

TELECOM ITALIA

1H '08 Financial Results

Milan, August 8th, 2008

Telecom Italia Group 1H '08 Financial Results

ENRICO PARAZZINI

Safe Harbour

These presentations contain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this presentation and include statements regarding the intent, belief or current expectations of the customer base, estimates regarding future growth in the different business lines and the global business, market share, financial results and other aspects of the activities and situation relating to the Company.

Such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward looking statements as a result of various factors.

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TI Group – 1H '08 Key Financial Results

€ Mln

	1H '08 reported	1H '07 reported*	YoY reported	YoY organic**
Revenues	14,838	15,337	-3.3%	-3.8%
Ebitda	5,535	6,335	-12.6%	-8.3%
<i>Ebitda margin</i>	37.3%	41.3%	-4.0pp	-2.0pp
Ebit	2,608	3,554	-26.6%	-18.8%
<i>Ebit margin</i>	17.6%	23.2%	-5.6pp	-3.6pp
Net Income <i>post minorities</i>	1,140	1,500	-24.0%	
Capex	2,956	2,412	+544	
Net Debt	37,172	39,175	-2 € bln	

+1.5 € bln vs YE'07 (35.7 € bln)
after 1.7 € bln dividend
payment and 0.5 € bln 3G
licences acquisition in Brazil

Highlights

- ▶ Domestic revenues mainly affected by discontinuities (€ 591 mln). International activities generated 22% of Group turnover in 1H08 (+3pp yoy).
- ▶ Broadly stable domestic Ebitda Margin (45.9% org.), among the highest in the industry. Lower international profitability due to competitive pressure in Germany and spill-over from Q1 of non-recurring issues in Brazil.
- ▶ D&A increase following higher capital intensity for continued investments in innovation.
- ▶ Positive income from tax adjustment allowed by 2008 Financial Law (515 € mln) offset by lower operating income and negative yoy balance from Sofora call option valuations.
- ▶ Higher investments in Brazil for 3G licences acquisition (477 € mln).
- ▶ Net Debt yoy decrease thanks to cash flow generation.

* Pro-forma figures (Liberty Surf Group considered as a discontinued operation).

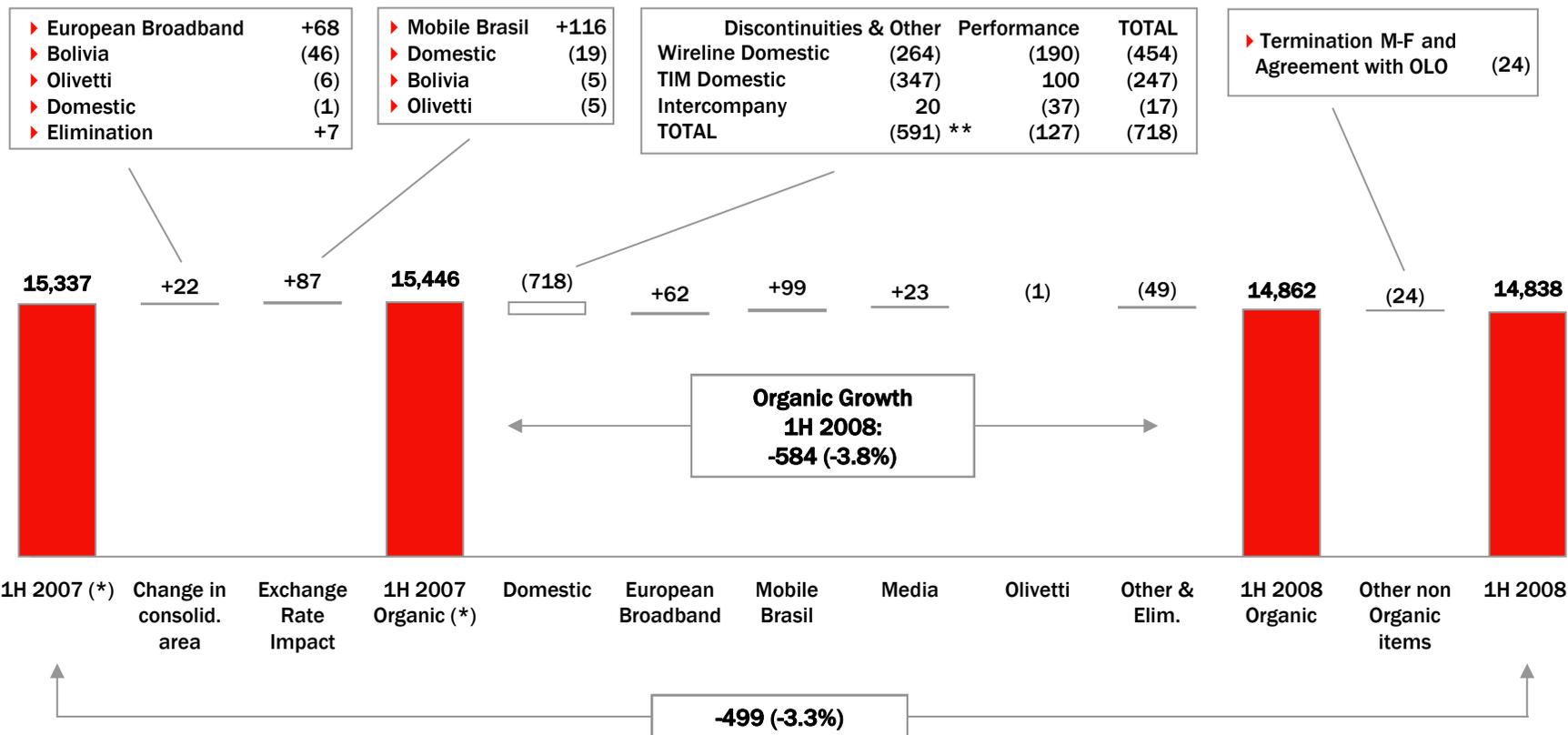
** Excluding changes in consolidation area, exchange rate impact and other non organic items.

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TELECOM ITALIA GROUP

TI Group – Revenues 1H '08 vs. 1H '07

€ Mln



* Pro-forma figures (Liberty Surf Group considered as a discontinued operation).

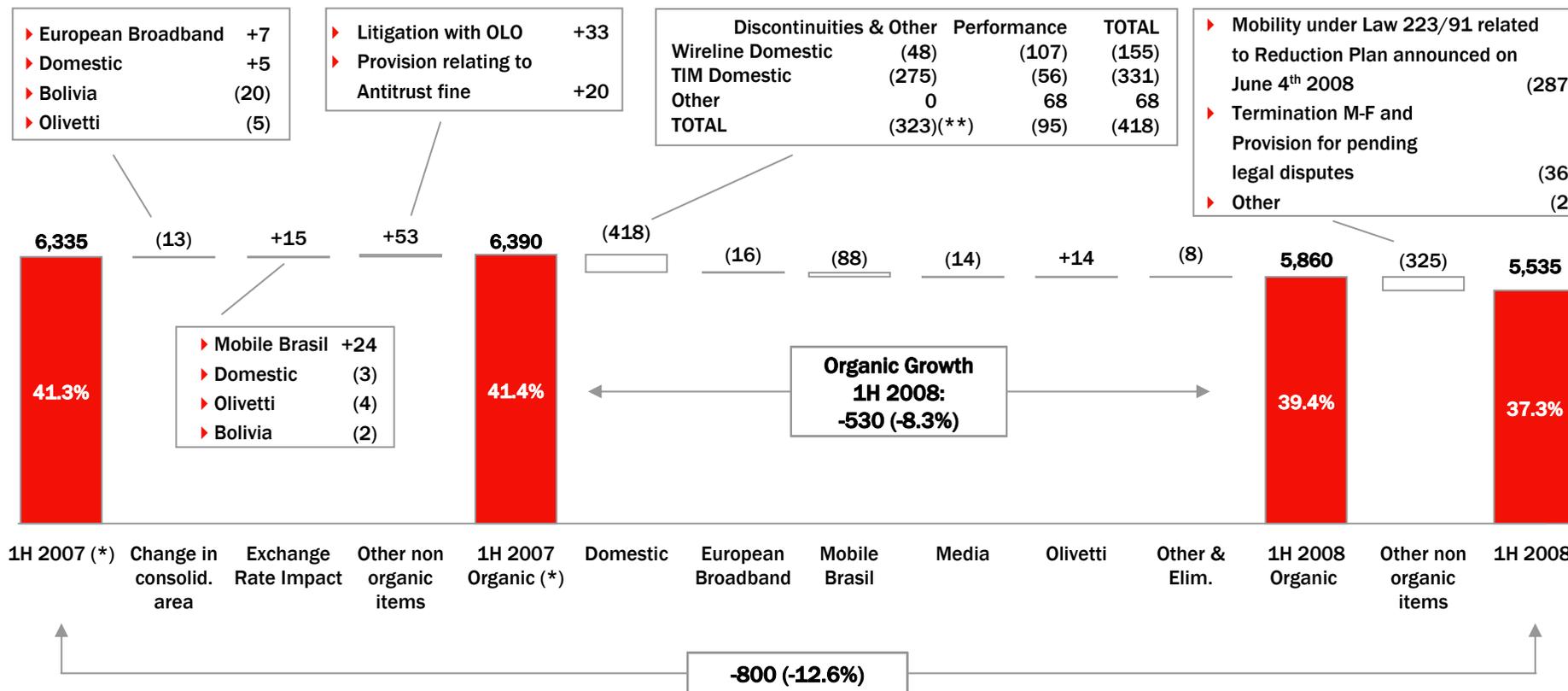
** Discontinuities & Other on Revenues -591M€: Bersani Decree -125M€ (net of elasticity effect), Termination F2M -131M€ (Wireline -50M€, Mobile -101M€, Intercompany +20M€), Int'l Roaming cut (Reding) -90M€, Repricing for NRA Obligation (Bitstream, Unbundling Local Loop, Shared Access) -48M€, Roaming Renegotiation with H3G -31M€, Carry forward of Int'l Wholesale -166M€.

1H '08 Financial Results

TELECOM ITALIA GROUP

TI Group – Ebitda 1H '08 vs. 1H '07

€ Mln



* Pro-forma figures (Liberty Surf Group considered as a discontinued operation).

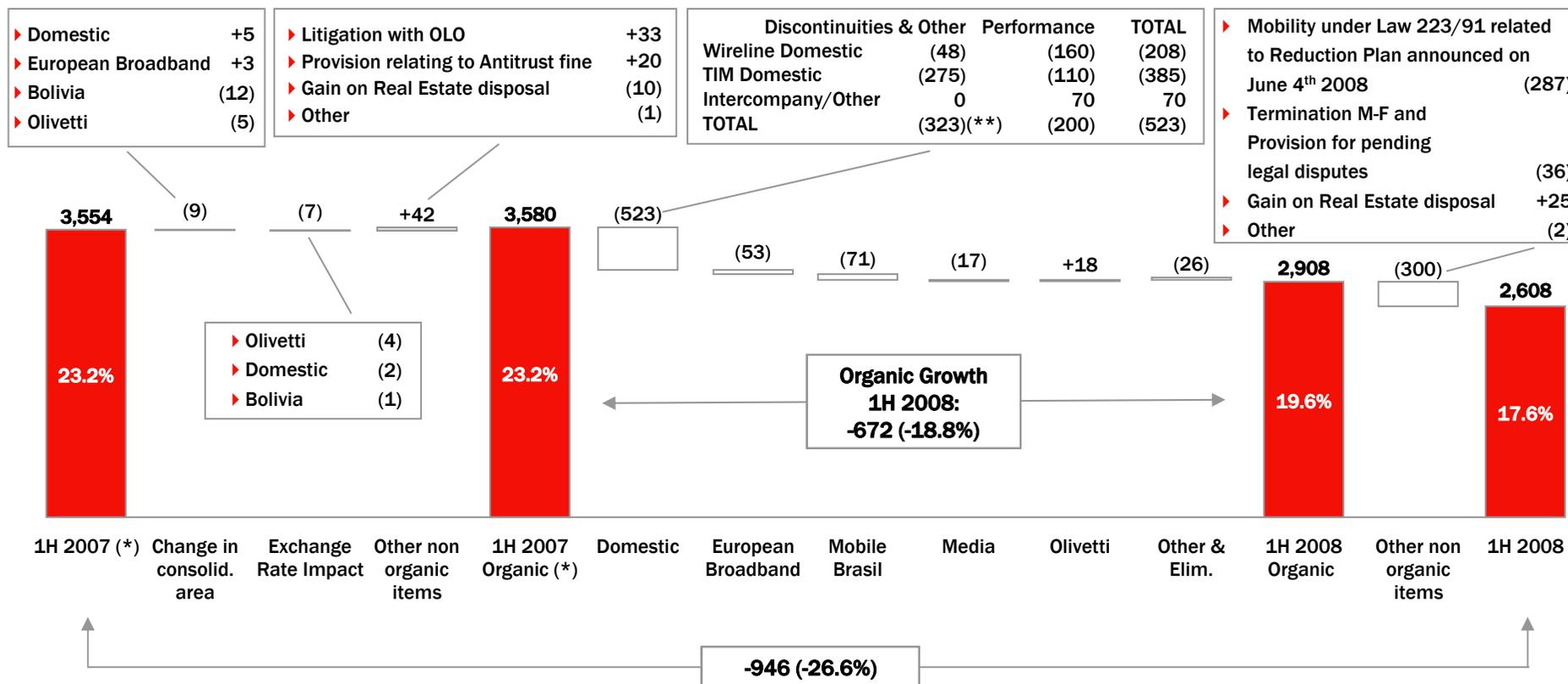
** Discontinuities & Other on EBITDA -323M€: Bersani Decree -125M€ (net of elasticity effect), Termination F2M -66M€ (Mobile), Int'l Roaming cut (Reding) -53M€, Repricing for NRA Obligation (Bitstream, Unbundling Local Loop, Shared Access) -48M€, Roaming Renegotiation with H3G -31M€.

1H '08 Financial Results

TELECOM ITALIA GROUP

TI Group – Ebit 1H '08 vs. 1H '07

€ Mln



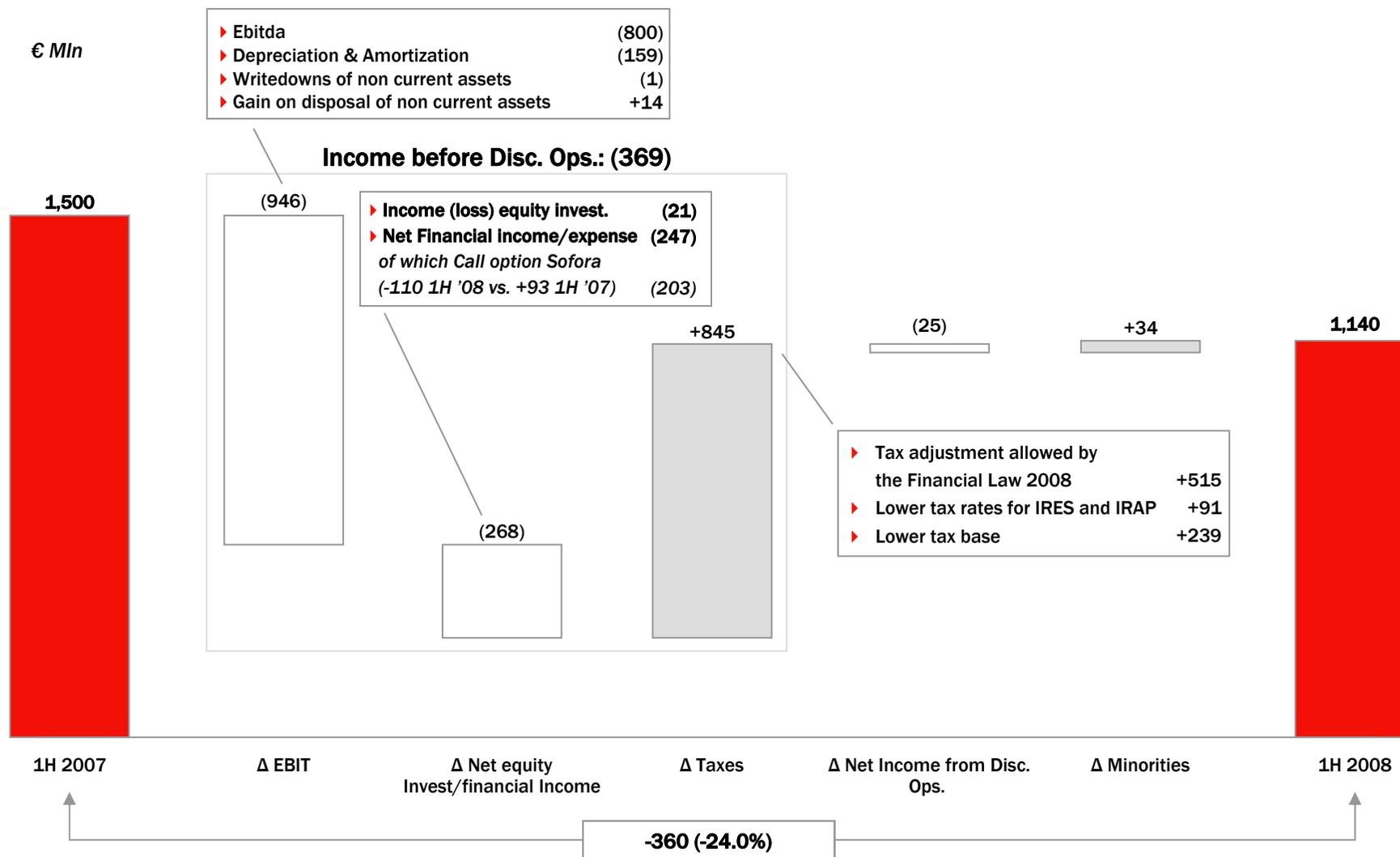
* Pro-forma figures (Liberty Surf Group considered as a discontinued operation).

** Discontinuities & Other on EBIT -323M€: Bersani Decree -125M€ (net of elasticity effect), Termination F2M -66M€ (Mobile), Int'l Roaming cut (Reding) -53M€, Repricing for NRA Obligation (Bitstream, Unbundling Local Loop, Shared Access) -48M€, Roaming Renegotiation with H3G -31M€.

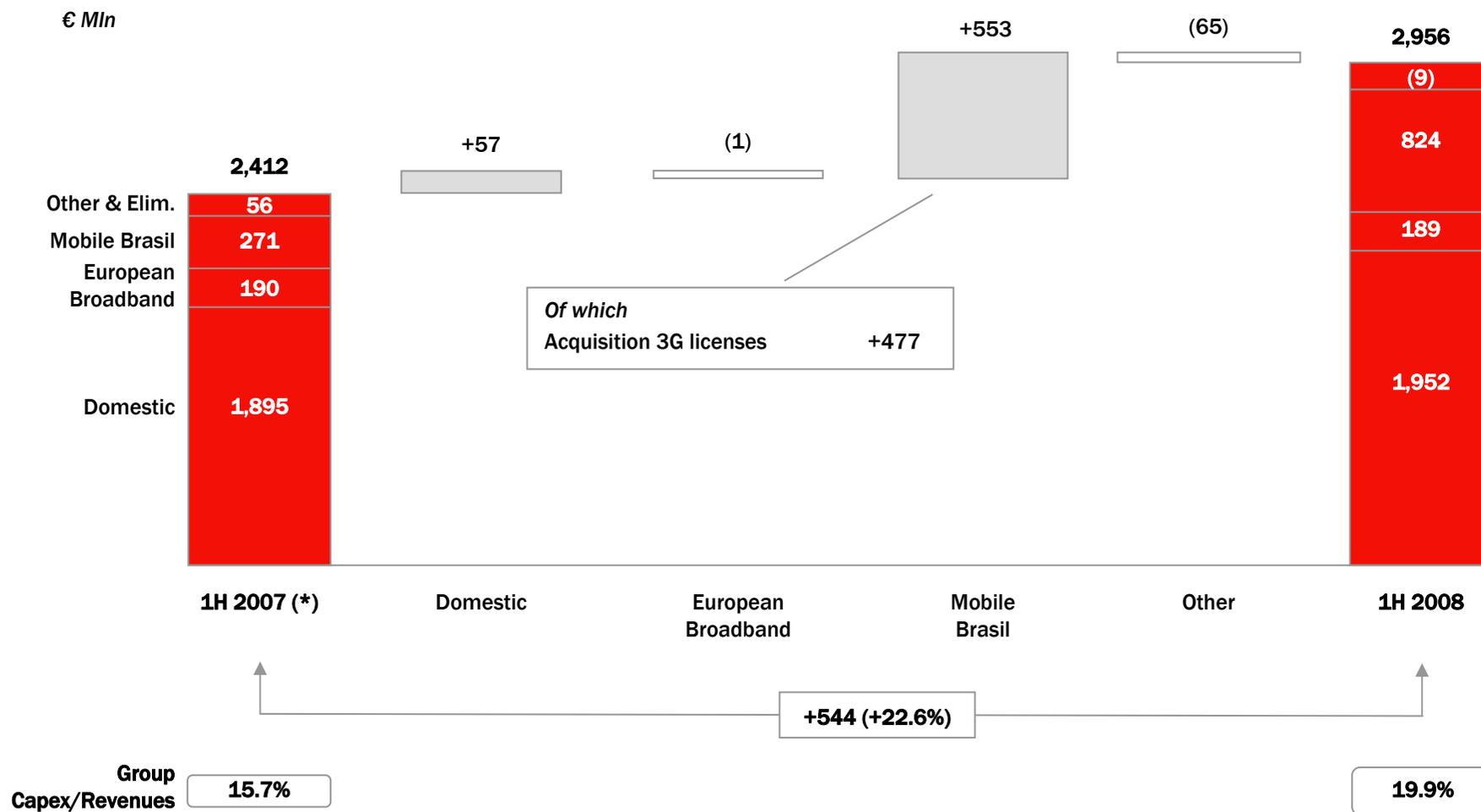
1H '08 Financial Results

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TI Group – Net Income 1H '08 vs. 1H '07



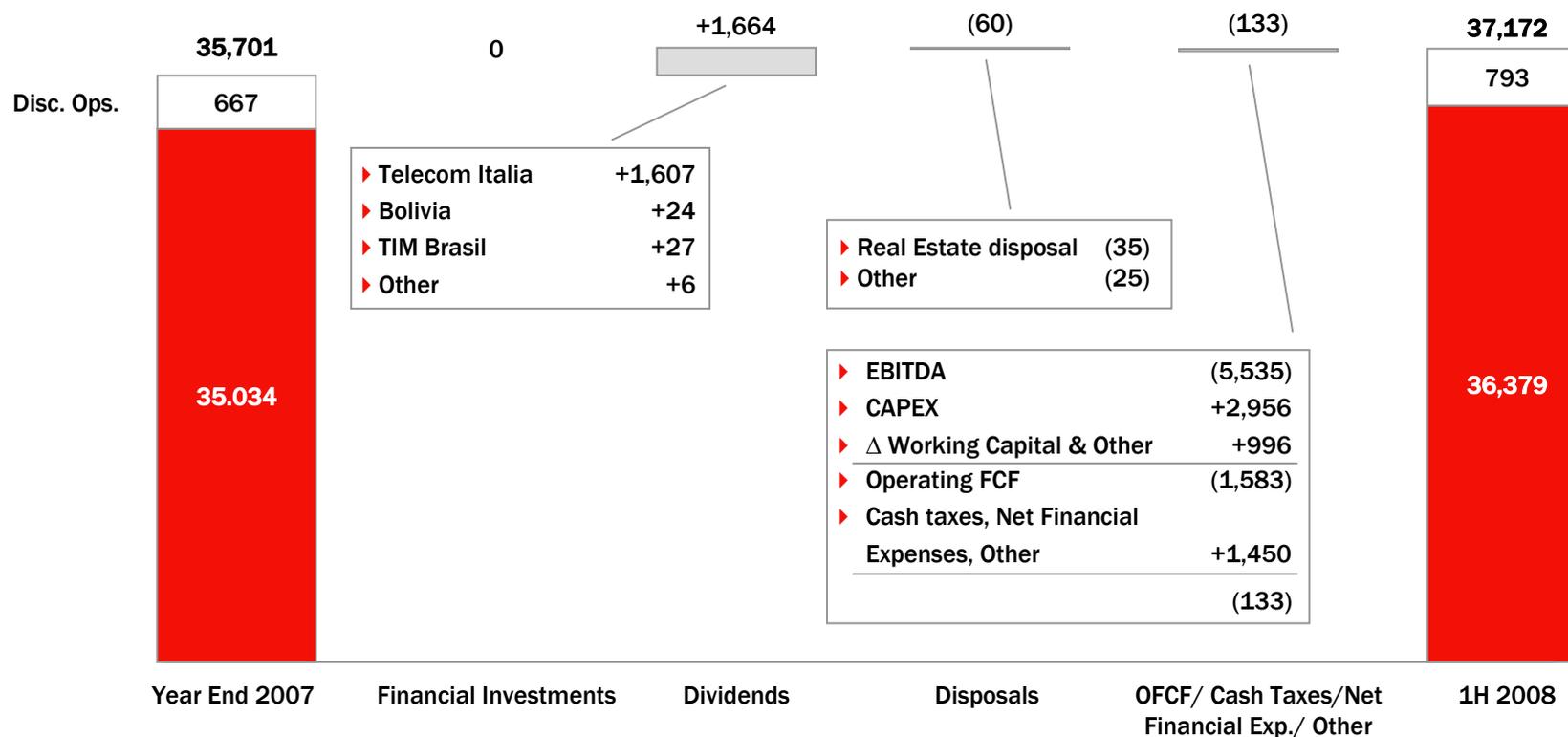
TI Group – Capex 1H '08 vs. 1H '07



(*) Pro-forma figures (Liberty Surf Group considered as a discontinued operation).

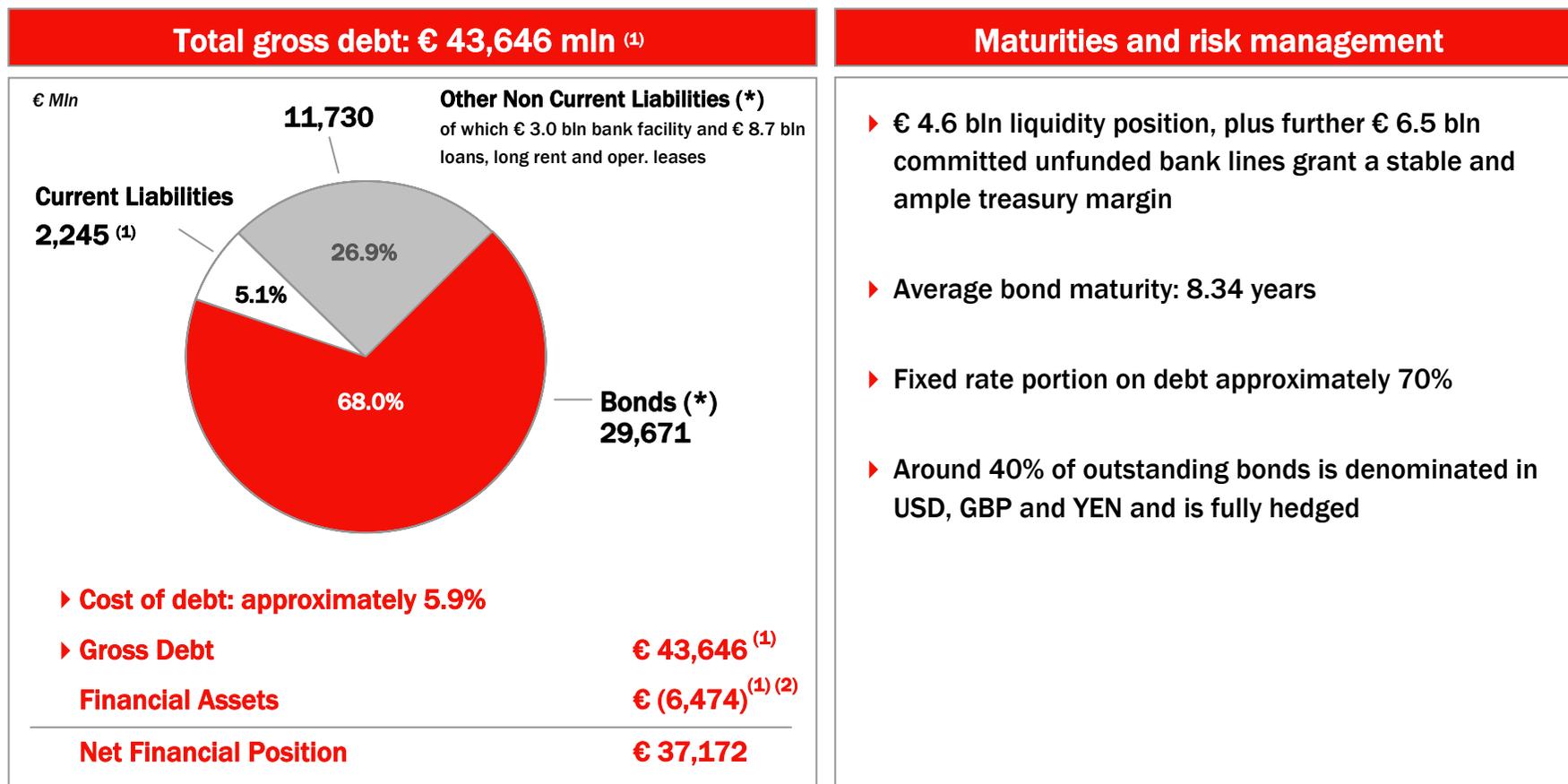
TI Group – Net Financial Position 1H '08 vs. YE '07

€ Mln



(-) = cash generated (+) = cash absorbed

Debt structure as of June 30th, 2008

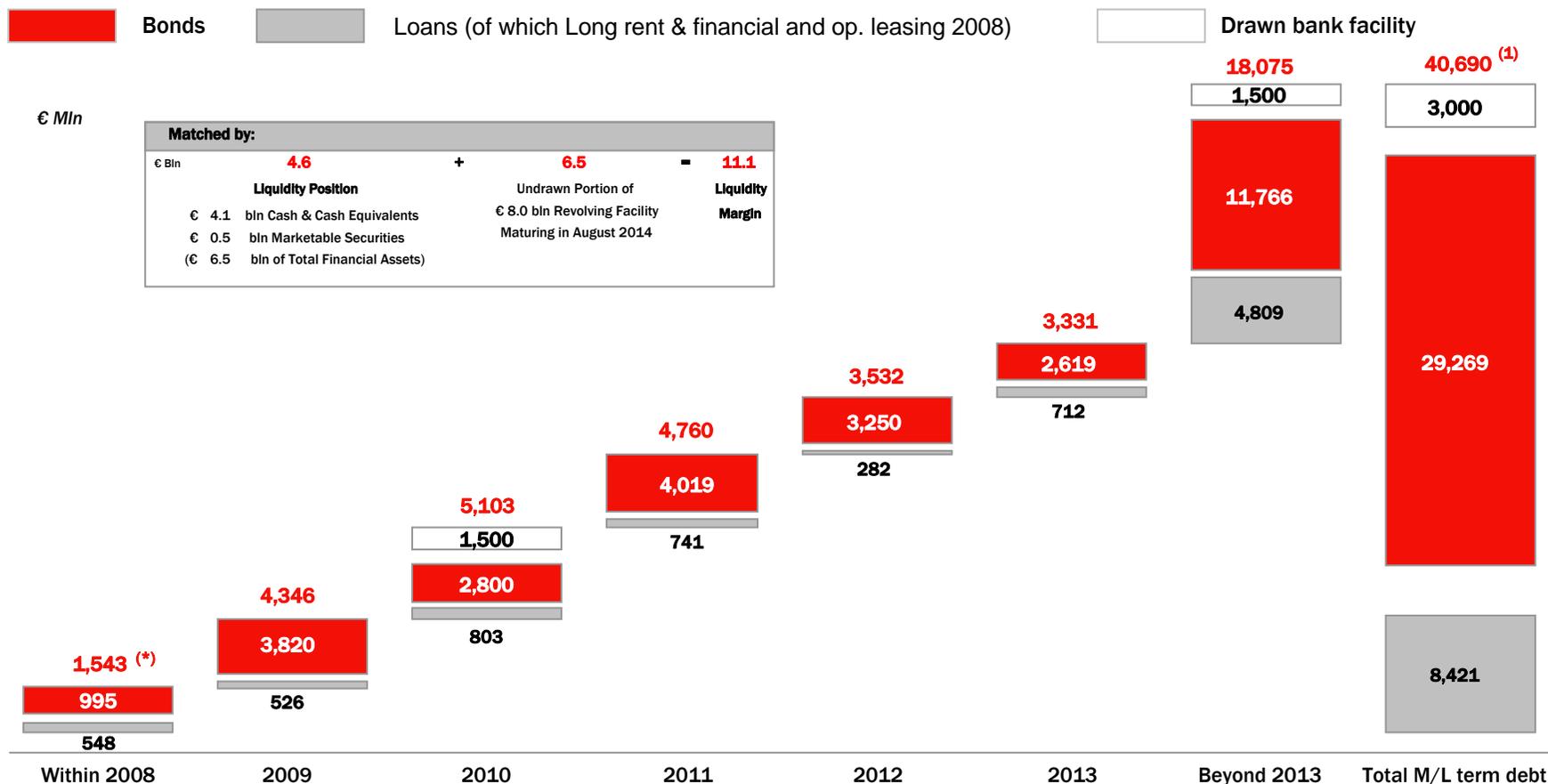


(1) Including Liberty Surf Gross Debt (€ 823 mln), of which € 811 mln refers to Intercompany Debt accounted as for Discontinued Operations

(2) Nominal Liquidity Position, represented by cash and marketable securities stands at € 4.6 bln

(*) including the current portion of non current liabilities (maturing within 12 months) for € 4,178 mln (of which bonds € 3,130 mln and other € 1,048 mln)

Medium-long term debt Maturity profile as of June 30th, 2008



(1) € 40,690 mln is the nominal amount of outstanding medium-long term debt, by adding IAS adjustments (€ 723 mln), current liabilities (€ 1,422 mln) and Liberty Surf intercompany debt accounted for as discontinued operations (€ 811 mln), the gross debt figure of € 43,646 mln is reached.

(*) Including € 499.7 mln bonds maturing September 14th 2008 with extendable option to bondholders; each extension period is 21 months; ultimate maturity March 2012.

The holders of € 360.8 mln in aggregate principal amount have elected not to extend the maturity date of these notes and accordingly such principal amount is due to be redeemed on the next interest payment date (September 14th 2008); the residual debt (€ 138.9 mln) has been extended to June 2010.

N.B. Debt maturities are net of € 170 mln (face value) of repurchased own bonds (TI Spa € 850 mln 5.25% Notes due 2005) and include € 12 mln of discontinued operations/assets held for sale relating to Liberty Surf. Furthermore, Liberty Surf current intercompany debt (€ 30 mln) due to TI Capital (maturing Sept 2008) has not been included.

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Appendix

TI Group – Profit and Loss

€ Mln	I Quarter				II Quarter				I Half			
	2008	2007 (*)	ΔAbs	Δ%	2008	2007 (*)	ΔAbs	Δ%	2008	2007 (*)	ΔAbs	Δ%
REVENUES	7.298	7.475	(177)	(2,4)	7.540	7.862	(322)	(4,1)	14.838	15.337	(499)	(3,3)
Other Operating Income	94	73	21	28,8	64	91	(27)	(29,7)	158	164	(6)	(3,7)
TOTAL REVENUES & OTHER INCOME	7.392	7.548	(156)	(2,1)	7.604	7.953	(349)	(4,4)	14.996	15.501	(505)	(3,3)
Total Purchases of materials and external services	(3.149)	(3.165)	16	(0,5)	(3.461)	(3.574)	113	(3,2)	(6.610)	(6.739)	129	1,9
Personnel	(991)	(997)	6	(0,6)	(1.283)	(896)	(387)	43,2	(2.274)	(1.893)	(381)	(20,1)
Other operating costs	(449)	(373)	(76)	20,4	(416)	(451)	35	(7,8)	(865)	(824)	(41)	(5,0)
Capitalized Cost and Others	163	165	(2)	(1,2)	125	125	0	0,0	288	290	(2)	(0,7)
EBITDA	2.966	3.178	(212)	(6,7)	2.569	3.157	(588)	(18,6)	5.535	6.335	(800)	(12,6)
% on Revenues	40,6%	42,5%			34,1%	40,2%			37,3%	41,3%		
Depreciation & Amortization	(1.463)	(1.373)	(90)	6,6	(1.489)	(1.420)	(69)	4,9	(2.952)	(2.793)	(159)	(5,7)
Writedowns and revaluations of non current assets	0	0	0	-	(1)	0	(1)	-	(1)	0	(1)	-
Gains/losses of non current assets realization	25	12	13	108,3	1	0	1	-	26	12	14	116,7
EBIT	1.528	1.817	(289)	(15,9)	1.080	1.737	(657)	(37,8)	2.608	3.554	(946)	(26,6)
% on Revenues	20,9%	24,3%			14,3%	22,1%			17,6%	23,2%		
Income (loss) equity invest. valued equity method	19	29	(10)		18	29	(11)		37	58	(21)	
Net Financial Income / (Expenses)	(598)	(450)	(148)		(618)	(519)	(99)		(1.216)	(969)	(247)	
Income before Taxes & Discontinued Op.	949	1.396	(447)		480	1.247	(767)		1.429	2.643	(1.214)	
% on Revenues	13,0%	18,7%			6,4%	15,9%			9,6%	17,2%		
Taxes	(392)	(561)	169		219	(457)	676		(173)	(1.018)	845	
Income before Discontinued Op.	557	835	(278)		699	790	(91)		1.256	1.625	(369)	
Net income (loss) of assets disposed	(75)	(60)	(15)		(73)	(63)	(10)		(148)	(123)	(25)	
Net Income (ante Minorities)	482	775	(293)		626	727	(101)		1.108	1.502	(394)	
% on Revenues	6,6%	10,4%			8,3%	9,2%			7,5%	9,8%		
Minorities	19	0	19		13	(2)	15		32	(2)	34	
Net Income (post Minorities)	501	775	(274)		639	725	(86)		1.140	1.500	(360)	
% on Revenues	6,9%	10,4%			8,5%	9,2%			7,7%	9,8%		

(*) Pro-forma figures (Liberty Surf Group considered as a discontinued operation).

TI Group – Balance Sheet

€ Mln		I Half	Full Year
		2008	2007 (*)
	Intangible Assets	51.274	50.921
	Tangible Assets	16.441	16.788
	Financial Assets	805	921
	Deferred Tax Assets	238	247
	TOTAL NET ASSETS	68.758	68.877
	Working Capital	(3.274)	(3.942)
	Total net inventories	327	307
	Total net trade accounts receivable	7.197	7.316
	Trade accounts payable	(6.177)	(7.733)
	Other current assets/liabilities	(3.884)	(3.170)
	Total Reserves within 12 months	(737)	(662)
	Severance Indemnities	(1.350)	(1.151)
	Other Allowances	(988)	(1.601)
	No fin. assets/liabilities of Disc. Ops.	484	503
	NET INVESTED CAPITAL	63.630	62.686
	Shareholders Equity	26.458	26.985
	Net Financial Position	37.172	35.701
	Net Financial Position of Disc. Ops.	793	667
	Net Financial Position excluding Disc. Ops.	36.379	35.034
		I Half	Full Year
		2008	2007 (*)
	INVESTMENTS		
	Capital Expenditures	2.956	5.370
	Financial Investments	0	635
	TOTAL	2.956	6.005

(*) Pro-forma figures (Liberty Surf Group considered as a discontinued operation).

TI Group – Main Results by BU (reported figures)

€ Mln	I Quarter				II Quarter				I Half			
	2008	2007 (*)	Δ Abs	Δ %	2008	2007 (*)	Δ Abs	Δ %	2008	2007 (*)	Δ Abs	Δ %
REVENUES												
Domestic	5.619	6.009	-390	(6,5)	5.801	6.173	-372	(6,0)	11.420	12.182	-762	(6,3)
of which Wireline Domestic	3.746	3.989	-243	(6,1)	3.739	3.994	-255	(6,4)	7.485	7.983	-498	(6,2)
of which Tim Domestic	2.236	2.365	-129	(5,5)	2.433	2.551	-118	(4,6)	4.669	4.916	-247	(5,0)
European broadband	323	216	107	49,5	319	296	23	7,8	642	512	130	25,4
of which HanseNet	303	198	105	53,0	298	278	20	7,2	601	476	125	26,3
Mobile Brasil	1.224	1.100	124	11,3	1.313	1.222	91	7,4	2.537	2.322	215	9,3
Media	74	58	16	27,6	74	67	7	10,4	148	125	23	18,4
Olivetti	83	83	0	0,0	97	109	-12	(11,0)	180	192	-12	(6,3)
Other Activities	76	60	16	26,7	22	49	-27	(55,1)	98	109	-11	(10,1)
of which Bolivia	52	56	-4	(7,1)	0	46	-46	(100,0)	52	102	-50	(49,0)
Elim.	-101	-51	-50		-86	-54	-32		-187	-105	-82	
TI Group	7.298	7.475	-177	(2,4)	7.540	7.862	-322	(4,1)	14.838	15.337	-499	(3,3)
EBITDA												
Domestic	2.667	2.853	-186	(6,5)	2.264	2.766	-502	(18,1)	4.931	5.619	-688	(12,2)
European broadband	61	54	7	13,0	58	74	-16	(21,6)	119	128	-9	(7,0)
of which HanseNet	59	49	10	20,4	56	69	-13	(18,8)	115	118	-3	(2,5)
Mobile Brasil	242	269	-27	(10,0)	279	316	-37	(11,7)	521	585	-64	(10,9)
Media	-21	-11	-10	(90,9)	-14	-10	-4	(40,0)	-35	-21	-14	(66,7)
Olivetti	-7	-10	3	30,0	-5	-7	2	28,6	-12	-17	5	29,4
Other Activities	26	23	3	13,0	-3	18	-21	-	23	41	-18	(43,9)
of which Bolivia	24	27	-3	(11,1)	0	20	-20	(100,0)	24	47	-23	(48,9)
Elim.	-2	0	-2		-10	0	-10		-12	0	-12	
TI Group	2.966	3.178	-212	(6,7)	2.569	3.157	-588	(18,6)	5.535	6.335	-800	(12,6)
EBIT												
Domestic	1.566	1.790	-224	(12,5)	1.113	1.666	-553	(33,2)	2.679	3.456	-777	(22,5)
European broadband	6	22	-16	(72,7)	-4	30	-34	-	2	52	-50	(96,2)
of which HanseNet	10	21	-11	(52,4)	-1	31	-32	-	9	52	-43	(82,7)
Mobile Brasil	-17	16	-33	-	15	53	-38	(71,7)	-2	69	-71	-
Media	-37	-26	-11	(42,3)	-32	-26	-6	(23,1)	-69	-52	-17	(32,7)
Olivetti	-9	-14	5	35,7	-7	-10	3	30,0	-16	-24	8	33,3
Other Activities	17	15	2	13,3	-3	10	-13	-	14	25	-11	(44,0)
of which Bolivia	17	19	-2	(10,5)	0	12	-12	(100,0)	17	31	-14	(45,2)
Elim.	2	14	-12		-2	14	-16		0	28	-28	
TI Group	1.528	1.817	-289	(15,9)	1.080	1.737	-657	(37,8)	2.608	3.554	-946	(26,6)

(*) Pro-forma figures (Liberty Surf Group considered as a discontinued operation).

TI Group – Main Results by BU (organic figures)

€ Mln	I Quarter				II Quarter				I Half			
	2008	2007 (*)	Δ Abs	Δ %	2008	2007 (*)	Δ Abs	Δ %	2008	2007 (*)	Δ Abs	Δ %
REVENUES												
Domestic	5.619	6.001	-382	(6,4)	5.825	6.161	-336	(5,5)	11.444	12.162	-718	(5,9)
of which Wireline Domestic	3.746	3.981	-235	(5,9)	3.763	3.982	-219	(5,5)	7.509	7.963	-454	(5,7)
of which Tim Domestic	2.236	2.365	-129	(5,5)	2.433	2.551	-118	(4,6)	4.669	4.916	-247	(5,0)
European broadband	323	284	39	13,7	319	296	23	7,8	642	580	62	10,7
of which HanseNet	303	266	37	13,9	298	278	20	7,2	601	544	57	10,5
Mobile Brasil	1.224	1.172	52	4,7	1.313	1.266	47	3,8	2.537	2.438	99	4,3
Media	74	58	16	27,6	74	67	7	10,4	148	125	23	18,4
Olivetti	83	78	5	6,4	97	103	-6	(5,8)	180	181	-1	(0,6)
Other Activities	76	55	21	38,2	22	3	19	-	98	58	40	69,0
of which Bolivia	52	51	1	2,0	0	0	0	-	52	51	1	2,0
Elim.	-101	-49	-52		-86	-49	-37		-187	-98	-89	
TI Group	7.298	7.599	-301	(4,0)	7.564	7.847	-283	(3,6)	14.862	15.446	-584	(3,8)
EBITDA												
Domestic	2.679	2.853	-174	(6,1)	2.577	2.821	-244	(8,6)	5.256	5.674	-418	(7,4)
European broadband	61	61	0	0,0	58	74	-16	(21,6)	119	135	-16	(11,9)
of which HanseNet	59	56	3	5,4	56	69	-13	(18,8)	115	125	-10	(8,0)
Mobile Brasil	242	283	-41	(15,3)	279	326	-47	(14,9)	521	609	-88	(15,1)
Media	-21	-11	-10	(90,9)	-14	-10	-4	(40,0)	-35	-21	-14	(66,7)
Olivetti	-7	-14	7	50,0	-5	-12	7	58,3	-12	-26	14	53,8
Other Activities	26	21	5	23,8	-3	-2	-1	(50,0)	23	19	4	21,1
of which Bolivia	24	25	-1	(4,0)	0	0	0	-	24	25	-1	(4,0)
Elim.	-2	0	-2		-10	0	-10		-12	0	-12	
TI Group	2.978	3.193	-215	(6,7)	2.882	3.197	-315	(9,9)	5.860	6.390	-530	(8,3)
EBIT												
Domestic	1.553	1.782	-229	(12,9)	1.426	1.720	-294	(17,1)	2.979	3.502	-523	(14,9)
European broadband	6	23	-17	(73,9)	-4	32	-36	-	2	55	-53	(96,4)
of which HanseNet	10	22	-12	(54,5)	-1	33	-34	-	9	55	-46	(83,6)
Mobile Brasil	-17	15	-32	-	15	54	-39	(72,7)	-2	69	-71	-
Media	-37	-26	-11	(42,3)	-32	-26	-6	(23,1)	-69	-52	-17	(32,7)
Olivetti	-9	-18	9	50,0	-7	-16	9	56,3	-16	-34	18	52,9
Other Activities	17	14	3	21,4	-3	-2	-1	(50,0)	14	12	2	16,7
of which Bolivia	17	18	-1	(5,6)	0	0	0	-	17	18	-1	(5,6)
Elim.	2	14	-12		-2	14	-16		0	28	-28	
TI Group	1.515	1.804	-289	(16,0)	1.393	1.776	-383	(21,6)	2.908	3.580	-672	(18,8)

(*) Pro-forma figures (Liberty Surf Group considered as a discontinued operation).