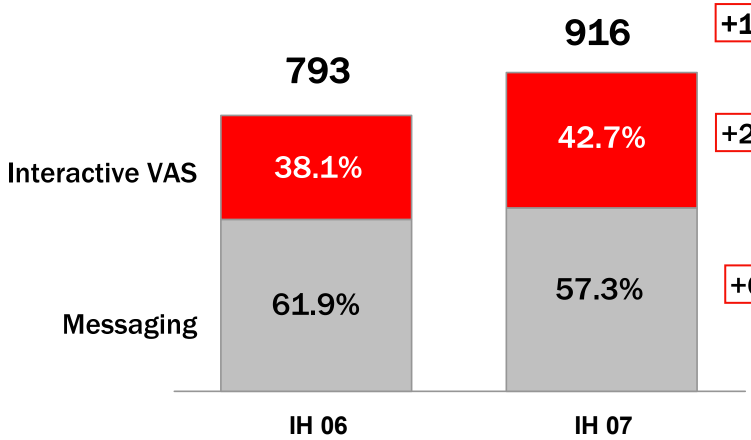
'000, %



	IH 06	IH 07
% UMTS	33.7%	36.5%
Mobile Office Devices Sold* (000)	41	170

VAS Revenues

mln €



YoY Growth	IH	IQ	IIQ
Total	+15.5%	+10.8%	+20.5%
Interactive VAS	+29.5%	+21.0%	+38.6%
Messaging	+6.9%	+4.8%	+9.1%

of which Web Browsing revenues growth: +47%

% VAS/Services Revenues	IH 06	IH 07
	17.2%	19.9%

> 20% in 2Q07

* PC Card, PDA, BlackBerry

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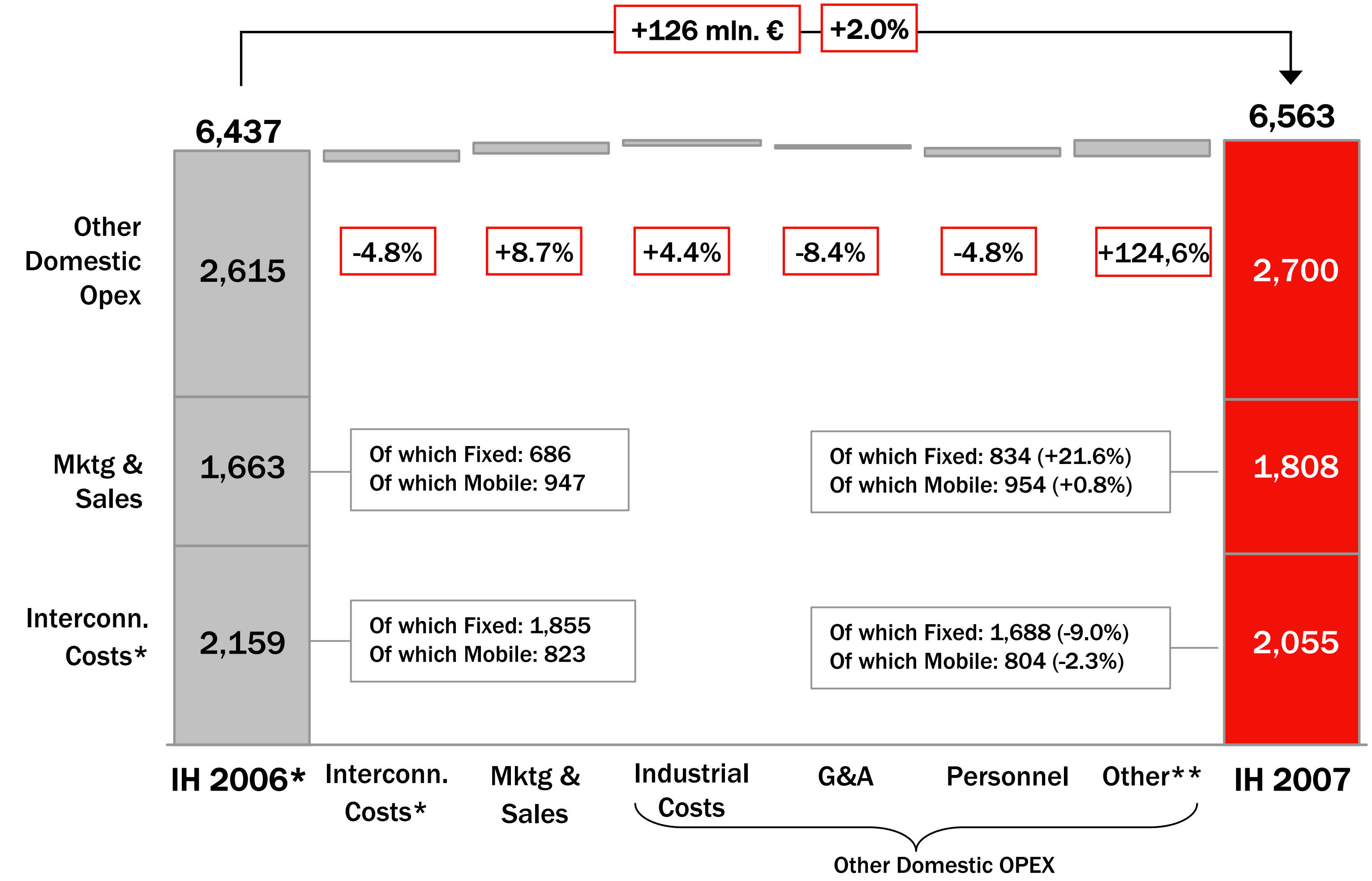
Domestic: Cost Analysis 1H ’07 vs ’06

Reported Data; Mln €, %

- +126mln€ (+4.2%) in 1Q ‘07



** Restated figures, excluding different accounting for Non Geographic Numbers (-230 mln €) and reclassifing 39mln€ from Interconnection costs to Mktg&Sales on Domestic Fixed*

*** Includes Other Income, provisions, charges and capitalized costs*

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European BroadBand Operations: Main Results 1H '07 vs '06

€ Mln, %

14.8% EBITDA margin in 2Q07

	Reported Data				Organic Growth	
	1H 07	1H 06	Δ	Δ %	Δ	Δ%
Revenues	695	427	+268	+62.8%	+114	+19.6%
Ebitda	88	14	+74	n.m.	+56	+164.7%
Ebitda margin	*12.7%*	*3.3%*	*+9.4pp*		*+7.0pp*	
Ebit	-52	-78	+26	+33.3%	+11	+18.0%
Ebit margin	*-7.5%*	*-18.3%*	*+10.8pp*		*+3.3pp*	
Capex	252	228	+24	+10.5%		
% on revenues	*36.3%*	*53.4%*	*-17.1pp*			

European BroadBand: Main Results 1H '07 vs '06 by Country

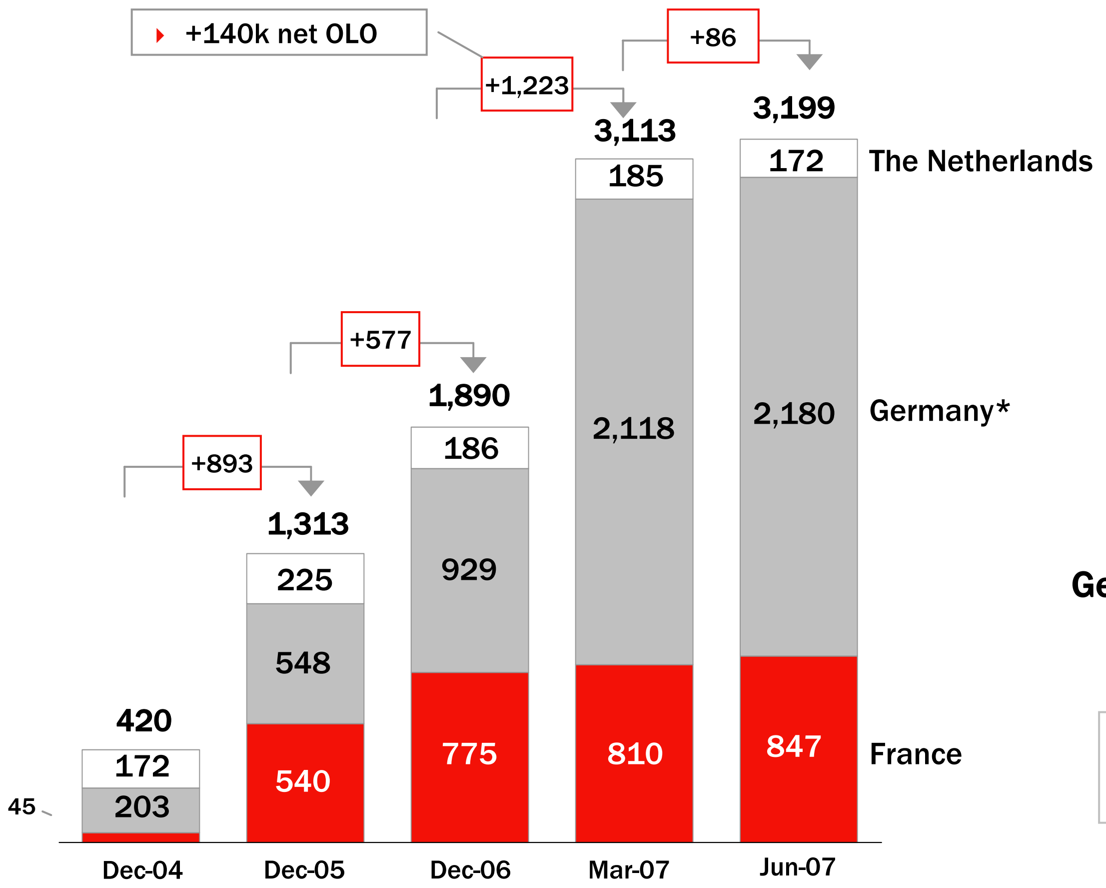
€ Mln, %, Reported Data

	TI France				Hansenet + AOL				BBNED			
	1H '07	1H '06	Δ Abs	Δ%	1H '07	1H '06	Δ Abs	Δ%	1H '07	1H '06	Δ Abs	Δ%
Revenues	183	148	+35	+23.6%	476	238	+238	+100.0%	36	41	-5	-12.2%
Ebitda	-40	-64	+24	+37.5%	118	60	+58	+96.7%	10	17	-7	-41.2%
Ebitda margin	*-21.9%*	*-43.2%*	*+21.3pp*		*24.8%*	*25.2%*	*-0.4pp*		*27.8%*	*41.5%*	*-13.7pp*	
Ebit	-103	-107	+4	+3.7%	60	22	+38	+172.7%	0	8	-8	-100%
Ebit margin	*-56.3%*	*-72.3%*	*+16.0pp*		*12.6%*	*9.2%*	*+3.4pp*		*0.0%*	*19.5%*	*-19.5pp*	
CAPEX	62	103	-41	-39.8%	186	115	+71	+61.7%	4	10	-6	-60.0%
% on revenues	*33.9%*	*69.6%*	*-35.7pp*		*39.1%*	*48.3%*	*-9.2.pp*		*11.1%*	*24.4%*	*-13.3pp*	

European Broadband: Customer Base Evolution

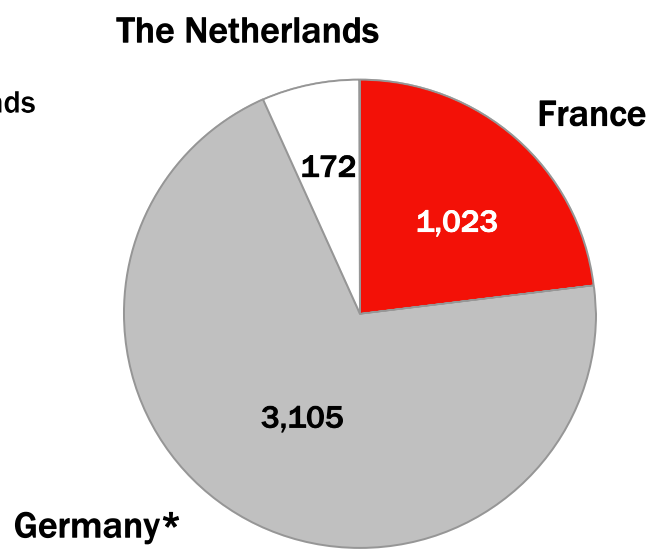
Broadband Portfolio

'000 BroadBand Access



Total customer portofolio: BB+NB

'000 Access



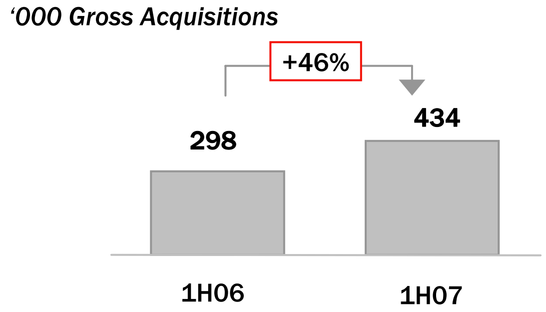
Total customer portfolio:
4,300,000

** Including AOL Customers, as of March 1° 1,083 BB customers and 2,089k total customers*

France and Germany: Bits on Business Performance

Germany

- On track to exploit German market growth



- Successful launch of Alice Mobile offer

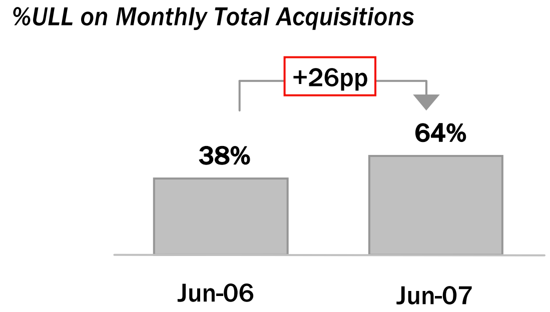
108k MVNO Customers reached at June 07

- On track onto process of AOL integration

About 90k AOL customers migrated to Alice offer from March 07

France

- Shift of acquisition mix towards profitable ULL offers



- Successful launch of 3Play IPTV offer

59k IPTV Customers (8% on total BroadBand Access) reached at June 07

- Improvement in Quality of Service Level

4pp improvement (82% from 78%) in Customer Satisfaction Index in last 6 months

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TIM Brasil: Main Results at a Glance

Customer	Quality
Continuous value segment growth ▸ 27.5mln customer in June '07 (+2.1 mln net adds in 1H07) reaching 25.8% Market share ▸ Improving client mix: postpaid lines reach 22% on total (+1.4pp YoY) ▸ Confirming leadership in service revenue and reinforcing our leadership in business segment	**Recognized TIM Brand** ▸ Preferred mobile operator in Brazil* ▸ Leader in average client satisfaction** ▸ Largest voice & data coverage
Innovation	**Profitability**
Focusing on customer total communication needs ▸ TIM Web: internet access solutions ▸ TIM Mais Completo: convergent solution (mobile + fixed + internet) ▸ Continous VAS innovation	**Solid Financial growth** ▸ Strong revenue growth (+35.9% Organic growth in 1H07) ▸ Confirmed premium ARPU and QoQ growth ▸ Solid EBITDA margin expansion (25.2% EBITDA margin Reported in 1H 07, +4.7pp YoY) ▸ Positive net income

** Instituto Synovate May/2007*

*** Interscience May/2007*

TIM Brasil: Main Results 1H ’07 vs 1H ’06

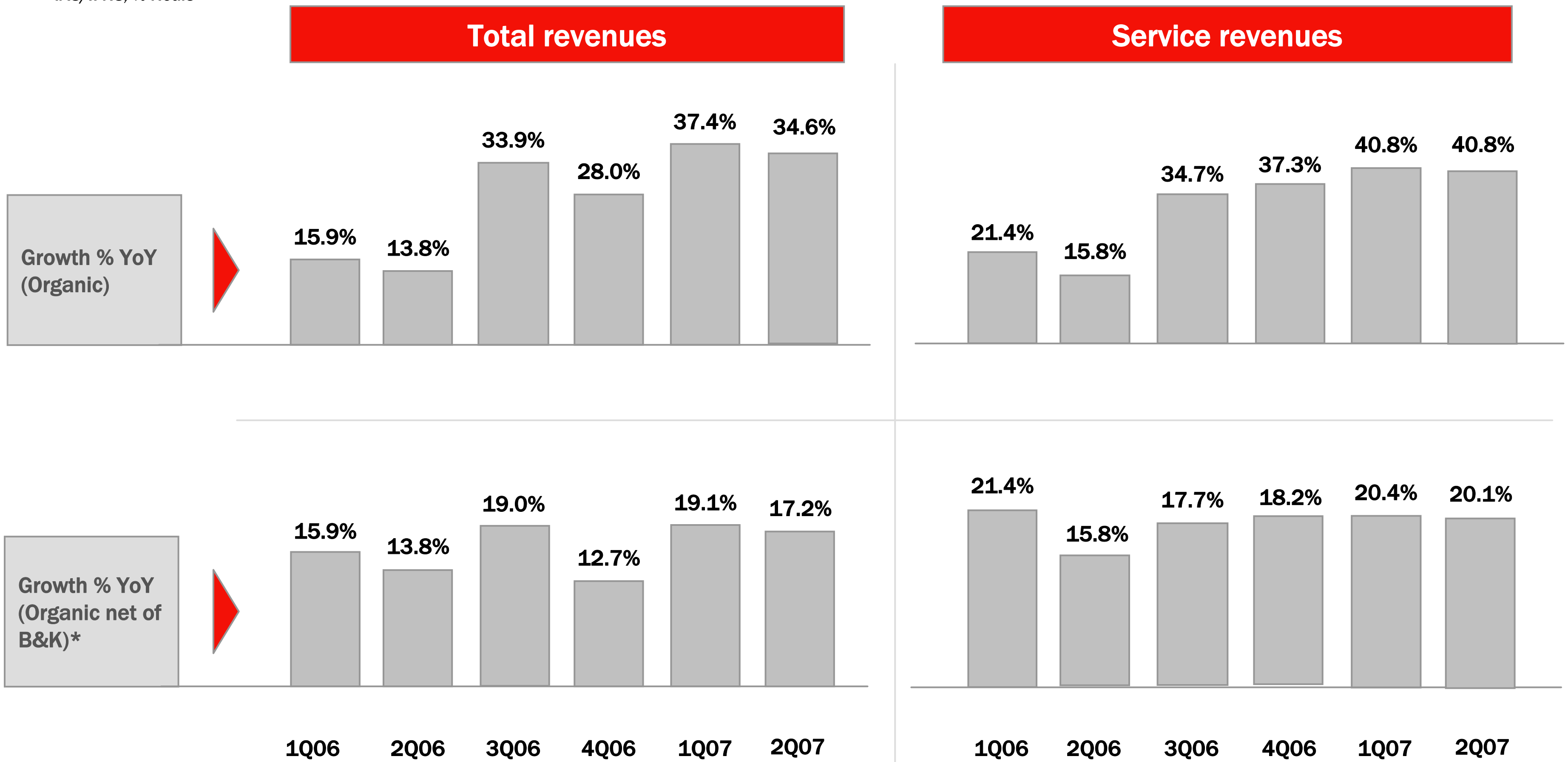
IAS/IFRS

	Data Reported - Euro *Million Euro, %*				Data Reported - Reais *Million R$, %*				Organic Growth *%*
	1H 07	1H 06	Δ Abs	Δ %	1H 07	1H 06	Δ Abs	Δ %	Δ %
Revenues	**2,322**	**1,722**	600	*34.8%*	**6,313**	**4,644**	1,669	*35.9%*	**35.9%**
Ebitda	**585**	**354**	231	*65.3%*	**1,591**	**954**	637	*66.8%*	**62.7%**
Ebitda %	*25.2%*	*20.5%*	*4.7 p.p.*		*25.2%*	*20.5%*	*4.7 p.p.*		*25.2% margin*
Ebit	**69**	**-78**	147		**189**	**-210**	399		
Ebit %	*3.0%*	*-4.5%*	*7.5 p.p.*		*3.0%*	*-4.5%*	*7.5 p.p.*		
CAPEX	**271**	**193**	78		**737**	**520**	217		
% on revs	*11.7%*	*11.2%*	*0.5 p.p.*		*11.7%*	*11.2%*	*0.5 p.p.*		

+18.1% net of B&K

TIM Brasil: Revenue Trends by Quarter

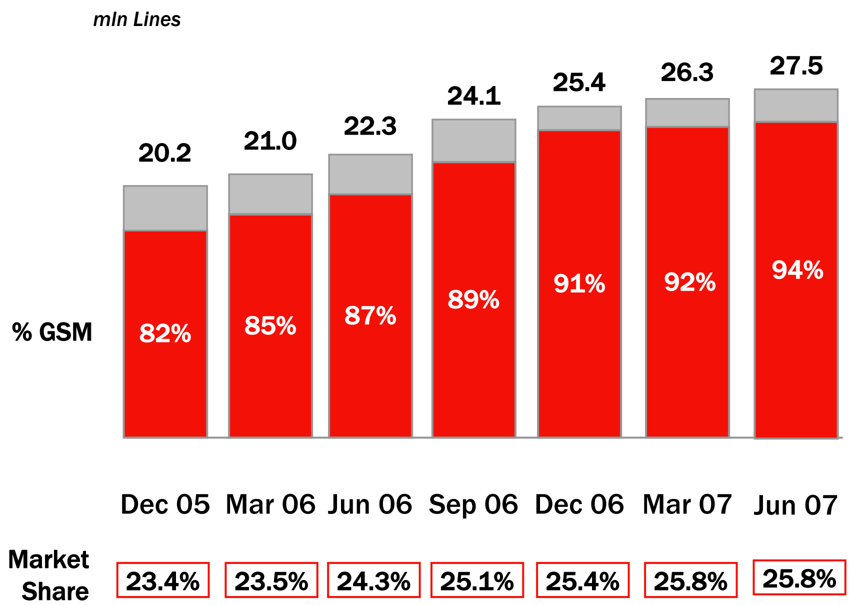
IAS/IFRS, % Reais



**B&K elimination from 3Q 2006; growth net of B&K calculated on a like-for-like basis*

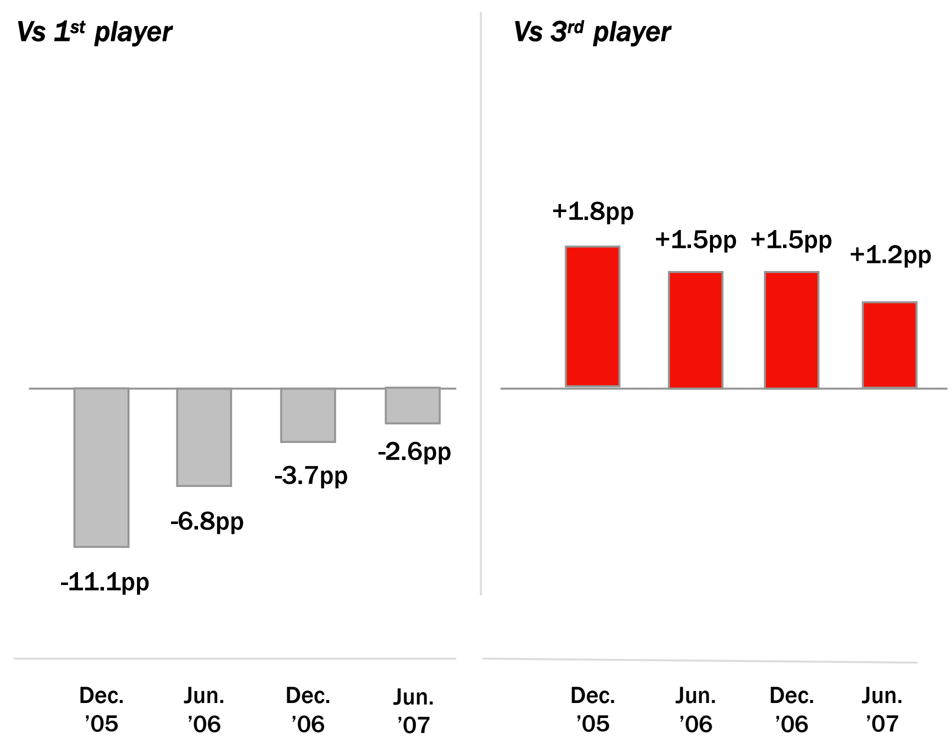
TIM Brasil: Market Performance

TIM Brasil Customer Portfolio



- Postpaid customers base at 1H07: 6.0K (22% of total customer base)

Market Share Gap vs. main competitors



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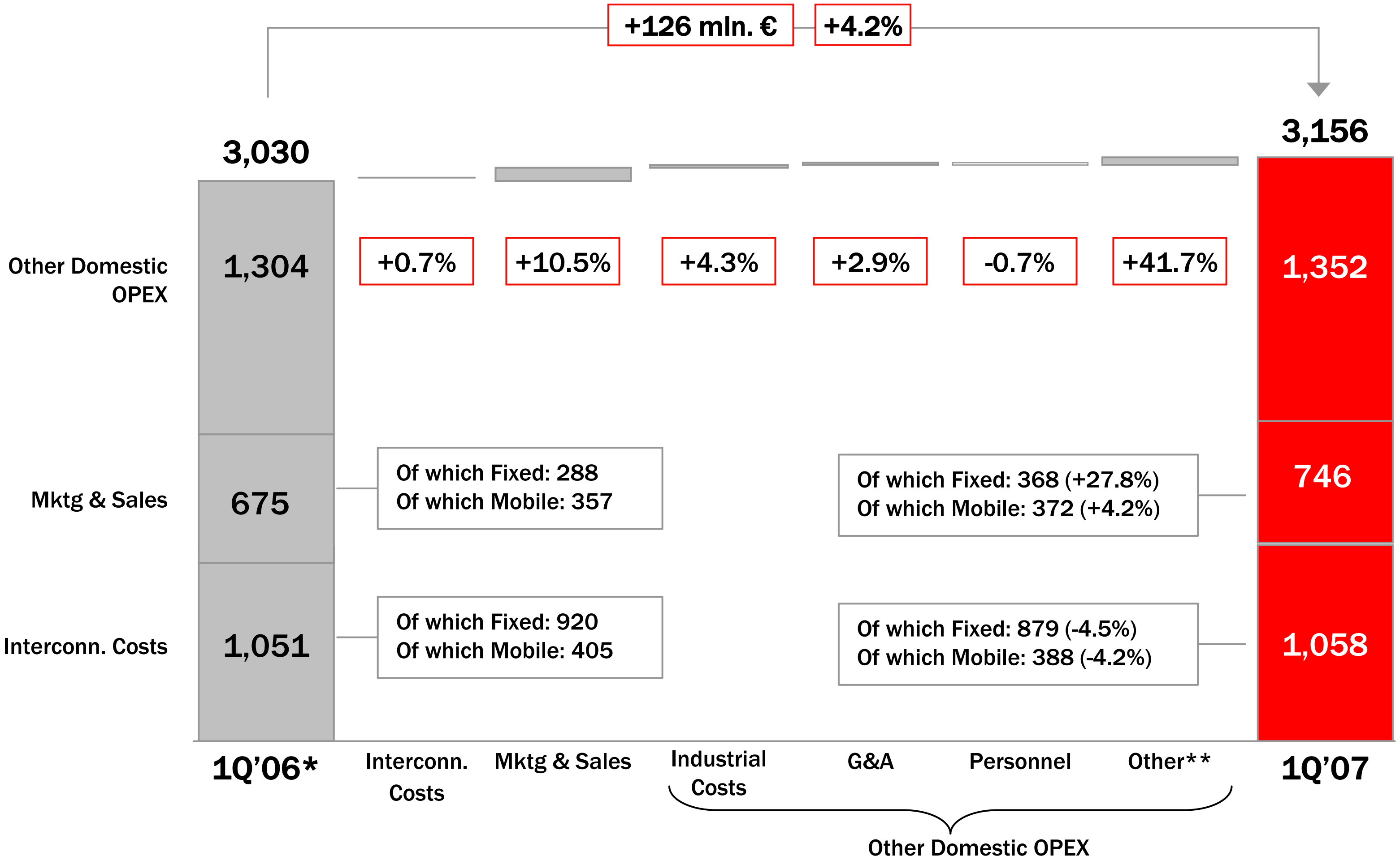
Domestic: Cost Analysis 1Q '07 vs '06

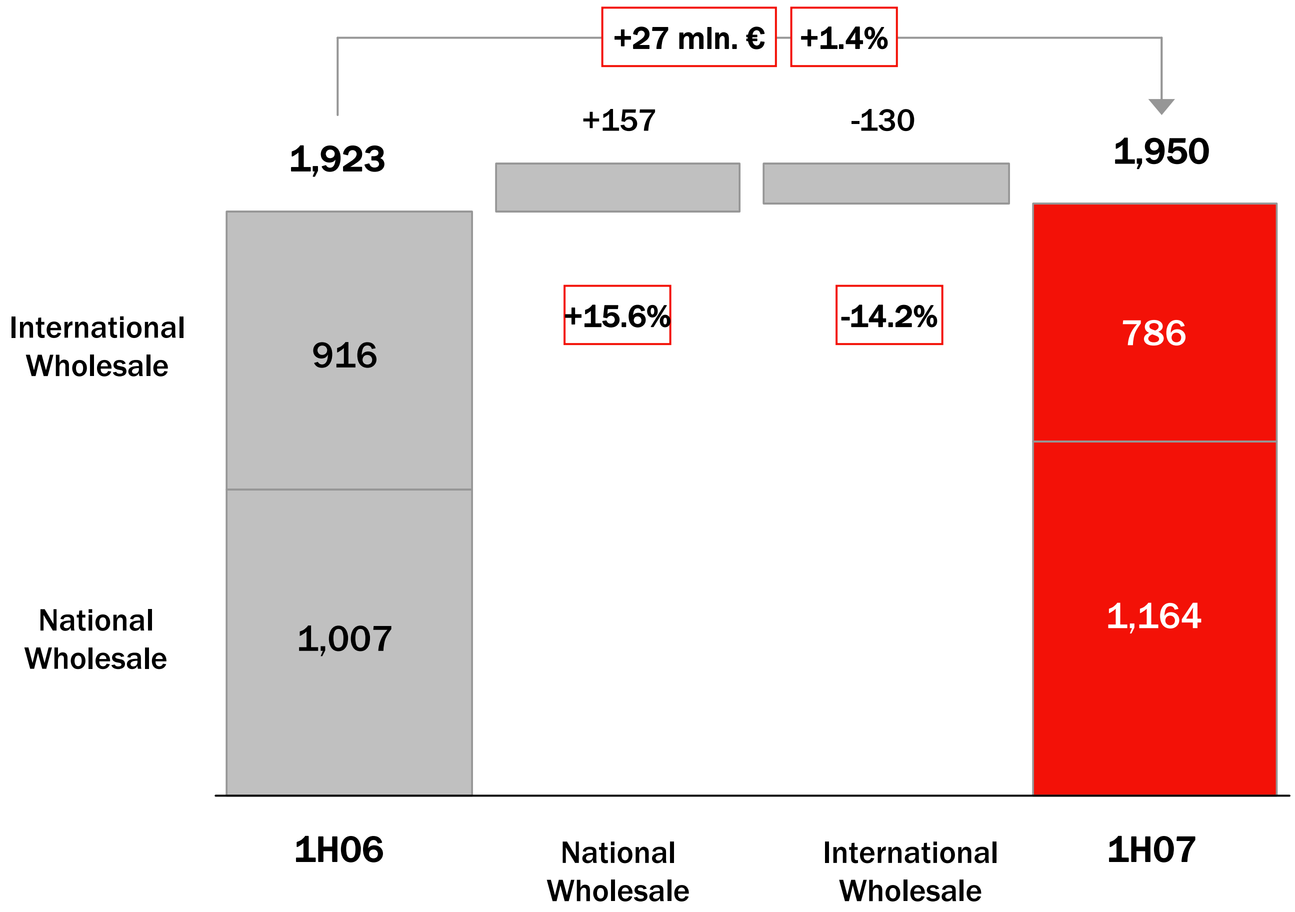
Reported Data; Mln €, %



** Restated figures, excluding change in accounting for Non Geographic Numbers (-119 mln € on interconnection costs)*
*** Includes Other Income, provisions, charges and cost capitalization*

Domestic fixed: Wholesale Services Revenues

€ Mln, %



Fixed Access lines

	EoY 2003	EoY 2004	EoY 2005	EoY 2006	June 2007
million access					
TI Wireline Retail Access	23.0	22.4	21.7	20.5	19.8

	EoY 2003	EoY 2004	EoY 2005	EoY 2006	June 2007
'000 access					
OLO Access (on TI infrastructure)					
ULL	510	759	1,117	1,706	2,282
Virtual ULL	n.a.	n.a.	n.a.	254	327
Shared Access (ADSL)*	n.a.	29	141	329	389

** Included in TI Retail Access*

Domestic: Main Results – Organic Trend 1H '07

Mln. €

	1H 2006					1H 2007			Organic trend	
	2006 Reported (IAS)	Change in Perimeter	Exchange rate impact	Except. items	2006 Organic	2007 Reported	Except. items	2007 Organic	2007 vs 2006 Δ Abs	Δ %
Revenues	12,877	-6	-10		12,861	12,182		12,182	-679	-5.3%
Ebitda	6,210	-8	-2	+79	6,279	5,619	+134	5,753	-526	-8.4%
Ebit	4,037	-8	0	-44	3,985	3,456	+124	3,580	-405	-10.2%

- Real estate Projects: 123 €mln

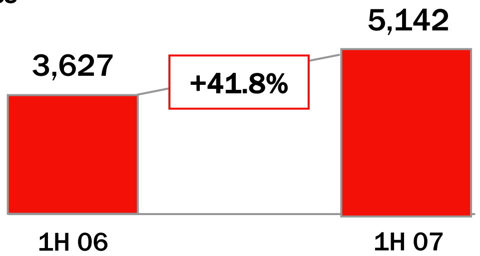
- Restructuring Charges: 81 € mln
- Provisions for Antitrust fine: 20 € mln

TIM Brasil: Revenue Analysis

IAS/IFRS; R$ Mln

Voice

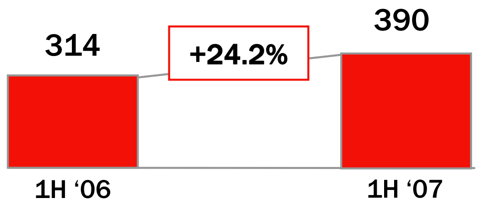
Voice revenues*



- Voice revenues net of B&k growth: +18.1%
- Traffic revenues growth driven by strong Customer Base increase
- ARPU premium confirmed leveraging on community, innovation and integrated solution offers

VAS

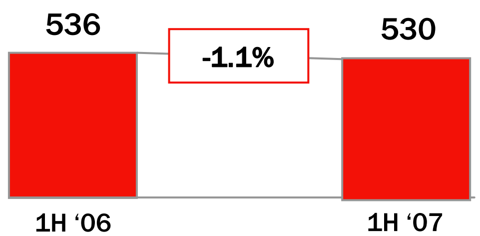
VAS Revenues



- Growth continues thanks to uptake of innovative VAS
- Constant update of interactive/media contents
- Launch of specific VAS tariff plans

Handsets

Handset revenues



- Lower focus on massive handset sales
- TIM Chip Only strategy continues to reduce subsidy in lower ARPU prepaid segment
- Selected push to upgrade technological mix

* *Excluding visitors & others*

TIM Brasil: Main Results 1H ’07 vs ’06 Organic Growth in LC

IAS/IFRS - Million Reais, %

	1H 2006			1H 2007			Organic Growth ’07 vs ’06	
	2006 Reported	Exceptional Items	2006 Organic	2007 Reported	Exceptional Items	2007 Organic	Delta ass	Delta %
Revenues	4,644		4,644	6,313		6,313	1,669	35.9%
Ebitda	954	23	978	1,591	-	1,591	613	62.7%
Ebitda %	*20.5%*		*21.1%*	*25.2%*		*25.2%*		
Ebit	-210	23	-187	189		189	376	
Ebit %	*-4.5%*		*-4.0%*	*3.0%*	-	*3.0%*		