

TELECOM ITALIA

1Q '08 Financial Results

Milan, May 9, 2008

Telecom Italia Group 1Q '08 Financial Results

ENRICO PARAZZINI

Safe Harbour

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TI Group – 1Q '08 Key Financial Results

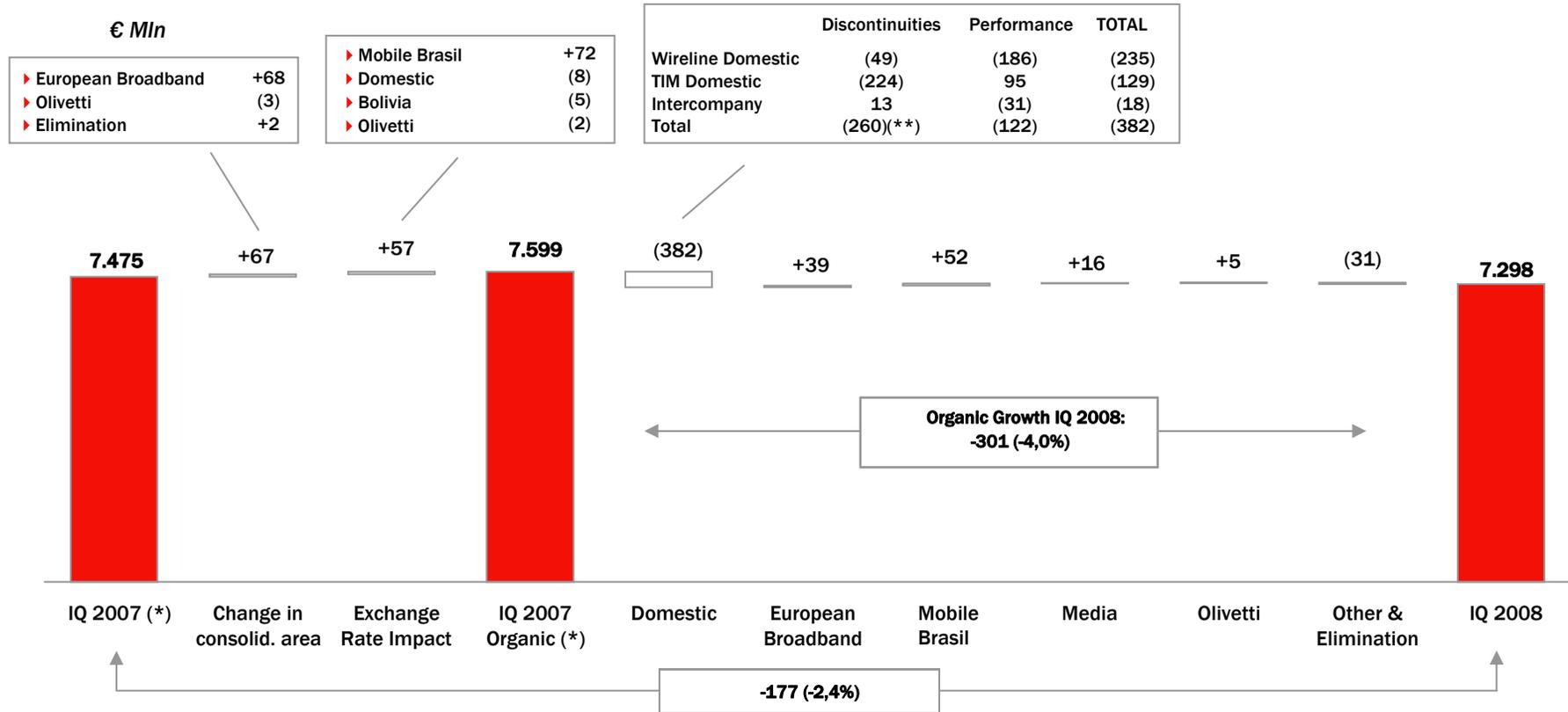
€ Mln	1Q '08 reported	1Q '07 reported*	YoY reported	YoY organic**	
Revenues	7,298	7,475	-2.4%	-4.0%	Highlights <ul style="list-style-type: none"> ▶ Domestic revenues mainly affected by regulatory discontinuities (€ 260 mln). International activities generated 22% of Group turnover in 1Q08 (+4pp yoy). ▶ Stable domestic Ebitda Margin (47.5%), among the highest in the industry. Lower international profitability due to competitive dynamics and non recurring bad debt in Brazil. ▶ D&A increase following higher capital intensity for continued investments in innovation. ▶ Bottom-line discounts lower operating income and a negative yoy balance from Sofora call options valuation. ▶ Higher investments in Italy for broadband coverage and quality improvement. ▶ Net Debt decrease thanks to cash flow generation.
Ebitda	2,966	3,178	-6.7%	-6.7%	
<i>Ebitda margin</i>	40.6%	42.5%	-1.9pp	-1.2pp	
Ebit	1,528	1,817	-15.9%	-16.0%	
<i>Ebit margin</i>	20.9%	24.3%	-3.4pp	-2.9pp	
Net Income post minorities	501	775	-35.4%		
Capex	1,228	1,128	+100		
Net Debt	35,436	37,182	-1,746		

-265 vs 35,701
€ mln YE'07

* Pro-forma figures (TI France considered as a discontinued operation).

** Excluding changes in consolidation area, exchange rate impact and other non organic items. In line with '08-'10 Company Guidance, restructuring costs are accounted as recurring items and no longer included among the non organic items.

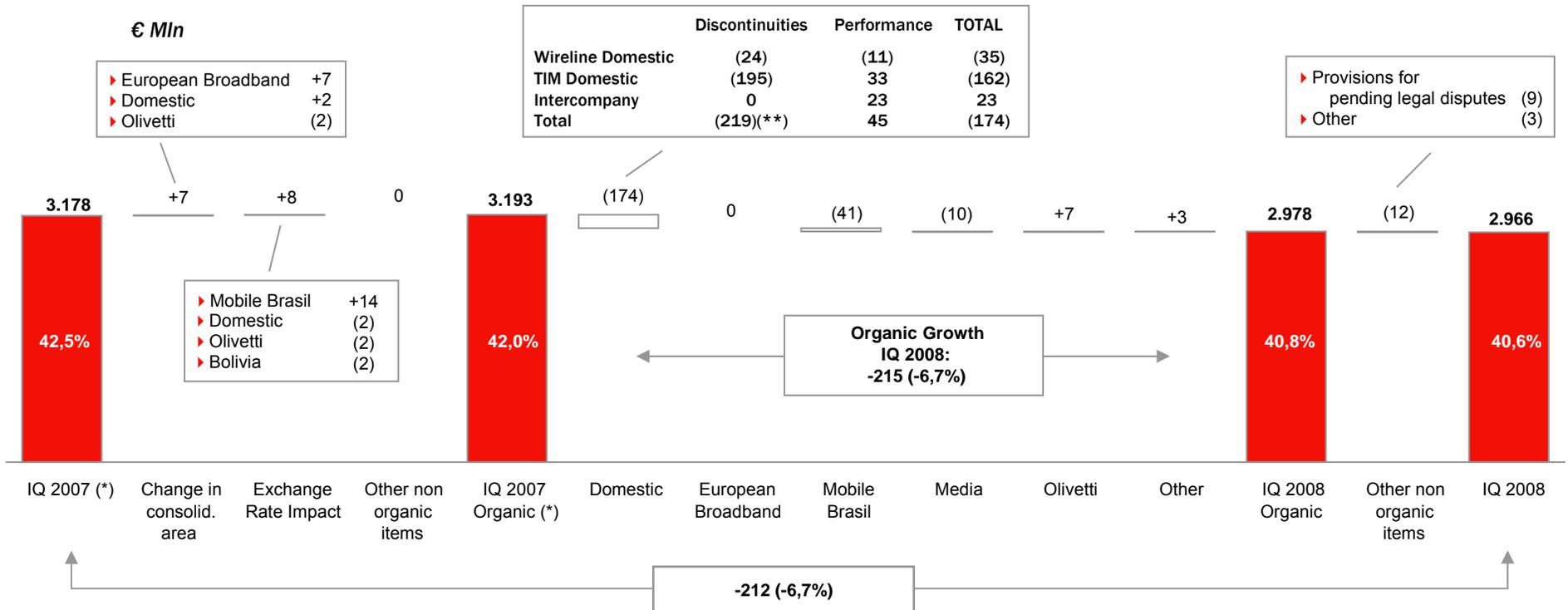
TI Group – Revenues 1Q '08 vs. 1Q '07



* Pro-forma figures (TI France considered as a discontinued operation).

** Discontinuities on Revenues were -260M€: Bersani Decree -125M€ (net of elasticity effect), Termination Cut F2M -66M€ (Wireline -25M€, Mobile -54M€, Intercompany +13M€), Int'l Roaming cut (Reding) -45M€, Bitstream prices variation -24M€.

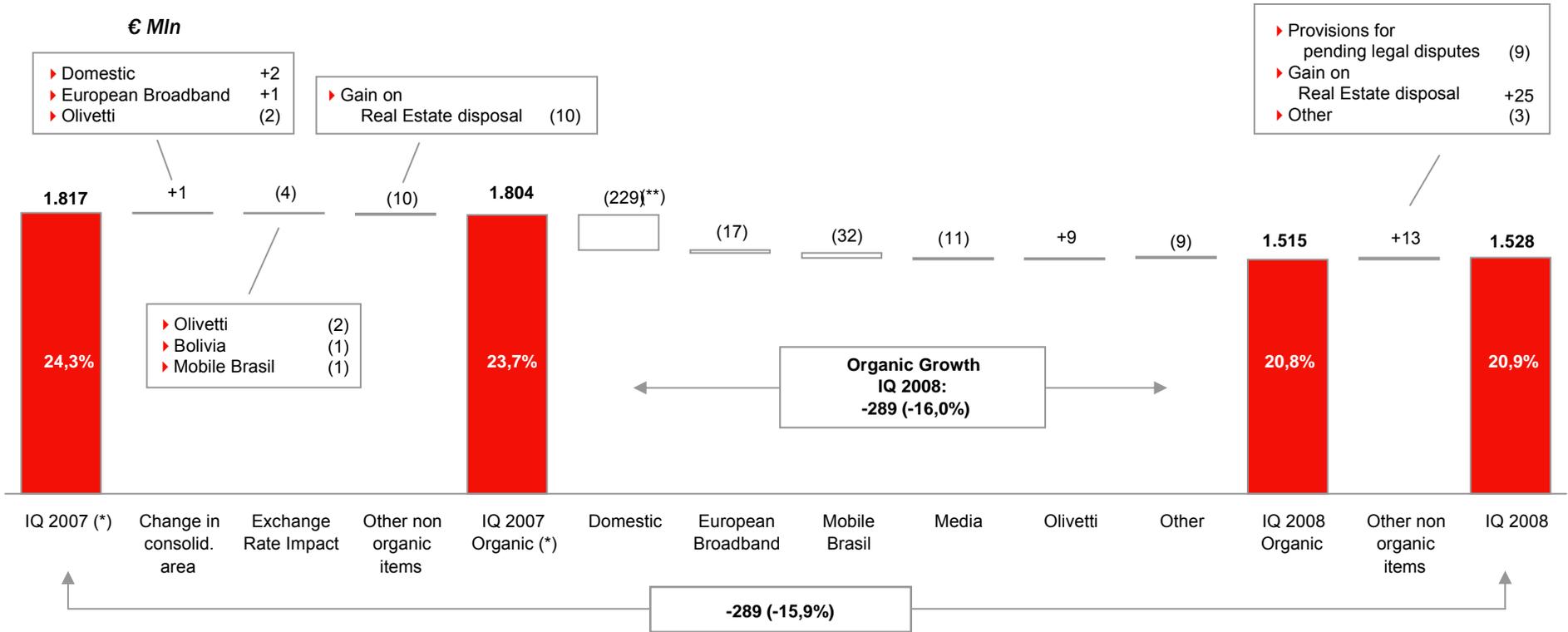
TI Group – Ebitda 1Q '08 vs. 1Q '07



* Pro-forma figures (TI France considered as a discontinued operation).

** Discontinuities on EBITDA were -219M€: Bersani Decree -125M€ (net of elasticity effect), Termination Cut F2M -38M€ (Mobile), Int'l Roaming cut (Reding) -32M€, Bitstream prices variation -24M€.

TI Group – Ebit 1Q '08 vs. 1Q '07

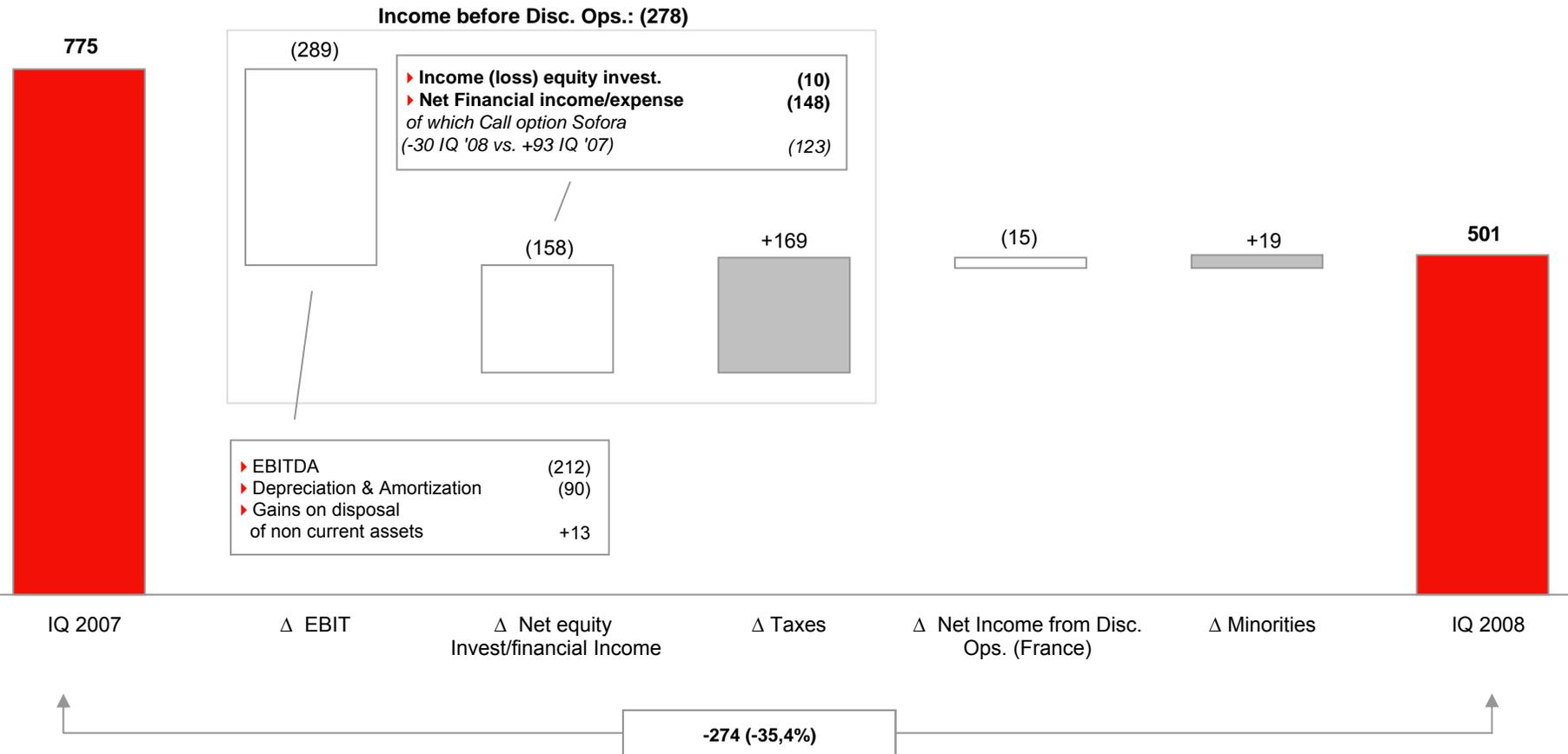


* Pro-forma figures (TI France considered as a discontinued operation).

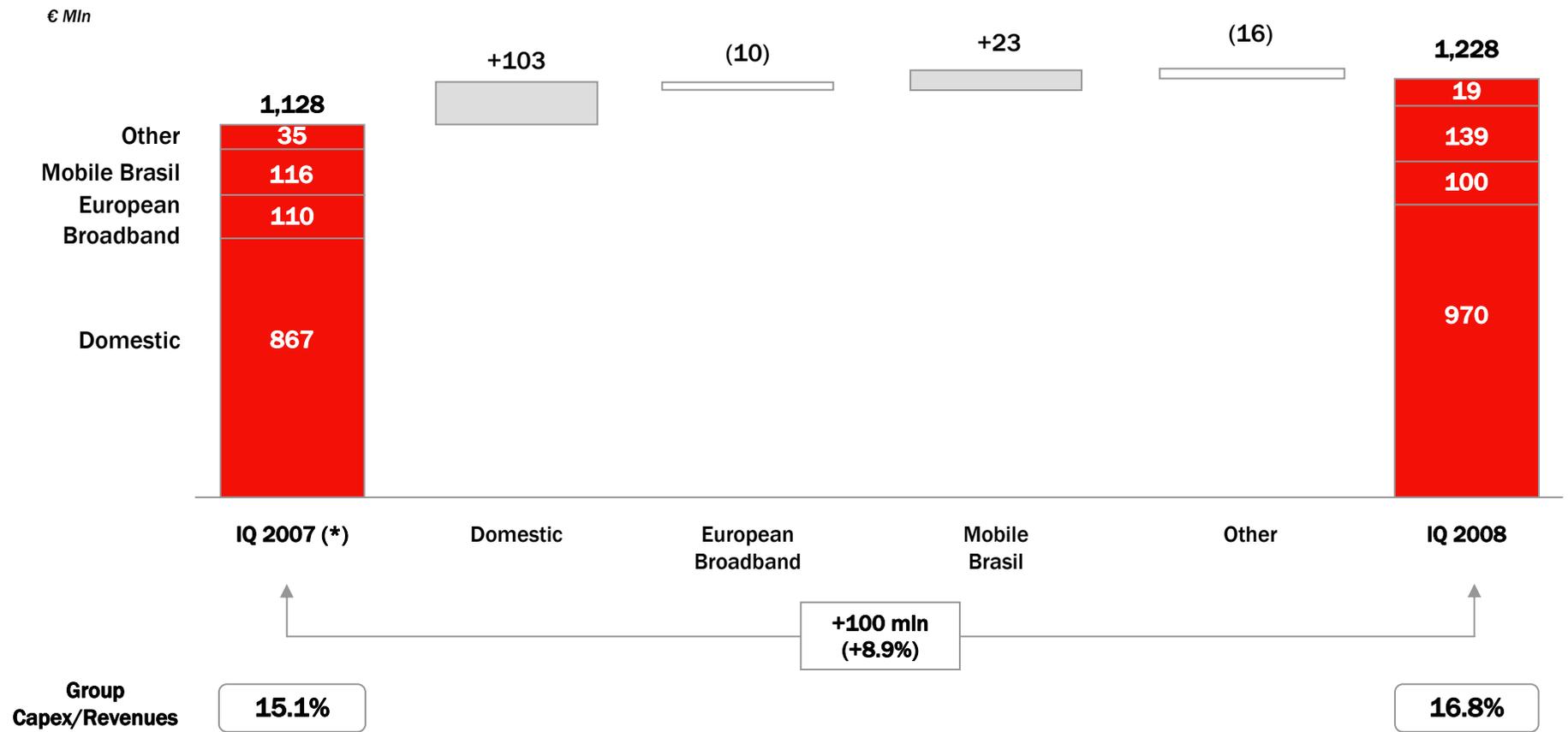
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TI Group – Net Income 1Q '08 vs. 1Q '07

€ Min

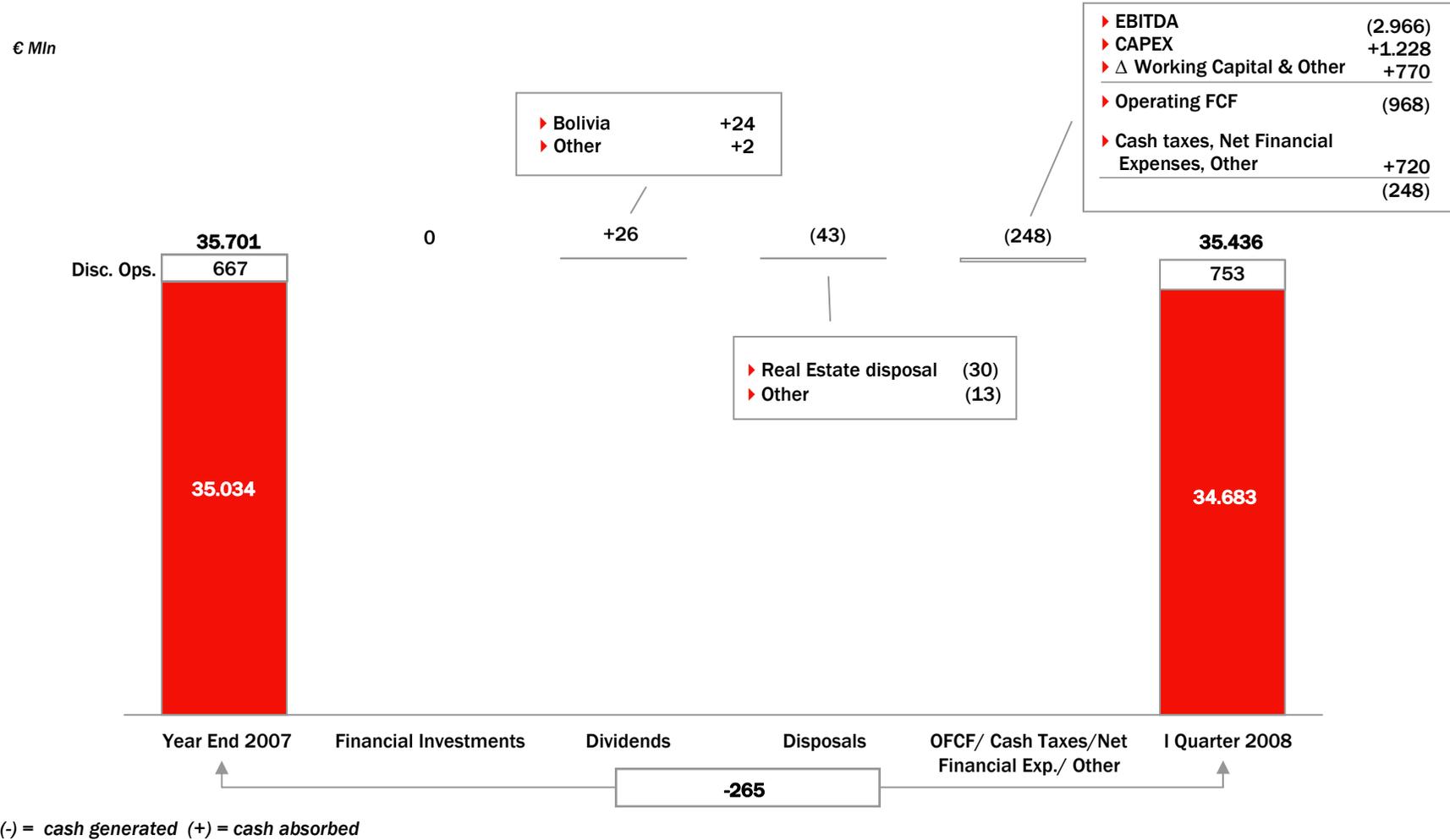


TI Group – Capex 1Q '08 vs. 1Q '07



(*) Pro-forma figures (TI France considered as a discontinued operation).

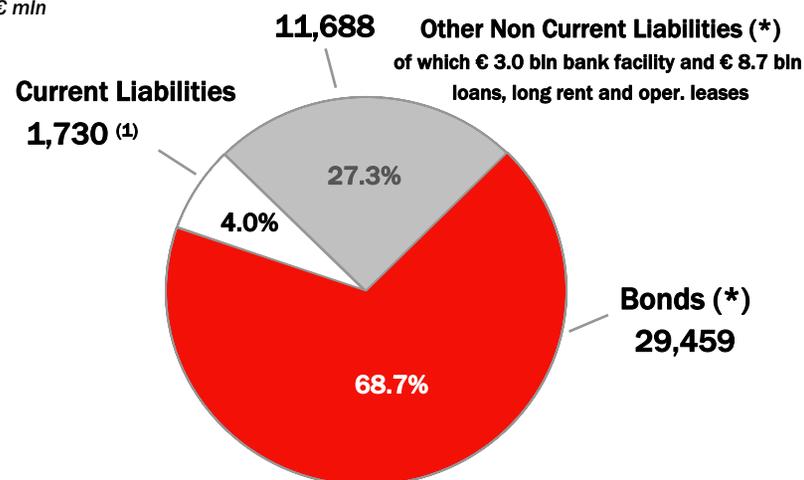
TI Group – Net Financial Position 1Q '08 vs. YE '07



Debt structure as of March 31st, 2008

Total gross debt: € 42,877 mln ⁽¹⁾

€ mln



▶ **Cost of debt: approximately 5.9%**

▶ **Gross Debt** € 42,877 ⁽¹⁾

Financial Assets € (7,441) ^{(1) (2)}

Net Financial Position € 35,436

Maturities and risk management

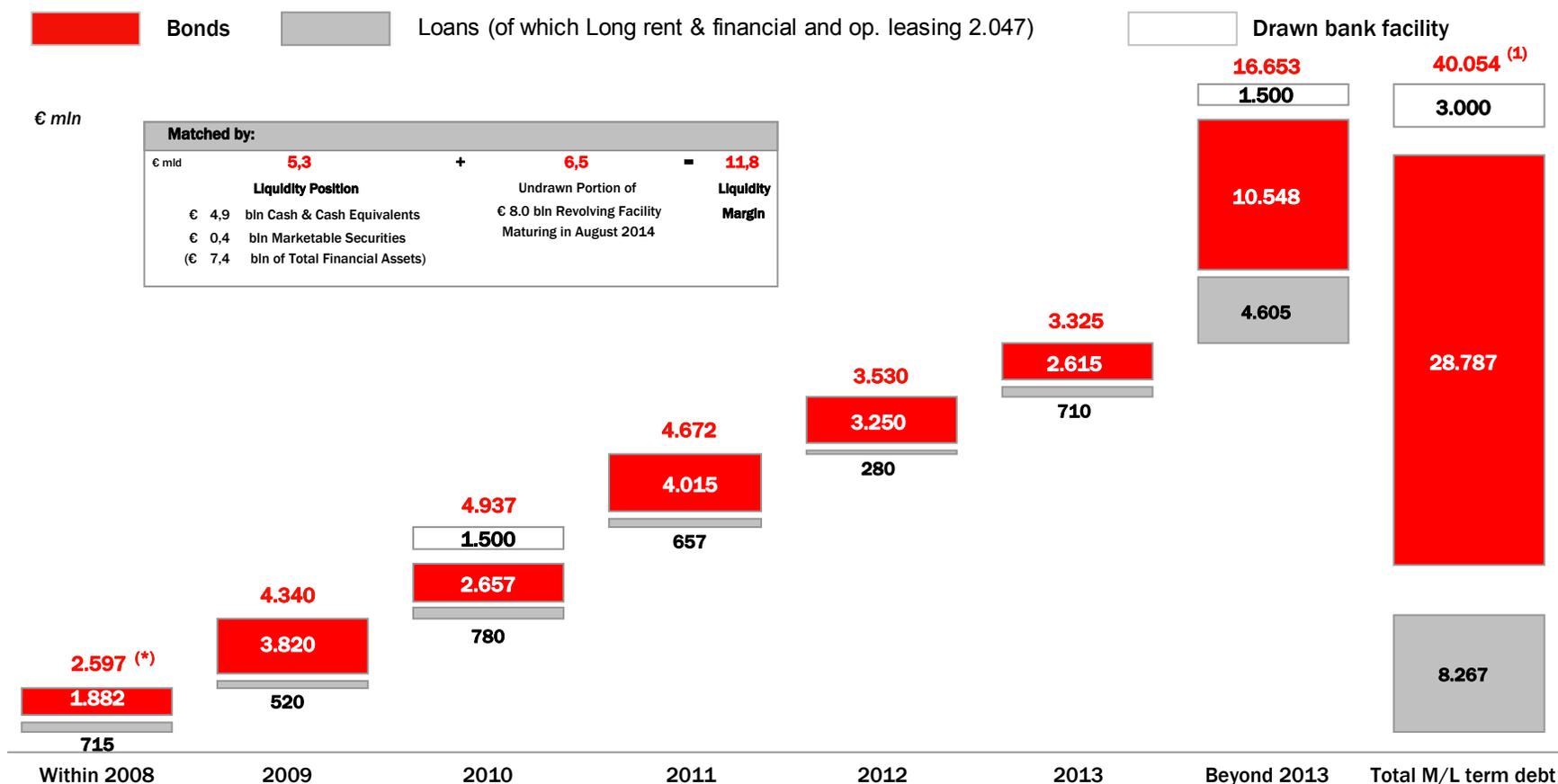
- ▶ € 5.3 bln liquidity position, plus further € 6.5 bln committed unfunded bank lines grant a stable and ample treasury margin and allow full flexibility for future funding
- ▶ Average bond maturity: 7.95 years
- ▶ Fixed rate portion on debt approximately 70%
- ▶ Around 36% of outstanding bonds is denominated in USD, GBP and YEN and is fully hedged

(1) Including Liberty Surf Intercompany Debt accounted as for Discontinued Operations (€ 762 mln)

(2) Nominal Liquidity Position, represented by cash and marketable securities stands at € 5.3 bln

(*) including the current portion of non current liabilities (maturing within 12 months) for € 5,329 mln (of which bonds € 4,125 mln and other € 1,204 mln)

Medium-long term debt Maturity profile as of March 31st, 2007



(1) € 40.054 mln is the nominal amount of outstanding medium-long term debt, by adding IAS adjustments (€ 1.094 mln), current liabilities (€ 967 mln) and Liberty Surf intercompany debt accounted for as discontinued operations (€ 762 mln), the gross debt figure of € 42.877 mln is reached.

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

N.B. Debt maturities are net of € 95 mln (face value) of repurchased own bonds (TI Spa € 850 mln 5.25% Notes due 2055) and include € 14 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.

TELECOM ITALIA

1Q '08 Financial Results

TELECOM ITALIA GROUP

Appendix

TI Group – Profit and Loss – 1Q '08 vs. 1Q '07

€ Min	I Quarter			
	2008	2007 (*)	Δ Abs.	Δ%
REVENUES	7.298	7.475	(177)	(2,4)
Other Operating Income	94	73	21	28,8
TOTAL REVENUES & OTHER INCOME	7.392	7.548	(156)	(2,1)
Total Purchases of materials and external services	(3.149)	(3.165)	16	(0,5)
Personnel	(991)	(997)	6	(0,6)
Other operating costs	(449)	(373)	(76)	20,4
Capitalized Cost and Others	163	165	(2)	(1,2)
EBITDA	2.966	3.178	(212)	(6,7)
<i>% on Revenues</i>	<i>40,6%</i>	<i>42,5%</i>		
Depreciation & Amortization	(1.463)	(1.373)	(90)	6,6
Writedowns and revaluations of non current assets	0	0	0	-
Gains/losses of non current assets realization	25	12	13	108,3
EBIT	1.528	1.817	(289)	(15,9)
<i>% on Revenues</i>	<i>20,9%</i>	<i>24,3%</i>		
Income (loss) equity invest. valued equity method	19	29	(10)	
Net Financial Income / (Expenses)	(598)	(450)	(148)	
Income before Taxes & Disc. Ops.	949	1.396	(447)	
<i>% on Revenues</i>	<i>13,0%</i>	<i>18,7%</i>		
Taxes	(392)	(561)	169	
Income before Disc. Ops.	557	835	(278)	
Net income (loss) of assets disposed	(75)	(60)	(15)	
Net Income (ante Minorities)	482	775	(293)	
<i>% on Revenues</i>	<i>6,6%</i>	<i>10,4%</i>		
Minorities	19	0	19	
Net Income (post Minorities)	501	775	(274)	
<i>% on Revenues</i>	<i>6,9%</i>	<i>10,4%</i>		

(*) Pro-forma figures (TI France considered as a discontinued operation).

TI Group – Balance Sheet – 1Q '08 vs. FY '07

€ Mln	I Quarter	Full Year
	2008	2007 (*)
Intangible Assets	50.639	50.921
Tangible Assets	16.561	16.788
Financial Assets	886	921
Deferred Tax Assets	118	247
TOTAL NET ASSETS	68.204	68.877
Working Capital	(3.173)	(3.942)
Total net inventories	330	307
Total net trade accounts receivable	6.806	7.316
Trade accounts payable	(6.446)	(7.733)
Other current assets/liabilities	(3.215)	(3.170)
Total Reserves within 12 months	(648)	(662)
Severance Indemnities	(1.157)	(1.151)
Other Allowances	(1.801)	(1.601)
No fin. assets/liabilities of Disc. Ops.	514	503
NET INVESTED CAPITAL	62.587	62.686
Shareholders Equity	27.151	26.985
Net Financial Position	35.436	35.701
Net Financial Position of Disc. Ops.	753	667
Net Financial Position excluding Disc. Ops.	34.683	35.034
	I Quarter	Full Year
INVESTMENTS	2008	2007 (*)
Capital Expenditures	1.228	5.370
Financial Investments	0	635
TOTAL	1.228	6.005

(*) Pro-forma figures (TI France considered as a discontinued operation).

TI Group – Main Results by BU (reported figures)

		I Quarter			
€ Mln		2008	2007 (*)	Δ Abs.	Δ %
	REVENUES				
	Domestic	5.619	6.009	-390	(6,5)
	of which Wireline Domestic	3.746	3.989	-243	(6,1)
	of which Tim Domestic	2.236	2.365	-129	(5,5)
	European broadband	323	216	107	49,5
	Mobile Brasil	1.224	1.100	124	11,3
	Media	74	58	16	27,6
	Olivetti	83	83	0	0,0
	Other Activities	76	60	16	26,7
	of which Bolivia	52	56	-4	(7,1)
	Elim.	-101	-51	-50	
	TI Group	7.298	7.475	-177	(2,4)
	EBITDA				
	Domestic	2.667	2.853	-186	(6,5)
	European broadband	61	54	7	13,0
	Mobile Brasil	242	269	-27	(10,0)
	Media	-21	-11	-10	(90,9)
	Olivetti	-7	-10	3	30,0
	Other Activities	26	23	3	13,0
	of which Bolivia	24	27	-3	(11,1)
	Elim.	-2	0	-2	
	TI Group	2.966	3.178	-212	(6,7)
	EBIT				
	Domestic	1.566	1.790	-224	(12,5)
	European broadband	6	22	-16	(72,7)
	Mobile Brasil	-17	16	-33	-
	Media	-37	-26	-11	(42,3)
	Olivetti	-9	-14	5	35,7
	Other Activities	17	15	2	13,3
	of which Bolivia	17	19	-2	(10,5)
	Elim.	2	14	-12	
	TI Group	1.528	1.817	-289	(15,9)

(*) Pro-forma figures (TI France considered as a discontinued operation).

TI Group – Main Results by BU (organic figures)

€ Mln	I Quarter			
	2008	2007 (*)	Δ Abs.	Δ %
REVENUES				
Domestic	5.619	6.001	-382	(6,4)
of which Wireline Domestic	3.746	3.981	-235	(5,9)
of which Tim Domestic	2.236	2.365	-129	(5,5)
European broadband	323	284	39	13,7
Mobile Brasil	1.224	1.172	52	4,7
Media	74	58	16	27,6
Olivetti	83	78	5	6,4
Other Activities	76	55	21	38,2
of which Bolivia	52	51	1	2,0
Elim.	-101	-49	-52	
TI Group	7.298	7.599	-301	(4,0)
EBITDA				
Domestic	2.679	2.853	-174	(6,1)
European broadband	61	61	0	0,0
Mobile Brasil	242	283	-41	(15,3)
Media	-21	-11	-10	(90,9)
Olivetti	-7	-14	7	50,0
Other Activities	26	21	5	23,8
of which Bolivia	24	25	-1	(4,0)
Elim.	-2	0	-2	
TI Group	2.978	3.193	-215	(6,7)
EBIT				
Domestic	1.553	1.782	-229	(12,9)
European broadband	6	23	-17	(73,9)
Mobile Brasil	-17	15	-32	-
Media	-37	-26	-11	(42,3)
Olivetti	-9	-18	9	50,0
Other Activities	17	14	3	21,4
of which Bolivia	17	18	-1	(5,6)
Elim.	2	14	-12	
TI Group	1.515	1.804	-289	(16,0)

(*) Pro-forma figures (TI France considered as a discontinued operation).