

TELECOM ITALIA

FY '07 Financial Results

Milan, March 6, 2008

Telecom Italia Group FY '07 Financial Results

ENRICO PARAZZINI

Safe Harbour

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TI Group – 2007 Key Financial Results

€ Mln	FY '07 reported	FY '06 reported	YoY reported	YoY Organic*	
Revenues	31,290	31,275	+0.0%	-1.3%	<p>Highlights</p> <ul style="list-style-type: none"> ▶ Strong international revenues growth (>20% yoy organic) offset by regulatory discontinuities (€ 1.4 bln). ▶ 2007 Ebitda Margin affected by: <ul style="list-style-type: none"> ▶ several non organic items (€ 0.8 bln), mainly occurred in the month of Dec. '07 (€ 0.5 bln); ▶ organic reduction in the domestic business in light of commercial activities and regulatory impacts (approx. €0.5 bln). Among the highest profitability level in the sector. ▶ D&A increase following higher capital intensity for continued investments in innovation. <ul style="list-style-type: none"> ▶ Cash flow generation and a positive M&A balance allowed us to remunerate shareholders and reduce net financial debt.
Ebitda	11,617	12,850	-9.6%	-5.5%	
Ebitda margin	37.1%	41.1%	-4.0pp	-1.8pp	
Ebit	5,764	7,437	-22.5%	-13.7%	
Ebit margin	18.4%	23.8%	-5.4pp	-3.0pp	
Net Income post minorities	2,448	3,014	-18.8%		
Capex	5,520	5,114	+406		
Net Debt	35,701	37,301	-1,600		

+0.1% excluding change for non- geographic numbers (442 mln € in FY'06)**

After cash out of € 2.8 bln for dividend payment

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

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

TI Group – Comparison with FY 2007 Targets

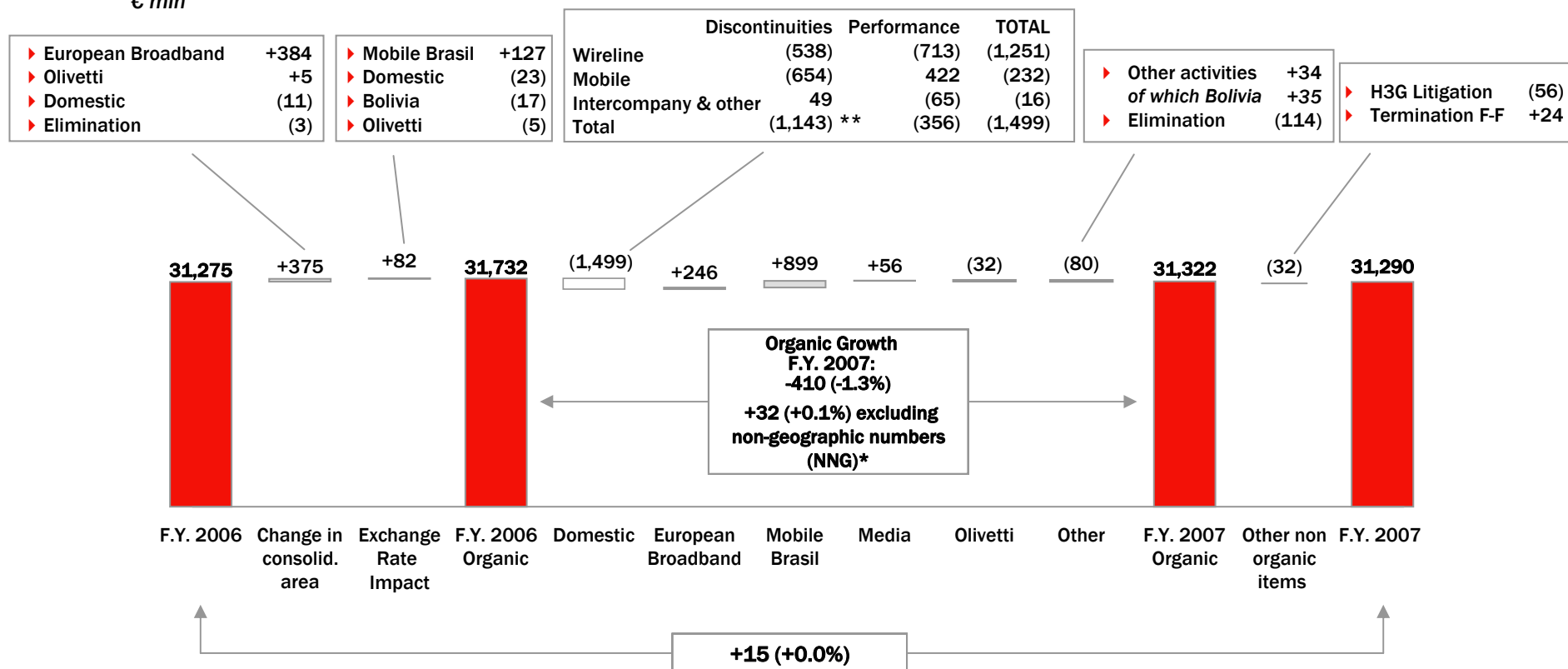
	2007 Organic Target*	FY 2007 Δ YoY Organic*	
Revenues Growth	+1% / +2%	-1.3%	+0.1% excluding change for non- geographic numbers
Ebitda Margin	-2.5 / -2.0 pp	-1.8 pp	
Ebit Margin	-3.0 / -2.5 pp	-3.0 pp	
Net Financial Position	reducing	-1.6 bln €	
NPF/Ebitda	< 3.0 x	3.07 x	2.94x on Adjusted Ebitda (excluding unexpected non recurring items occurred in the month of December '07 for € 0.5 bln)**

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

** Litigation with OLO € 415 mln, F-F Termination € 92 mln, Provision for Bad Debt € 30 mln, AGCOM fine € 6 mln

TI Group – Revenues FY '07 vs. FY '06

€ mln

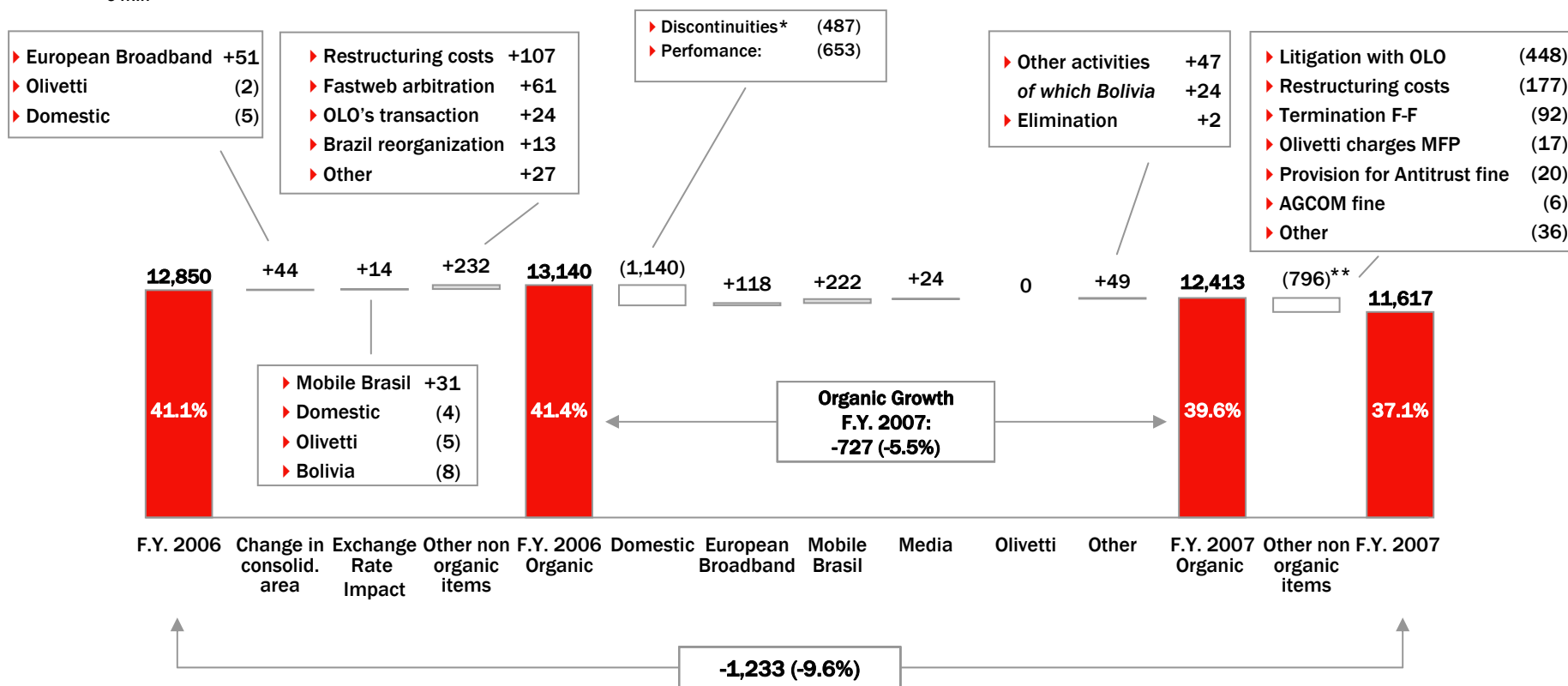


* In accordance with AGCOM deliberation n. 417/06/CONS, effective as of January 1st 2007, Telecom Italia invoices services rendered by OLO on NNG while does not take credit risks. These services, since January 1st 2007 are thus no longer recorded as revenues and costs in Telecom Italia accounts

** Discontinuities were € -1,143mln: € -442 mln for NNG, € -404 mln for Bersani Decree (net of € 226 mln of positive elasticity effect), € -209 mln for F2M termination rates cut (Wireline € -96 mln, Mobile € -162 mln, Intercompanies € +49 mln), € -88 mln for Int'l Roaming.

TI Group – Ebitda FY '07 vs. FY '06

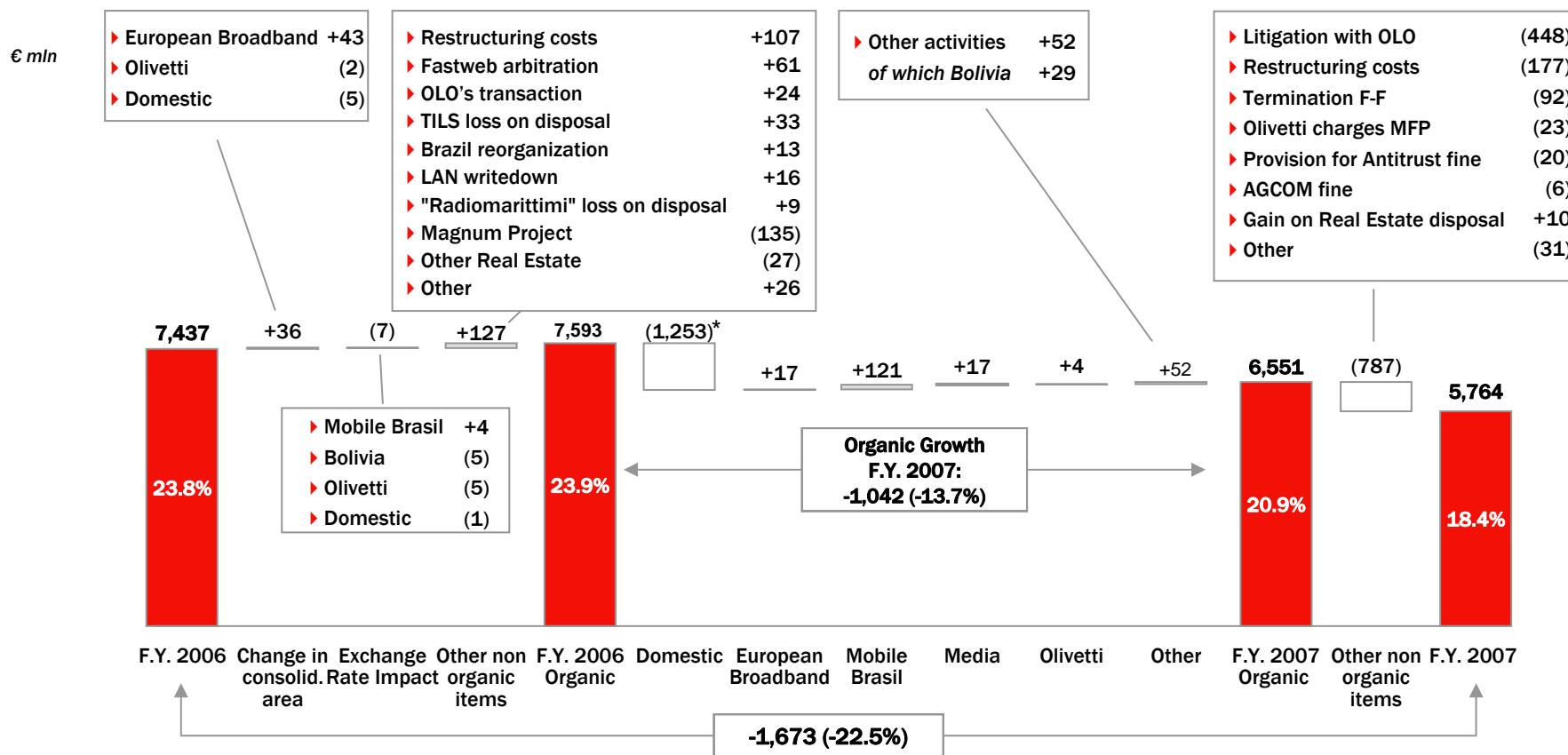
€ mln



* € -487 mln of discontinuities affecting domestic Ebitda: € -404 mln for Bersani Decree (net of € 226 mln of positive elasticity effect), € -54 mln for F2M termination rates cut (Mobile), € -29 mln for Int'l Roaming.

** "Other non organic items" affecting Group Ebitda in 4Q'07 were € -640 mln: € -415 mln for Litigation with OLO, € -74 mln for Restructuring Costs, € -92 mln for Termination F-F, € -17 mln for Olivetti charges MFP, € -6 mln for AGCOM fine, € -36 mln for Other.

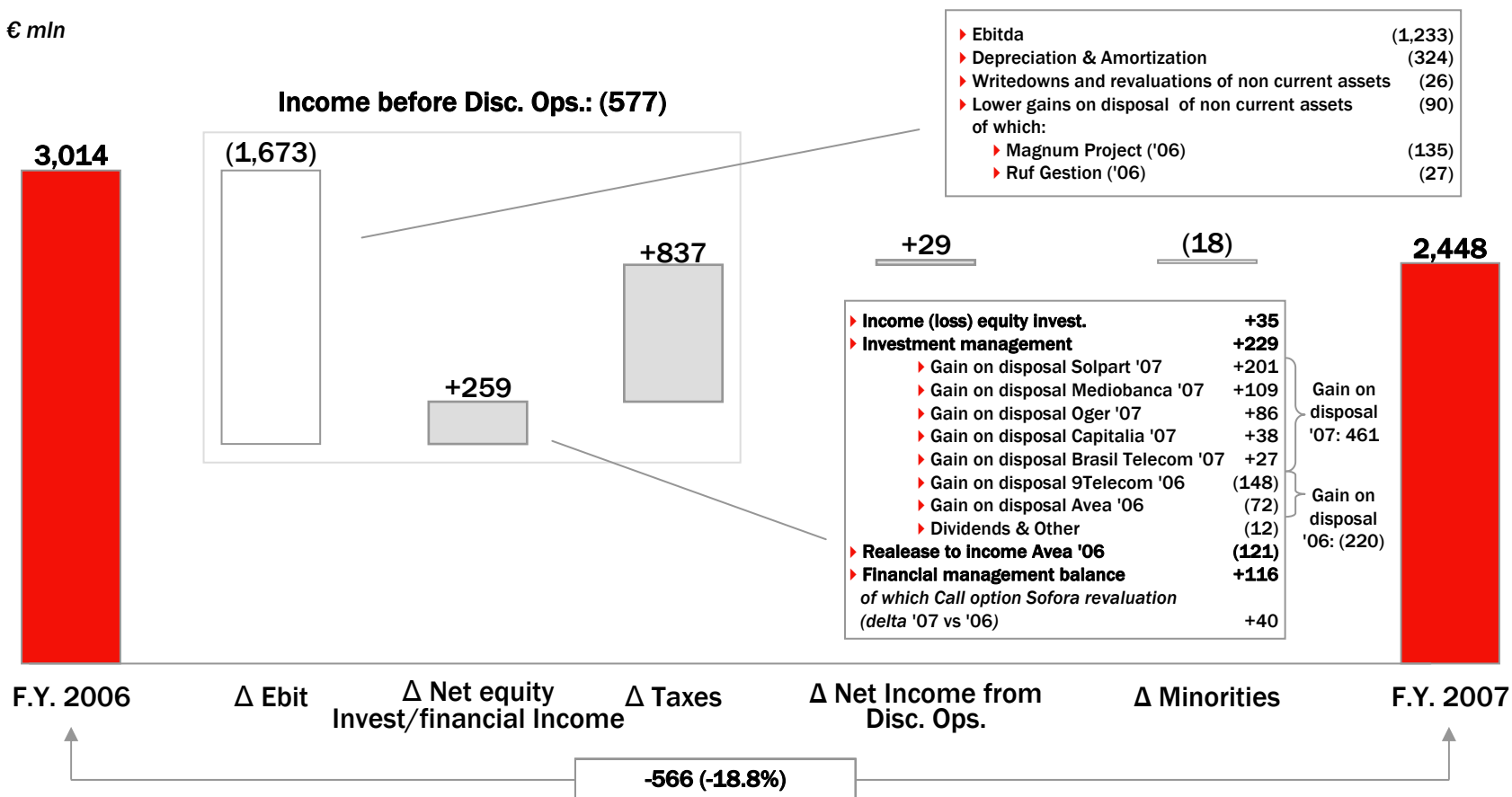
TI Group – Ebit FY '07 vs. FY '06



* € -487 mln of discontinuities affecting domestic Ebit: € -404 mln for Bersani Decree (net of € 226 mln of positive elasticity effect), € -54 mln for F2M termination rates cut (Mobile), € -29 mln for Int'l Roaming.

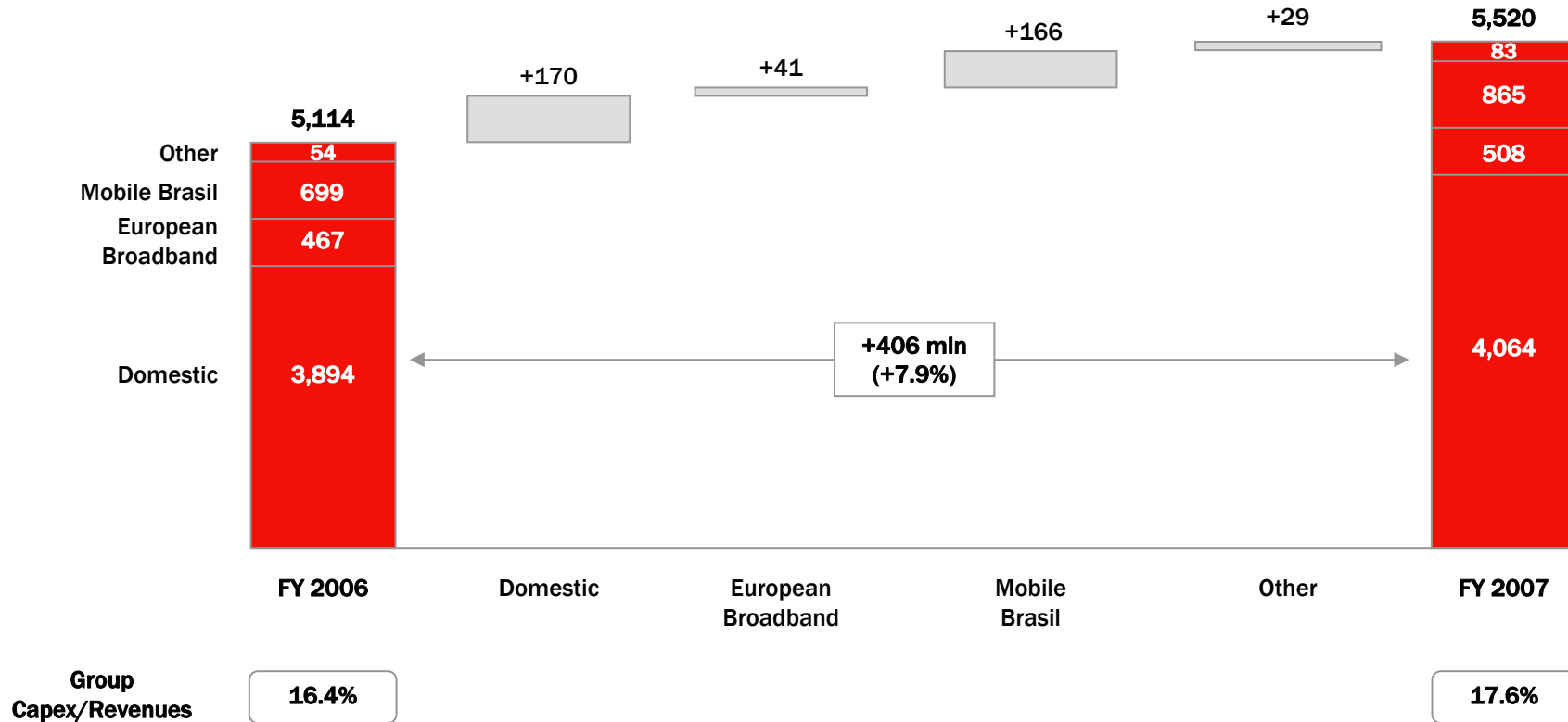
TI Group – Net Income FY '07 vs. FY '06

€ mln

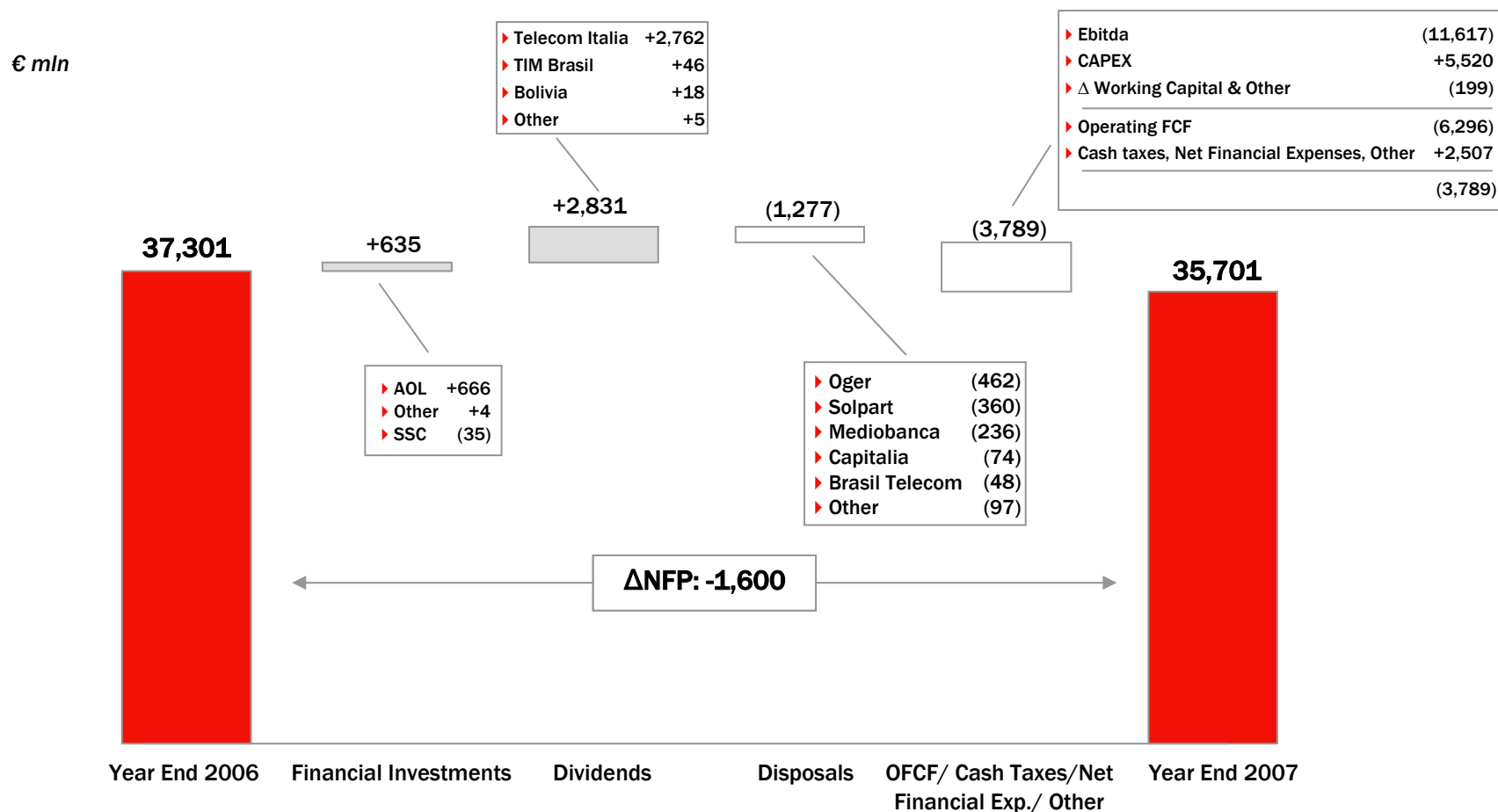


TI Group – Capex FY '07 vs. FY '06

€ mln



TI Group – Net Financial Position FY '07 vs. FY '06

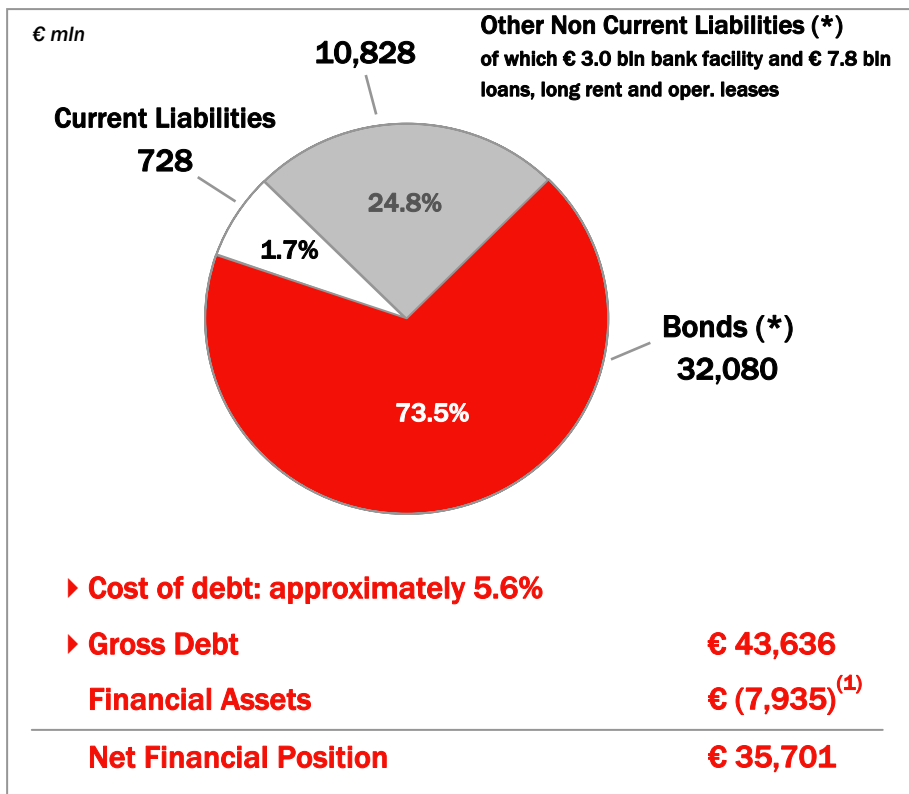


(-) = cash generated (+) = cash absorbed

Debt structure as of December 31st, 2007

Total gross debt: € 43,636 mln

Maturities and risk management



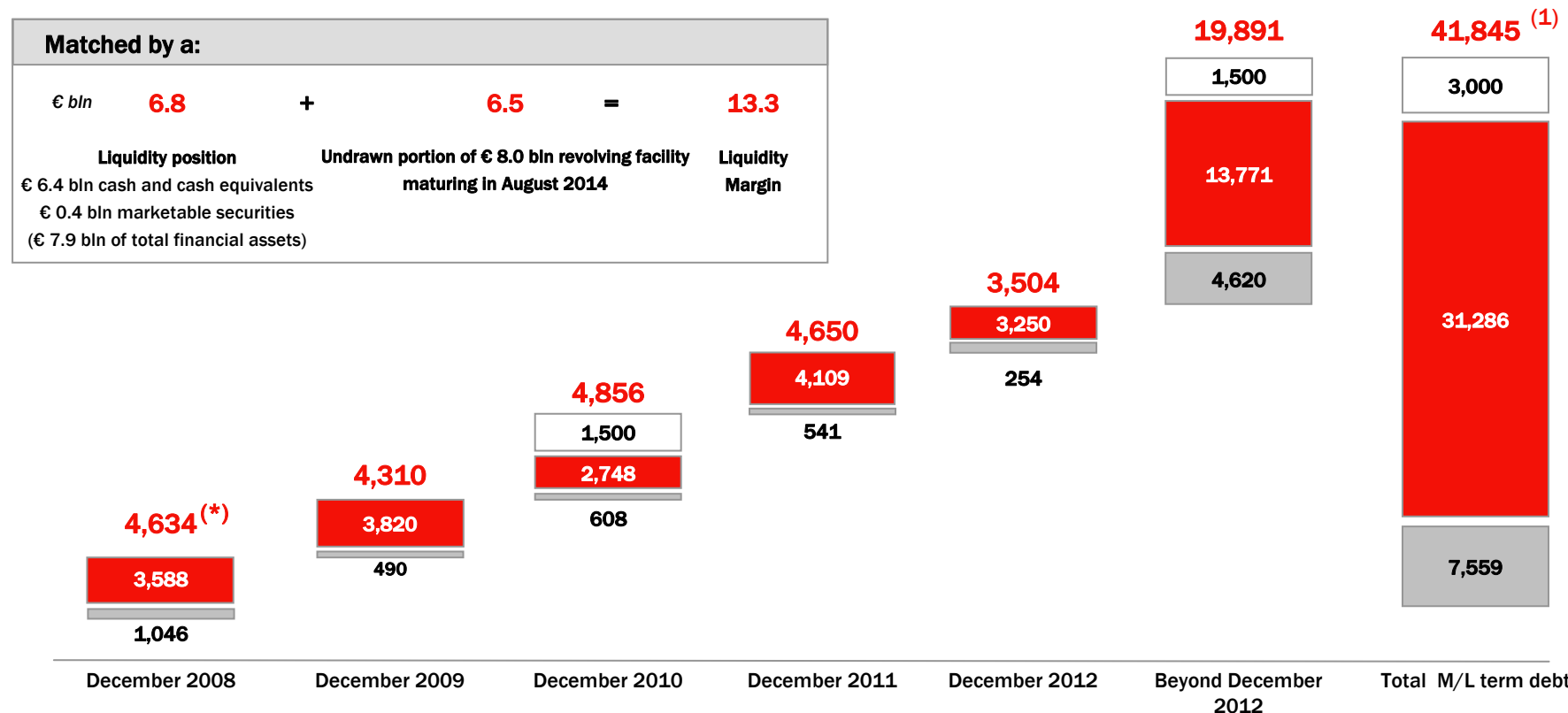
- ▶ € 6.8 bln liquidity position, plus further € 6.5 bln committed unfunded bank lines grant a stable and ample treasury margin and allow full flexibility for future funding
- ▶ Average bond maturity: 7.93 years
- ▶ Fixed rate portion on debt approximately 70%
- ▶ Around 36% of outstanding bonds is denominated in USD, GBP and YEN and is fully hedged

(1) Nominal Liquidity Position, represented by cash and marketable securities stands at € 6.8 bln

(*) including the current portion of non current liabilities (maturing within 12 months) for € 5,857 mln (of which bonds € 4,521 mln and other € 1,336 mln)

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

€ mln ■ Bonds ■ Loans, Long rent and op. leasing (€ 1,973) Drawn bank facility



(1) € 41,845 mln is the nominal amount of outstanding medium-long term debt by adding IAS adjustments (€ 1,063 mln) and current liabilities (€ 728 mln), the gross debt figure of € 43,636 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.

Appendix

TI Group – Profit and Loss – FY '07 vs. FY '06

Euro mln

	Full Year			
	2007	2006	Δ Abs.	Δ %
REVENUES	31.290	31.275	15	0,0
Other Operating Income	413	606	(193)	(31,8)
TOTAL REVENUES & OTHER INCOME	31.703	31.881	(178)	(0,6)
Total Purchases of materials and external services	(14.545)	(14.191)	(354)	2,5
Personnel	(3.884)	(3.801)	(83)	2,2
Other operating costs	(2.245)	(1.543)	(702)	45,5
Capitalized Cost and Others	588	504	84	16,7
EBITDA	11.617	12.850	(1.233)	(9,6)
% on Revenues	37,1%	41,1%		
Depreciation & Amortization	(5.811)	(5.487)	(324)	5,9
Writedowns and revaluations of non current assets	(47)	(21)	(26)	123,8
Gains/losses of non current assets realization	5	95	(90)	(94,7)
EBIT	5.764	7.437	(1.673)	(22,5)
% on Revenues	18,4%	23,8%		
Income (loss) equity invest. valued equity method	86	51	35	
Net Financial Income / (Expenses)	(1.749)	(1.973)	224	
Income before Taxes & Disc. Ops.	4.101	5.515	(1.414)	
% on Revenues	13,1%	17,6%		
Taxes	(1.682)	(2.519)	837	
Income before Disc. Ops.	2.419	2.996	(577)	
Net income (loss) of assets disposed	36	7	29	
Net Income (ante Minorities)	2.455	3.003	(548)	
% on Revenues	7,8%	9,6%		
Minorities	(7)	11	(18)	
Net Income (post Minorities)	2.448	3.014	(566)	
% on Revenues	7,8%	9,6%		

TI Group – Balance Sheet – FY '07 vs. FY '06

Euro mln

	Full Year		
	2007	2006	ΔAbs.
Intangible Assets	51.405	50.479	926
Tangible Assets	16.934	17.215	(281)
Financial Assets	923	1.624	(701)
Deferred Tax Assets	247	912	(665)
TOTAL NET ASSETS	69.509	70.230	(721)
Working Capital	(4.067)	(3.689)	(378)
Total net inventories	308	291	17
Total net trade accounts receivable	7.333	7.382	(49)
Trade accounts payable	(7.875)	(6.810)	(1.065)
Other current assets/liabilities	(3.170)	(3.861)	691
Total Reserves within 12 months	(663)	(691)	28
Severance Indemnities	(1.151)	(1.262)	111
Other Allowances	(1.605)	(1.115)	(490)
No fin. assets/liabilities of Disc. Ops.	0	235	(235)
NET INVESTED CAPITAL	62.686	64.399	(1.713)
Shareholders Equity	26.985	27.098	(113)
Net Financial Position	35.701	37.301	(1.600)
	2007	2006	ΔAbs.
INVESTMENTS			
Capital Expenditures	5.520	5.114	406
Financial Investments	635	206	429
TOTAL	6.155	5.320	835

TI Group – Main Results by BU (reported figures)

Euro mln	I Quarter				II Quarter				III Quarter				IV Quarter				Full Year			
	2007	2006	Δ Abs	Δ %	2007	2006	Δ Abs	Δ %	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)	5.926	6.346	-420	(6,6)	6.112	6.562	-450	(6,9)	24.220	25.785	-1.565	(6,1)
Wireline Domestic	3.989	4.286	-297	(6,9)	3.994	4.313	-319	(7,4)	3.765	4.108	-343	(8,3)	3.979	4.281	-302	(7,1)	15.727	16.988	-1.261	(7,4)
Tim Domestic	2.365	2.370	-5	(0,2)	2.551	2.612	-61	(2,3)	2.513	2.583	-70	(2,7)	2.493	2.645	-152	(5,7)	9.922	10.210	-288	(2,8)
European broadband	304	204	100	49,0	391	223	168	75,3	411	235	176	74,9	439	253	186	73,5	1.545	915	630	68,9
Mobile Brasile	1.100	837	263	31,4	1.222	885	337	38,1	1.281	1.070	211	19,7	1.387	1.172	215	18,3	4.990	3.964	1.026	25,9
Media	58	44	14	31,8	67	54	13	24,1	53	38	15	39,5	85	71	14	19,7	263	207	56	27,1
Olivetti	83	94	-11	(11,7)	109	118	-9	(7,6)	91	86	5	5,8	125	142	-17	(12,0)	408	440	-32	(7,3)
Other Activities	60	64	-4	(6,3)	49	60	-11	(18,3)	57	53	4	7,5	85	57	28	49,1	251	234	17	7,3
Bolivia	56	47	9	19,1	46	46	0	0,0	54	49	5	10,2	54	50	4	8,0	210	192	18	9,4
Elim.	-74	-58	-16		-81	-67	-14		-82	-59	-23		-150	-86	-64		-387	-270	-117	
TI Group	7.540	7.482	58	0,8	7.930	7.853	77	1,0	7.737	7.769	-32	(0,4)	8.083	8.171	-88	(1,1)	31.290	31.275	15	0,0
NNG OLO		-119				-111				-143				-69				-442		
TI Group Net NNG OLO	7.540	7.363	177	2,4	7.930	7.742	188	2,4	7.737	7.626	111	1,5	8.083	8.102	-19	(0,2)	31.290	30.833	457	1,5
EBITDA																				
Domestic	2.853	3.148	-295	(9,4)	2.766	3.062	-296	(9,7)	2.821	3.010	-189	(6,3)	1.734	2.673	-939	(35,1)	10.174	11.893	-1.719	(14,5)
European broadband	30	2	28	1.400,0	58	12	46	383,3	73	26	47	180,8	85	41	44	107,3	246	81	165	203,7
Mobile Brasile	269	181	88	48,6	316	173	143	82,7	239	250	-11	(4,4)	383	346	37	10,7	1.207	950	257	27,1
Media	-11	-28	17	60,7	-10	-24	14	58,3	-17	-19	2	10,5	-17	-12	-5	(41,7)	-55	-83	28	33,7
Olivetti	-10	-12	2	16,7	-7	-14	7	50,0	-4	-10	6	60,0	-23	3	-26	-	-44	-33	-11	(33,3)
Other Activities	23	10	13	130,0	18	11	7	63,6	25	13	12	92,3	28	15	13	86,7	94	49	45	91,8
Bolivia	27	20	7	35,0	20	17	3	17,6	27	22	5	22,7	24	23	1	4,3	98	82	16	19,5
Elim.	0	-6	6		-1	3	-4		2	-2	4		-6	-2	-4		-5	-7	2	
TI Group	3.154	3.295	-141	(4,3)	3.140	3.223	-83	(2,6)	3.139	3.268	-129	(3,9)	2.184	3.064	-880	(28,7)	11.617	12.850	-1.233	(9,6)
EBIT																				
Domestic	1.790	2.081	-291	(14,0)	1.666	1.956	-290	(14,8)	1.728	1.846	-118	(6,4)	567	1.793	-1.226	(68,4)	5.751	7.676	-1.925	(25,1)
European broadband	-31	-38	7	18,4	-21	-40	19	47,5	-7	-28	21	75,0	-10	-19	9	47,4	-69	-125	56	44,8
Mobile Brasile	16	-36	52	-	53	-42	95	-	-25	31	-56	-	106	68	38	55,9	150	21	129	614,3
Media	-26	-41	15	36,6	-26	-38	12	31,6	-32	-32	0	0,0	-33	-26	-7	(26,9)	-117	-137	20	14,6
Olivetti	-14	-17	3	17,6	-10	-18	8	44,4	-8	-14	6	42,9	-34	-1	-33	(3.300,0)	-66	-50	-16	(32,0)
Other Activities	15	28	-13	(46,4)	10	0	10	-	17	3	14	466,7	21	6	15	250,0	63	37	26	70,3
Bolivia	19	10	9	90,0	12	8	4	50,0	20	13	7	53,8	17	13	4	30,8	68	44	24	54,5
Elim.	13	7	6		14	-1	15		16	14	2		9	-5	14		52	15	37	
TI Group	1.763	1.984	-221	(11,1)	1.686	1.817	-131	(7,2)	1.689	1.820	-131	(7,2)	626	1.816	-1.190	(65,5)	5.764	7.437	-1.673	(22,5)

TI Group – Main Results by BU (organic figures)

Euro mln	I Quarter				II Quarter				III Quarter				IV Quarter				Full Year			
	2007	2006	Δ Abs	Δ %	2007	2006	Δ Abs	Δ %	2007	2006	Δ Abs	Δ %	2007	2006	Δ Abs	Δ %	2007	2006	Δ Abs	Δ %
REVENUES																				
Domestic	6.009	6.289	-280	(4,5)	6.173	6.572	-399	(6,1)	5.926	6.335	-409	(6,5)	6.144	6.555	-411	(6,3)	24.252	25.751	-1.499	(5,8)
Wireline Domestic	3.989	4.278	-289	(6,8)	3.994	4.305	-311	(7,2)	3.765	4.097	-332	(8,1)	3.955	4.274	-319	(7,5)	15.703	16.954	-1.251	(7,4)
Tim Domestic	2.365	2.370	-5	(0,2)	2.551	2.612	-61	(2,3)	2.513	2.583	-70	(2,7)	2.549	2.645	-96	(3,6)	9.978	10.210	-232	(2,3)
European broadband	304	242	62	25,6	391	339	52	15,3	411	335	76	22,7	439	383	56	14,6	1.545	1.299	246	18,9
Mobile Brasile	1.100	787	313	37,4	1.222	915	307	34,6	1.281	1.129	152	14,6	1.387	1.260	127	11,0	4.990	4.091	899	22,7
Media	58	44	14	31,8	67	54	13	24,1	53	38	15	39,5	85	71	14	19,7	263	207	56	27,1
Olivetti	83	93	-10	(10,8)	109	119	-10	(8,4)	91	86	5	5,8	125	142	-17	(12,0)	408	440	-32	(7,3)
Other Activities	60	59	1	1,7	49	57	-8	(14,0)	57	49	8	16,3	85	52	33	63,5	251	217	34	15,7
Bolivia	56	42	14	33,3	46	43	3	7,0	54	45	9	20,0	54	45	9	20,0	210	175	35	20,0
Elim.	-74	-57	-17		-81	-69	-12		-82	-57	-25		-150	-90	-60		-387	-273	-114	
TI Group	7.540	7.457	83	1,1	7.930	7.987	-57	(0,7)	7.737	7.915	-178	(2,2)	8.115	8.373	-258	(3,1)	31.322	31.732	-410	(1,3)
NNG OLO		-119				-111				-143				-69				-442		
TI Group Net NNG OLO	7.540	7.338	202	2,8	7.930	7.876	54	0,7	7.737	7.772	-35	(0,5)	8.115	8.304	-189	(2,3)	31.322	31.290	32	0,1
EBITDA																				
Domestic	2.889	3.172	-283	(8,9)	2.864	3.107	-243	(7,8)	2.837	3.025	-188	(6,2)	2.349	2.775	-426	(15,4)	10.939	12.079	-1.140	(9,4)
European broadband	30	8	22	275,0	60	26	34	130,8	75	42	33	78,6	85	56	29	51,8	250	132	118	89,4
Mobile Brasile	269	178	91	48,7	316	180	136	77,4	239	259	-20	(7,5)	383	368	15	4,7	1.207	985	222	23,3
Media	-10	-27	17	63,0	-10	-21	11	52,4	-17	-18	1	5,6	-16	-11	-5	(45,5)	-53	-77	24	31,2
Olivetti	-10	-12	2	16,7	-7	-8	1	12,5	-3	-8	5	62,5	1	9	-8	(88,9)	-19	-19	0	0,0
Other Activities	23	8	15	187,5	18	10	8	80,0	25	17	8	47,1	28	12	16	133,3	94	47	47	100,0
Bolivia	27	18	9	50,0	20	15	5	33,3	27	21	6	28,6	24	20	4	20,0	98	74	24	32,4
Elim.	0	-6	6		0	3	-3		1	-2	3		-6	-2	-4		-5	-7	2	
TI Group	3.191	3.321	-130	(3,9)	3.241	3.297	-56	(1,7)	3.157	3.315	-158	(4,8)	2.824	3.207	-383	(11,9)	12.413	13.140	-727	(5,5)
EBIT																				
Domestic	1.816	2.021	-205	(10,1)	1.764	1.964	-200	(10,2)	1.743	1.868	-125	(6,7)	1.179	1.902	-723	(38,0)	6.502	7.755	-1.253	(16,2)
European broadband	-31	-32	1	3,1	-19	-29	10	34,5	-5	-15	10	66,7	-10	-6	-4	(66,7)	-65	-82	17	20,7
Mobile Brasile	16	-28	44	-	53	-42	95	-	-25	27	-52	-	106	72	34	51,1	150	29	121	478,3
Media	-25	-40	15	37,5	-26	-34	8	23,5	-32	-32	0	0,0	-32	-26	-6	(23,1)	-115	-132	17	12,9
Olivetti	-14	-17	3	17,6	-11	-12	1	8,3	-7	-13	6	46,2	-2	4	-6	-	-34	-38	4	10,5
Other Activities	15	-3	18	-	10	0	10	-	17	9	8	88,9	21	5	16	320,0	63	11	52	472,7
Bolivia	19	8	11	137,5	12	7	5	71,4	20	12	8	66,7	17	12	5	41,7	68	39	29	74,4
Elim.	13	9	4		14	22	-8		14	15	-1		9	4	5		50	50	0	
TI Group	1.790	1.910	-120	(6,3)	1.785	1.869	-84	(4,5)	1.705	1.859	-154	(8,3)	1.271	1.955	-684	(35,0)	6.551	7.593	-1.042	(13,7)