

STATEMENTS OF INCOME TELECOM ITALIA S.P.A.

(millions of euro)	YEAR 2005	YEAR 2004	Changes	
			amount	%
Revenues	17,209	16,108	1,101	6.8
Other income	403	642	(239)	(37.2)
Total revenues and operating income	17,612	16,750	862	5.1
Purchases of materials and external services	(7,196)	(6,625)	(571)	8.6
Personnel costs	(3,110)	(2,868)	(242)	8.4
Other operating expenses	(722)	(914)	192	(21.0)
Changes in inventories	(5)	38	(43)	(112.4)
Capitalized internal constructions costs	284	601	(317)	(52.7)
OTHER OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION, GAINS/LOSSES ON DISPOSALS AND IMPAIRMENT REVERSALS/LOSSES ON NON-CURRENT ASSETS (EBITDA)	6,863	6,982	(119)	(1.7)
Depreciation and amortization	(3,079)	(2,892)	(187)	6.5
Gain/losses on disposals of non-current assets	306	16	290	°
Impairment reversals/losses on non-current assets	(8)		(8)	
OPERATING INCOME (EBIT)	4,082	4,106	(24)	(0.6)
Financial income	3,543	1,819	1,724	94.8
Financial expenses	(2,822)	(2,743)	(79)	2.9
INCOME BEFORE TAXES	4,803	3,182	1,621	51.0
Income taxes	(918)	(1,047)	129	(12.3)
NET INCOME FOR THE YEAR	3,885	2,135	1,750	82.0

BALANCE SHEETS TELECOM ITALIA S.P.A.

	At 12.31.2005	At 12.31.2004	Changes
(millions of euro)			
NON-CURRENT ASSETS			
Intangible assets			
- Goodwill and other intangible asset with an indefinite life	1	3	(2)
- Intangible assets with a finite life	1,681	1,625	56
	1,682	1,628	54
Tangible assets			
- Property, plant and equipment owned	10,687	11,238	(551)
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Other non-current assets			
- Equity investments	51,672	34,235	17,437
- Securities and financial receivables	475	388	87
- Miscellaneous receivables and other non-current assets	677	486	191
	52,824	35,109	17,715
Deferred tax assets	1,854	2,391	(537)
TOTAL NON CURRENT ASSETS (A)	67,047	50,366	16,681
CURRENT ASSETS			
Inventories	76	113	(37)
Trade receivables, miscellaneous receivables and othe current assets	8,452	6,638	1,814
Financials receivables and other current financial asset	172	604	(432)
Cash and cash equivalents	6,601	6,008	593
TOTAL CURRENT ASSETS (B)	15,301	13,363	1,938
TOTAL ASSETS (A+B)	82,348	63,729	18,619
SHAREHOLDERS' EQUITY			
- Share capital	10,668	8,865	1,803
- Reserves and retained earnings	7,415	5,811	1,604
- Net income	3,885	2,135	1,750
			-
TOTAL SHAREHOLDERS' EQUITY (C)	21,968	16,811	5,157
NON-CURRENT LIABILITIES			
Non-current financial liabilities	39,148	33,374	5,774
Employee severance indemnities and other employee-related reserves	1,196	1,043	153
Reserve for deferred taxes	-	-	-
Reserves for future risks and charges	338	386	(48)
Miscellaneous payables and other non-current liabilities	514	646	(132)
TOTAL NON-CURRENT LIABILITIES (D)	41,196	35,449	5,747
CURRENT LIABILITIES			
Current financial liabilities	12,512	4,732	7,780
Trade payables, miscellaneous payables and other current liabilities	6,672	6,737	(65)
TOTAL CURRENT LIABILITIES (E)	19,184	11,469	7,715
TOTAL LIABILITIES (F=D+E)	60,380	46,918	13,462
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES (C+F)	82,348	63,729	18,619