

TELECOM ITALIA

9M 2007 Financial Results

Milan, November 9th, 2007

Telecom Italia

9M 2007 Business Performance

RICCARDO RUGGIERO

Agenda

- ▶ **9M 2007 business performance:**
 - ▶ Domestic
 - ▶ European BroadBand
 - ▶ TIM Brasil

- ▶ Appendix

9M07 Results on the way to full-year 2007 targets

€ Mln, %

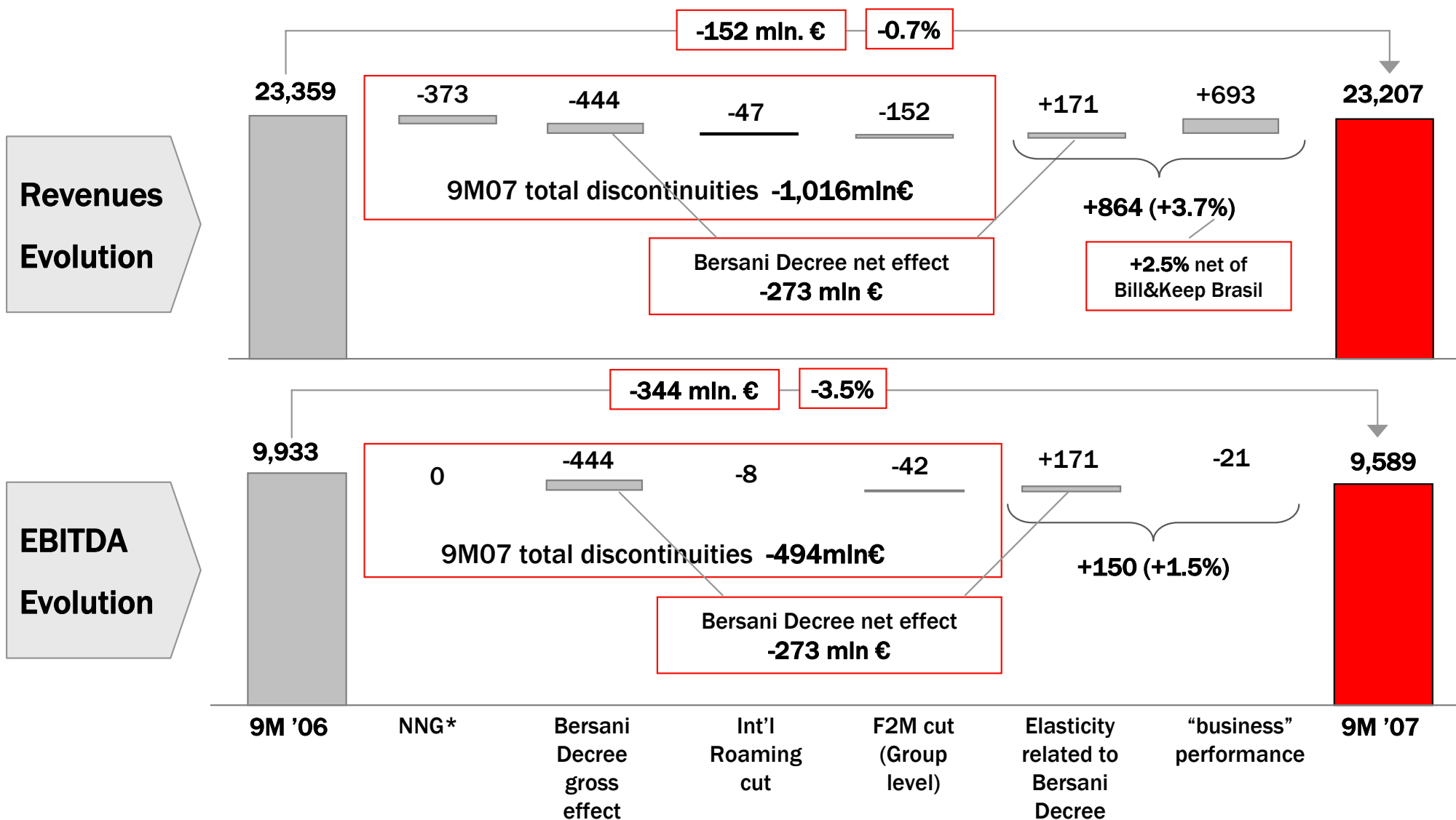
	9M 2007 Δ % YoY Organic		2007 Organic Target
TI Group			
		<i>Excl. NNG*</i>	
Revenues	-0.7%	+1.0%	+1%/+2%
% EBITDA Margin	-1.2 pp		-2.5/-2.0 pp
Domestic			
		<i>Excl. NNG*</i>	
Revenues	-5.7%	-3.8%	-3.5%/-2.5%
<i>Fixed</i>	-7.4%	-4.5%	-3.5%/-2.5%
<i>Mobile</i>	-1.8%		-3.0%/-2.0%
% EBITDA Margin	-1.1pp		-2.0/-1.5 pp
European BroadBand (reported values)			
Revenues (abs)	~1,1 Bln €		~1,6 Bln €
% EBITDA Margin (abs)	14.6%		>14%
TIM Brasil			
		<i>Excl. Bill & Keep</i>	
Revenues	+27.6%	+16.2%	>15%
% EBITDA Margin (abs)	22.9%		~23%

▶ >10% Target FY 2007
Excl. Bill & Keep

* Excluding change in accounting for Non Geographic Numbers (-373 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

Discontinuities impact on TI Group performance

Organic data; € Mln, %



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- ▶ **9M 2007 business performance:**
 - ▶ **Domestic**
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 - ▶ **TIM Brasil**

- ▶ **Appendix**

Domestic: Main Results 9M '07 vs 9M '06

€ Mln, %

	Reported Data				Organic Data			
	9M'07	9M '06	Δ Abs	Δ %	9M '07	9M '06	Δ Abs	Δ %
Revenues	18,108	19,223	-1,115	-5.8%	18,108	19,196	-1,088	-5.7%
of which fixed	11,748	12,707	-959	-7.5%	11,748	12,680	-932	-7.4%
of which mobile	7,429	7,565	-136	-1.8%	7,429	7,565	-136	-1.8%
EBITDA	8,440	9,220	-780	-8.5%	8,590	9,304	-714	-7.7%
% on revenues	46.6%	48.0%	-1.4 p.p.		47.4%	48.5%	-1.1 p.p.	
EBIT	5,184	5,883	-699	-11.9%	5,323	5,853	-530	-9.1%
% on revenues	28.6%	30.6%	-2.0 p.p.		29.4%	30.5%	-1.1p.p.	
CAPEX	2,817	2,615	202	7.7%				
% on revenues	15.6%	13.6%	2.0p.p.					

▶ **-3.8%** excluding change in accounting for **Non Geographic Numbers*** (-373 mln € in 2006)

▶ **-4.5%** excluding change in accounting for **Non Geographic Numbers*** (-373 mln € in 2006)

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Domestic Business Highlights: Revenue mix improvement.....

Wireline: solid performance of profitable businesses

		4Q '06	1Q '07	2Q '07	3Q '07
• Valuable growth strategy on BroadBand	BB VOIP CB	359	549	924	1.099
	BB Revenues (YoY %)	8.9%	10.5%	9.5%	12.8%
• Successful strategy in defending “Core” Business	Quarterly line loss	-452	-421	-316	-234
	TI M/S on Traffic volume (%)	71.9%	71.4%	71.5%	71.7%
• Continuous focus on Top Clients and ICT development	Business Data revenues (YoY %)	-19.4%	-11.4%	0.5%	-1.4%

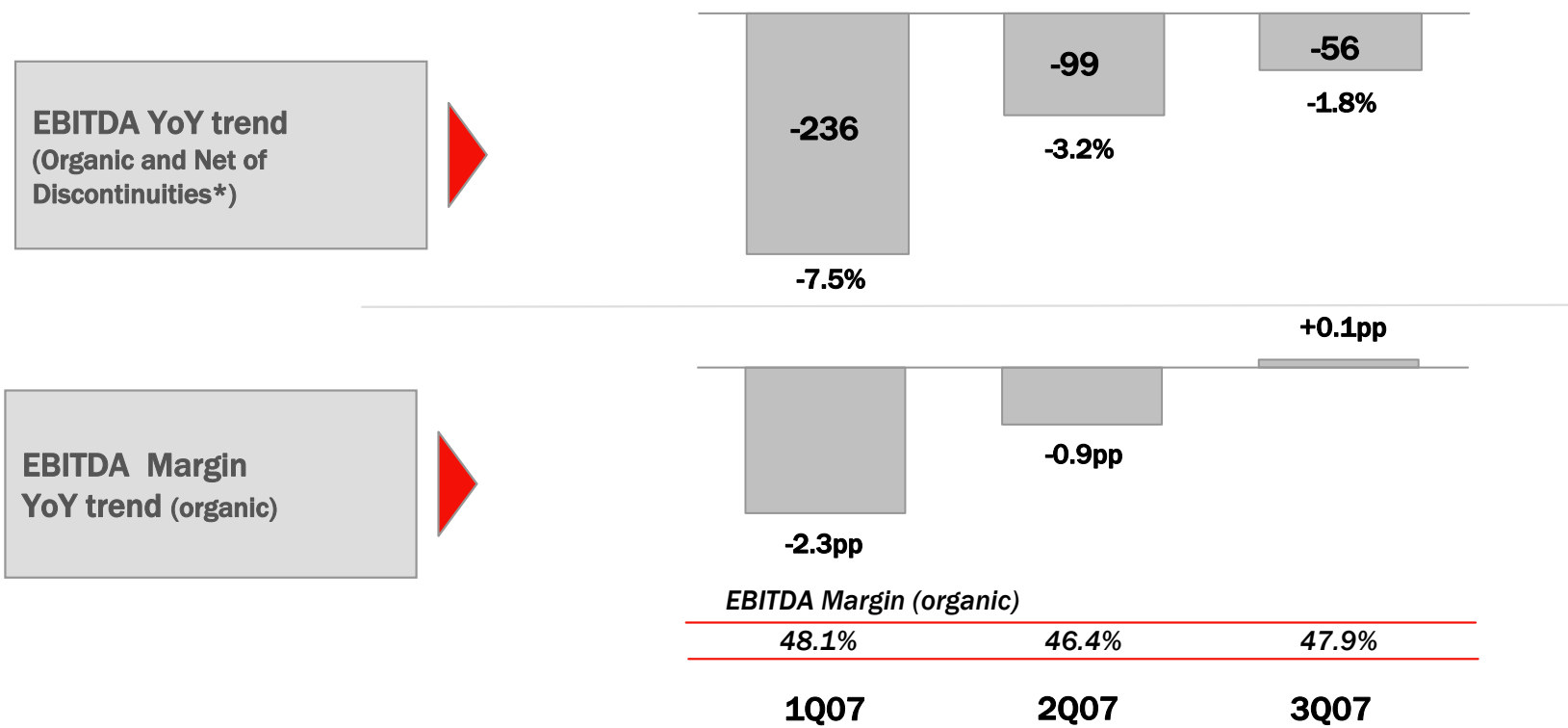
Mobile: volume and value strategy in progress

		4Q '06	1Q '07	2Q '07	3Q '07
• Sound growth in Service revenues	Service revenues* (YoY %)	3.8%	3.8%	6.5%	5.3%
• “High teen” growth on VAS revenues driven by innovative services	% VAS on Service Rev.	17.9%	19.8%	20.0%	20.6%
	Browsing Revenues (YoY %)	31.3%	46.4%	48.9%	55.7%
• Improving “Quality” of customers	% Post-paid on TIM CB	13.0%	13.3%	14.1%	14.3%
	UMTS CB increase (quarterly net adds '000)	+314	+460	+491	+581

* Service revenues growth net of discontinuities (Bersani Decree net effect, Int'l Roaming and F2M termination cut)

....with a positive impact on domestic profitability

€ Mln, %



* Bersani Decree net effect (30mln € IQ '07, 133mln € 2Q '07, 110mln 3Q '07), Int'l Roaming (8mln 3Q '07) and F2M termination cut (17mln € in 1Q '07, 11mln in 2Q '07, 14mln 3Q '07)

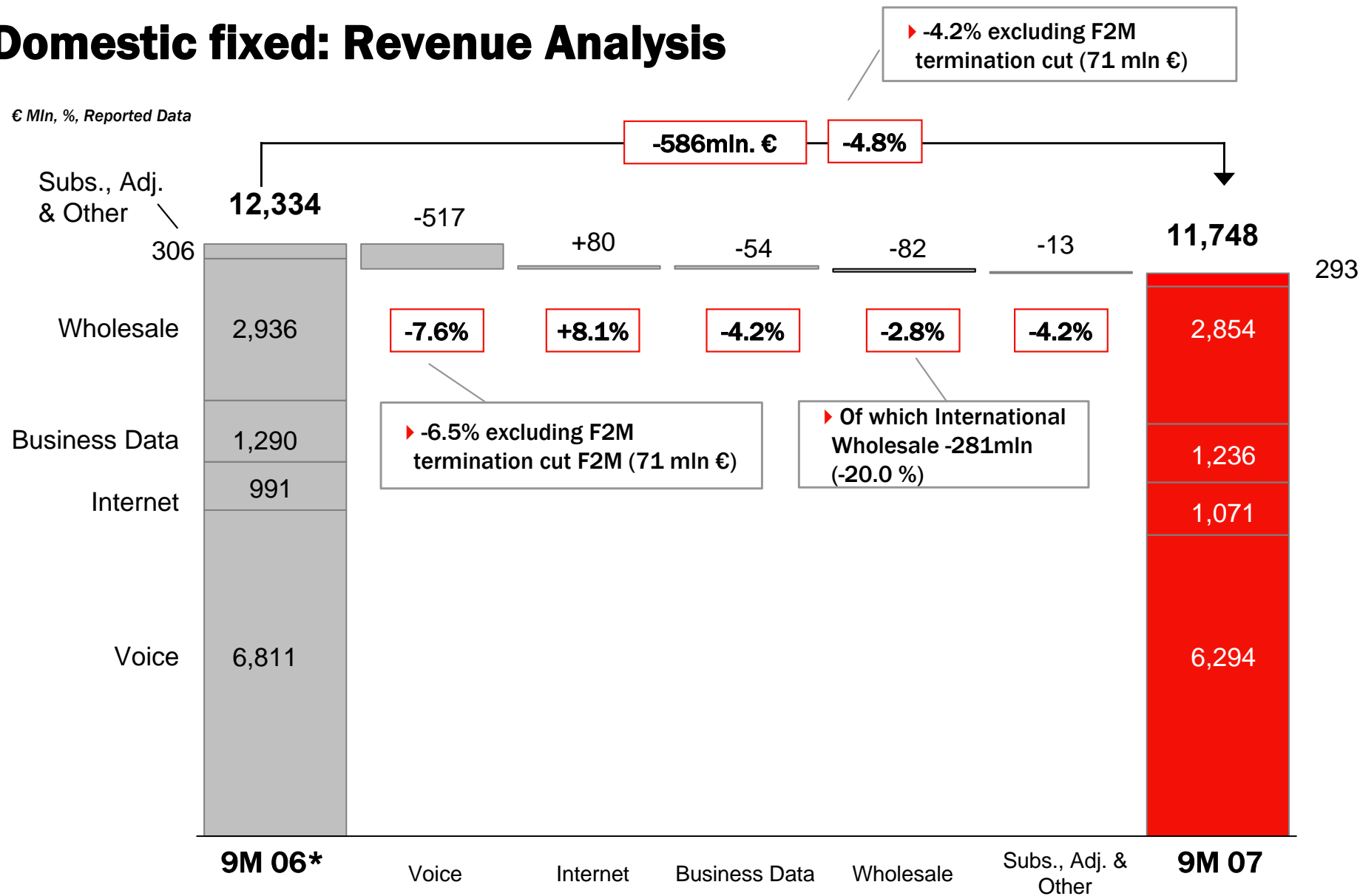
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- ▶ **9M 2007 business performance:**
 - ▶ **Domestic**
 - ▶ **Fixed business performance**
 - ▶ **Mobile business performance**
 - ▶ **Cost Analysis**
 - ▶ **European BroadBand**
 - ▶ **TIM Brasil**

- ▶ **Appendix**

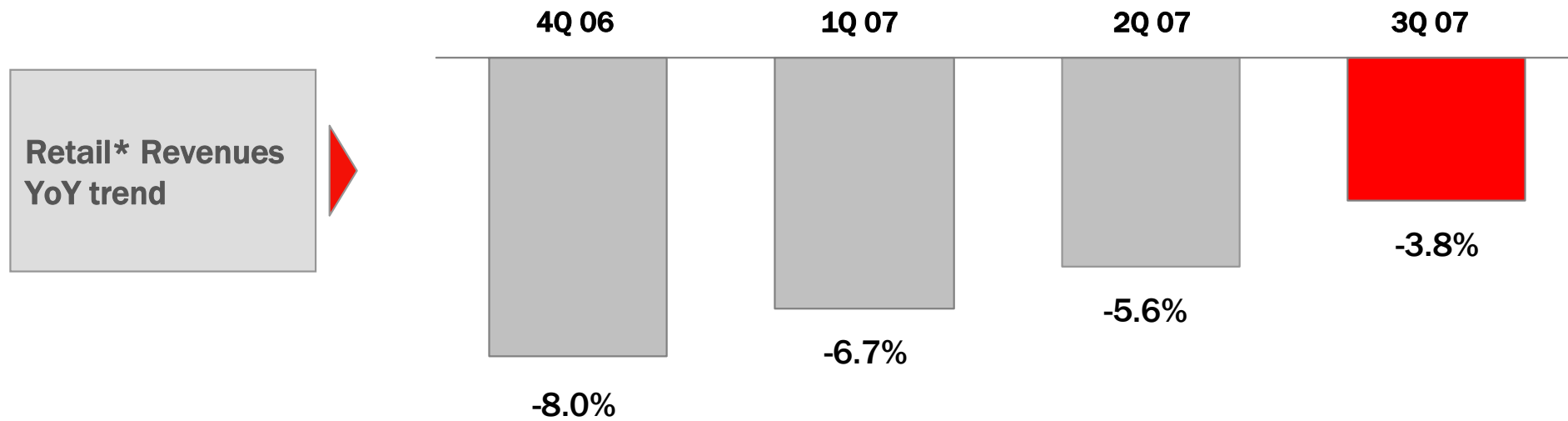
Domestic fixed: Revenue Analysis

€ Mln, %, Reported Data



* Restated figures, excluding different accounting for Non Geographic Numbers (-373mln €: -214 mln€ on Voice and -132 mln€ on Internet)

Domestic fixed: Retail* Revenues trend improvement



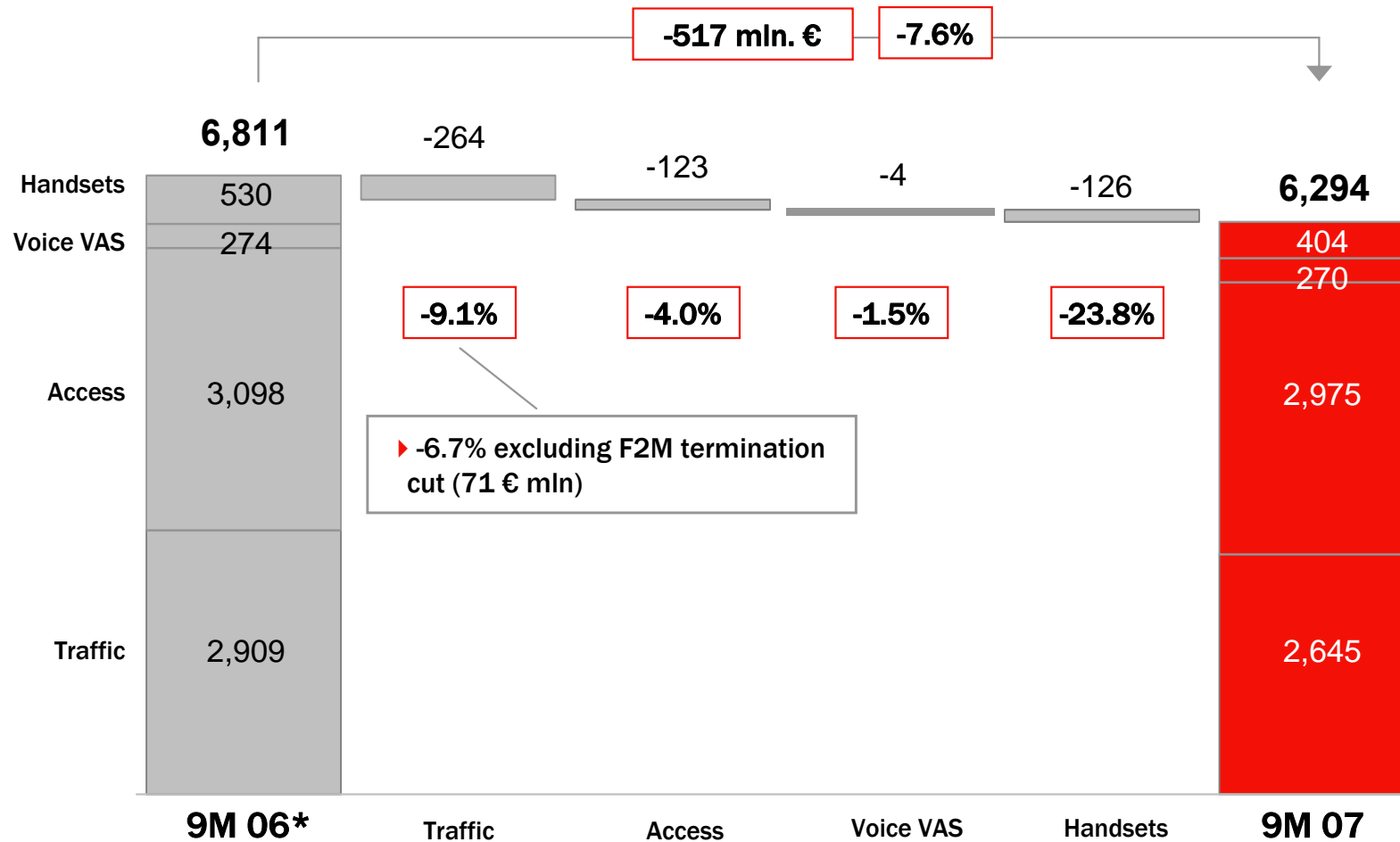
Of which:

	4Q 06	1Q 07	2Q 07	3Q 07
Voice	-7.2%	-7.8%	-8.4%	-6.4%
Internet	+3.5%	+8.0%	+5.3%	+11.2%
Business Data	-19.4%	-11.4%	+0.5%	-1.4%

* Voice + Internet + Business Data revenues

Domestic fixed: Voice Revenues

€ Mln, %, Reported Data

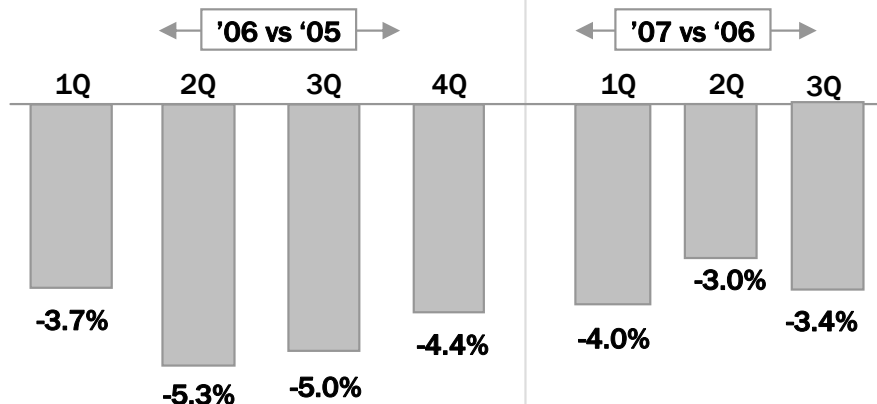


*Restated figures, excluding different accounting for Non Geographic Numbers (-241 mln €: -27 mln € on Traffic and -214mln € on Voice VAS)

Domestic fixed: Voice Traffic Performance

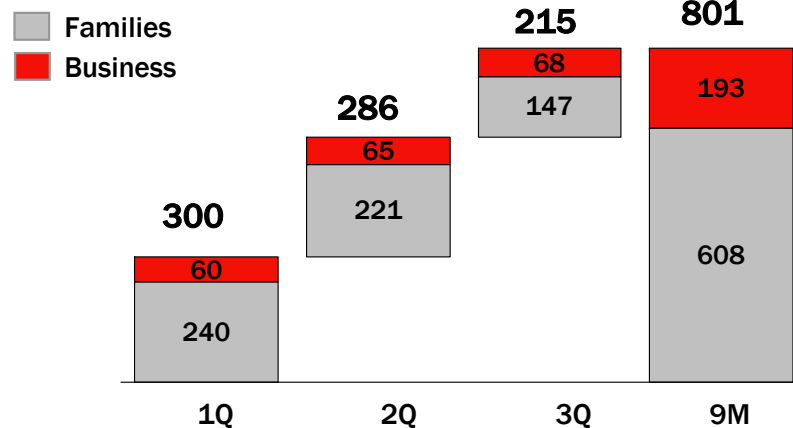
Italian market voice traffic trend

YoY % chg. in traffic volume



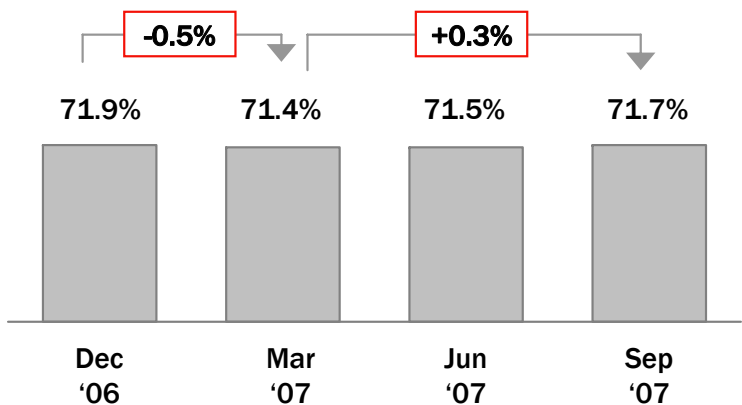
Telecom Italia retention campaign

'000, Number of lines



Telecom Italia traffic market share trend

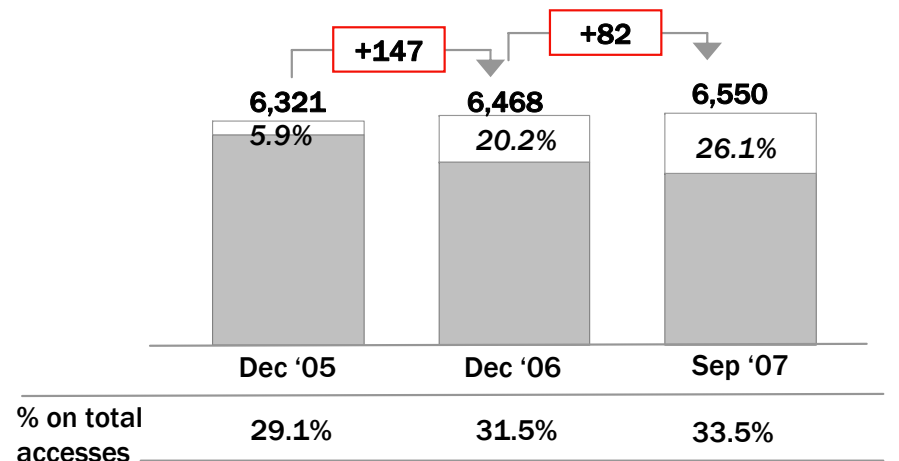
%, Total traffic monthly M/S



Telecom Italia Voice flat offers

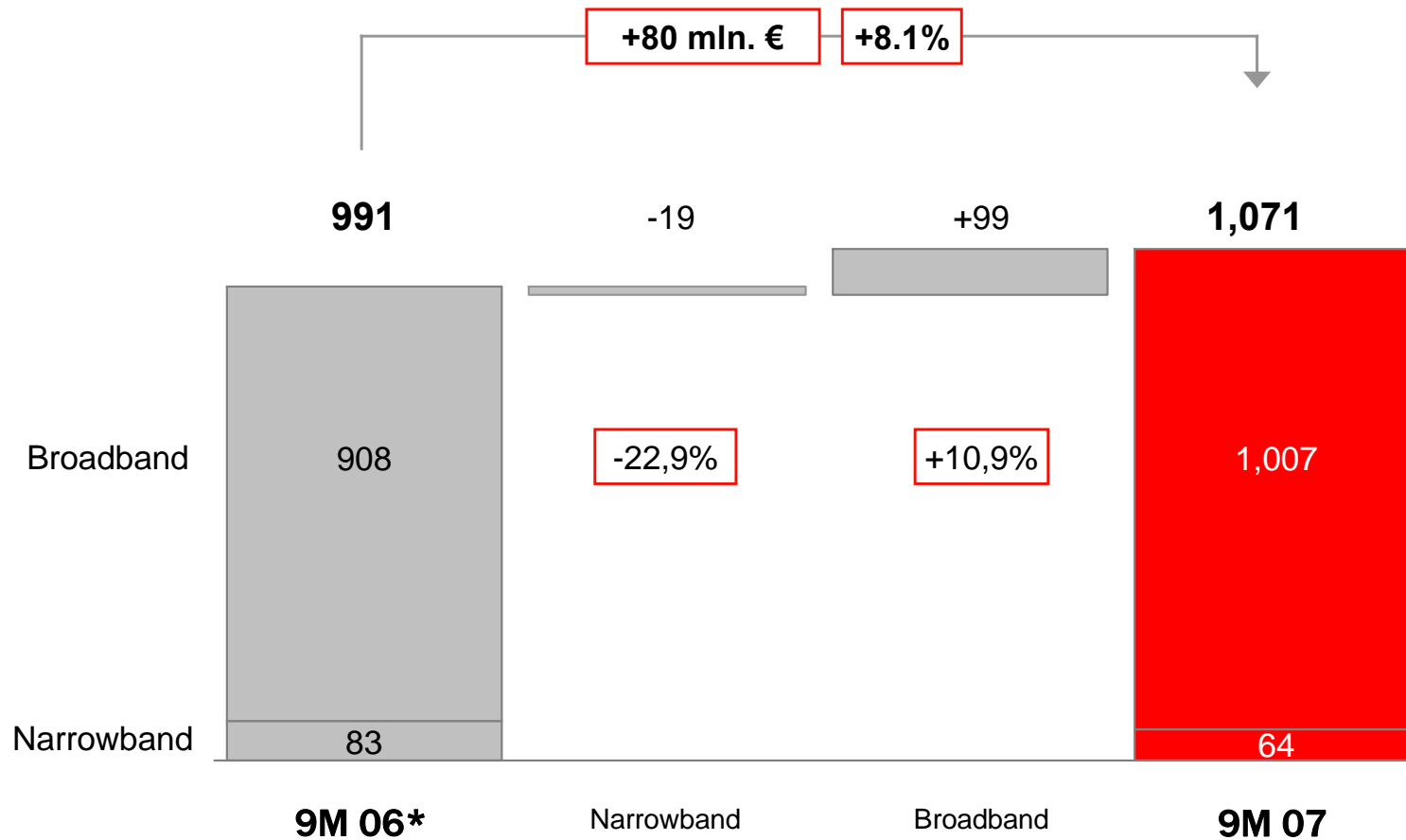
'000, Voice Flat/Semi-Flat offers

□ New Offers F2F/F2M



Domestic fixed: Internet Revenues

€ Mln, %, Reported Data



* Restated figures, excluding change in accounting for Non Geographic Numbers (-132 mln € on narrowband)

Domestic BroadBand: Portfolio Evolution

BroadBand Portfolio

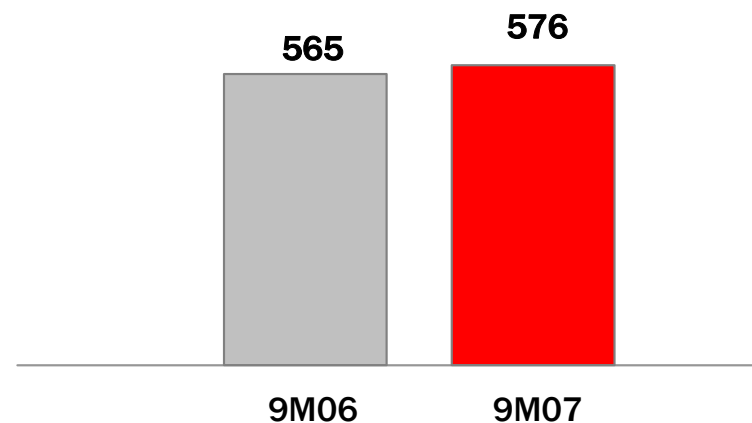
'000 Access lines

	Dec '05	Dec '06	Sep '07	Δ Dec06 vs Dec05	Δ9M07 vs EoY06
Wholesale	890	1,131	1,180	+241	+49
Retail	4,817	5,639	6,215	+822	+576
Total Domestic	5,707	6,770	7,395	+1,063	+625

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

BB Retail portfolio net growth

'000 Access lines

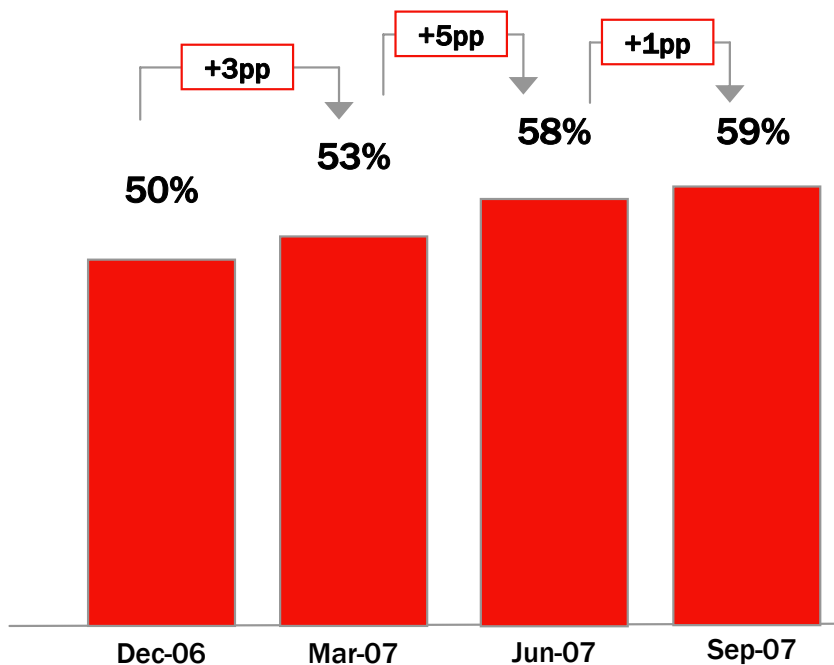


**In 9M 2007 BB Retail Portfolio growth in
line with 9M 2006**

Domestic BroadBand: Focus on Flat and VoIP Offers

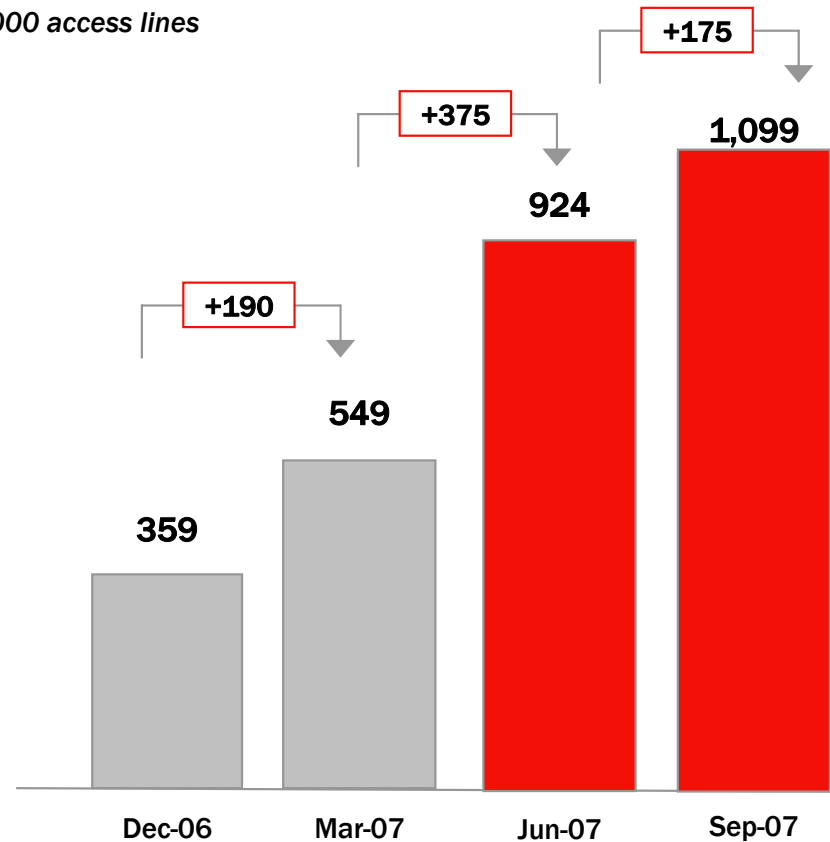
Flat Offers development

% on Residential Portfolio



VoIP portfolio

'000 access lines

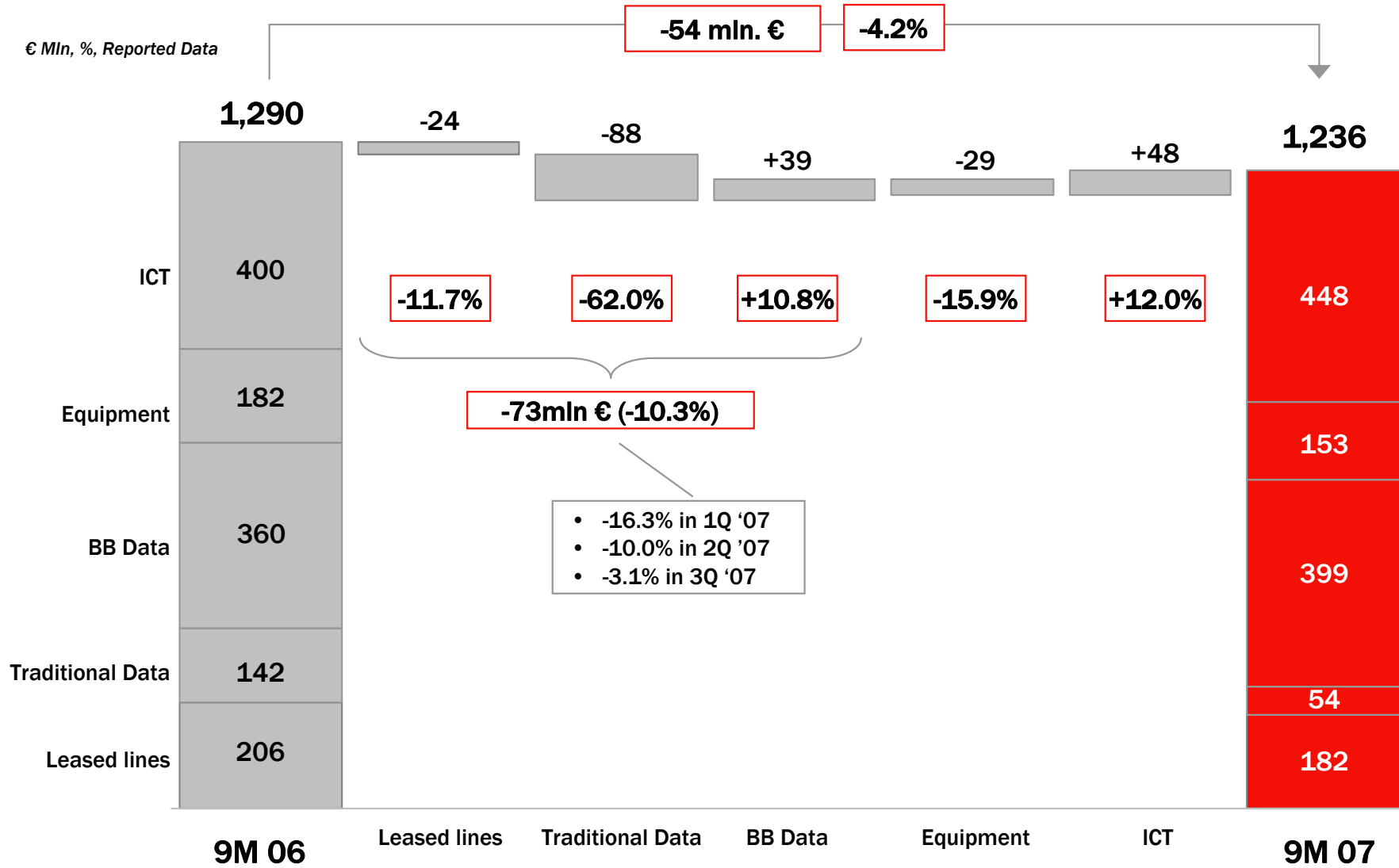


% on BB access lines



* Including Residential, SOHO and SME's customers

Domestic fixed: Business Data Revenues



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 - ▶ Costs Analysis
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 - ▶ TIM Brasil

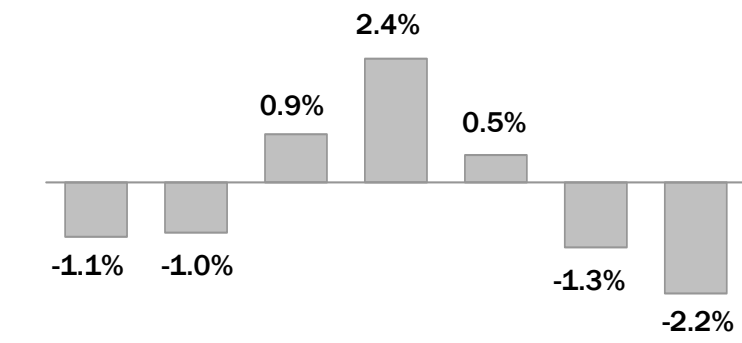
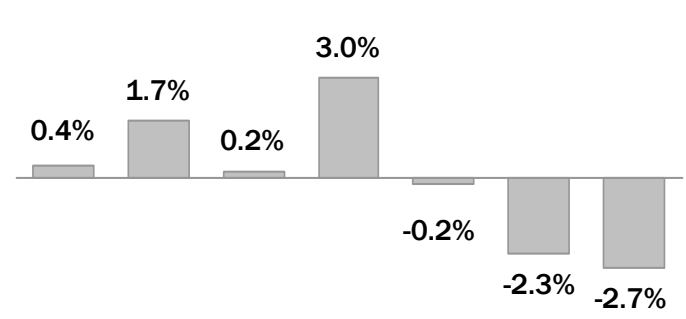
- ▶ Appendix

Domestic mobile: Revenue Trends by Quarter

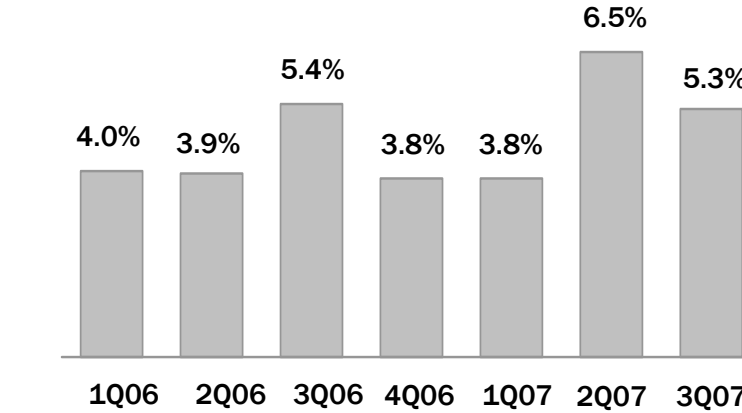
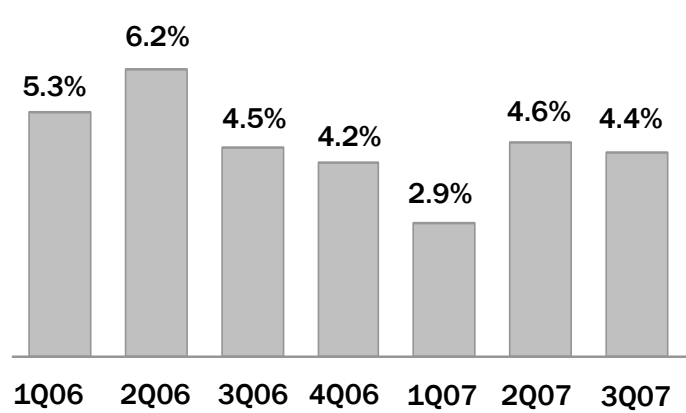
Total revenues

Service revenues

Organic YoY trend



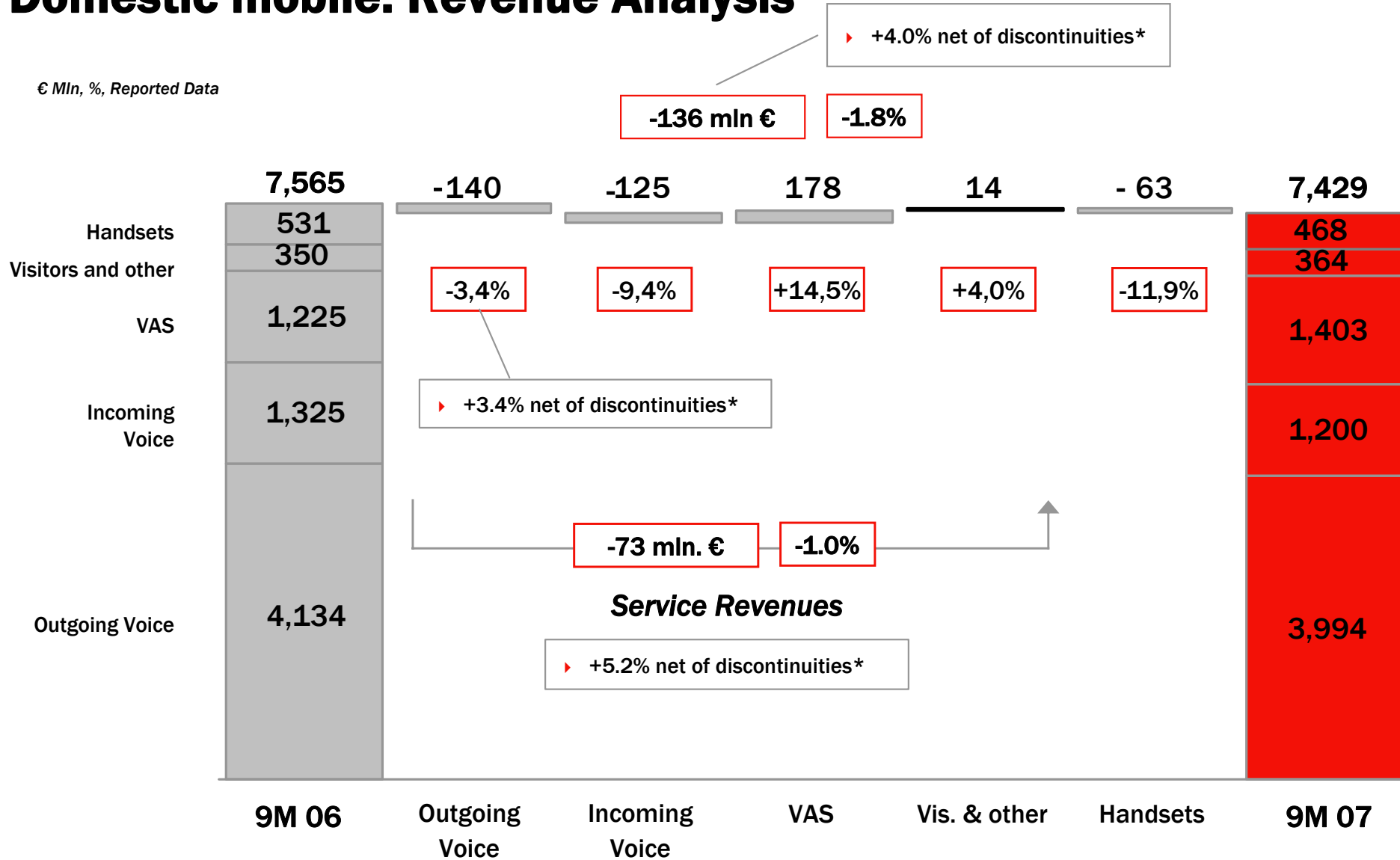
Organic YoY trend (Net of Discontinuities*)



* Bersani Decree net effect (30 mln € IQ '07, 133 mln € 2Q '07, 110 mln 3Q '07), Int'l Roaming (8mln € 1Q '07, 12 mln € 2Q '07, 27 mln 3Q '07) and F2M termination cut (36 mln € in 1Q '07, 37 mln in 2Q '07, 46 mln 3Q '07)

Domestic mobile: Revenue Analysis

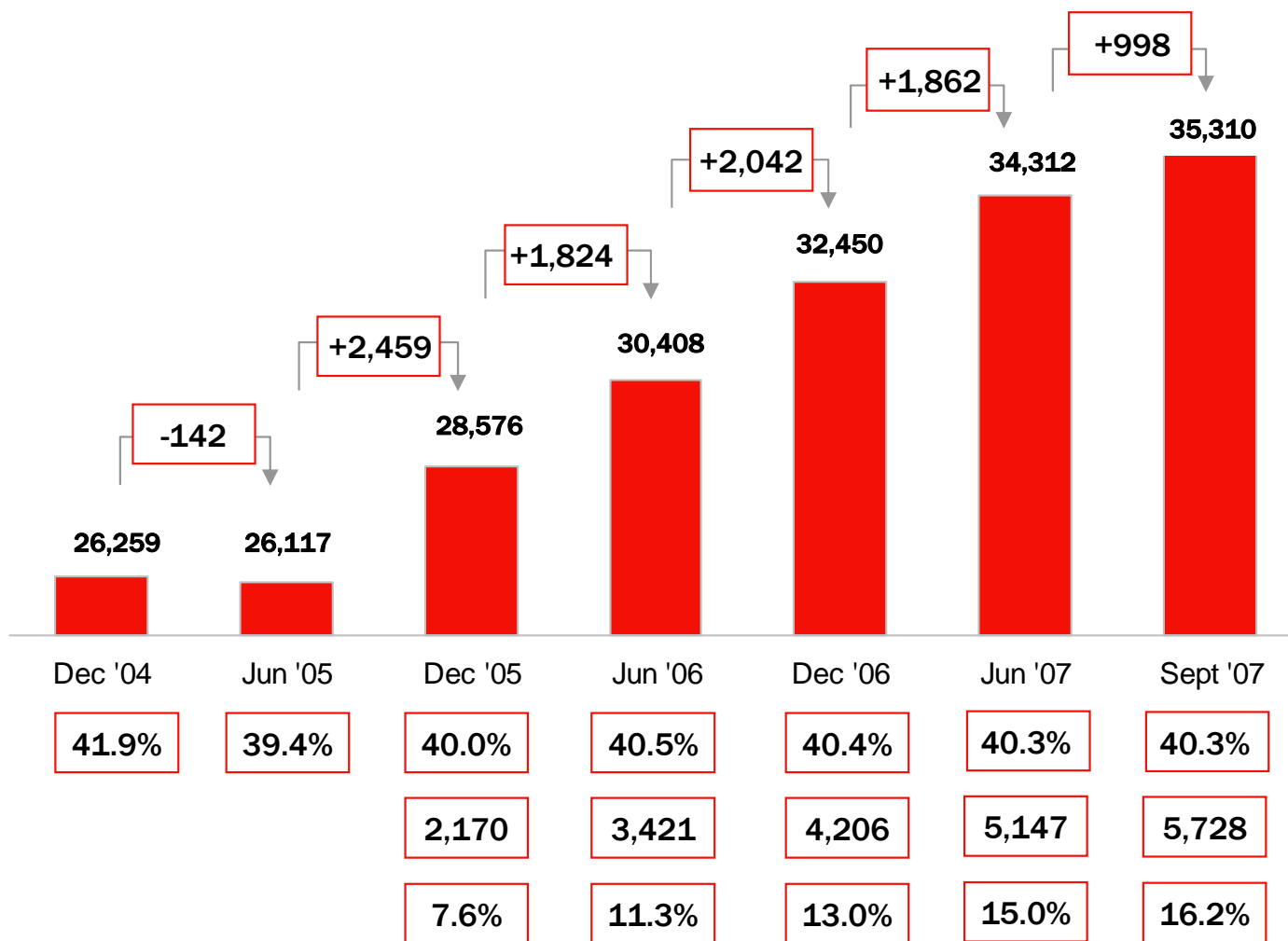
€ Mln, %, Reported Data



• Bersani Decree net effect (273 mln €), Int'l Roaming (47mln €) and F2M cut (119 Mln€)

Domestic mobile: Customer Base Trend

SIM, '000

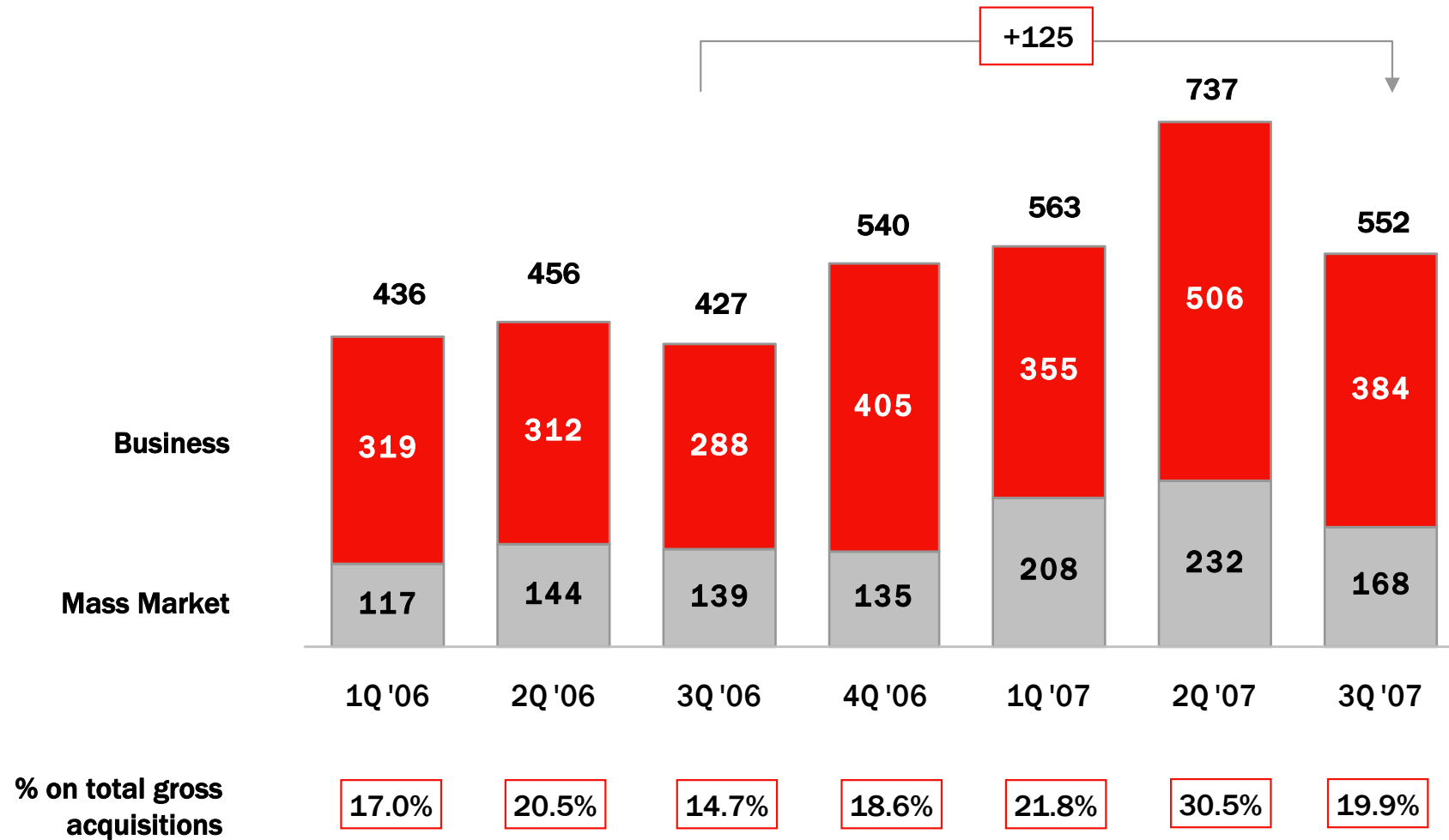


- KPIs:**
- ▶ ~1 mln Net Adds in 3Q '07 and stable market share
 - ▶ Postpaid ~ 24% of gross adds in 9M 07
 - ▶ Around 1.5mln UMTS customers added and UMTS penetration over 16%

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

Domestic mobile: Post paid Gross Acquisitions

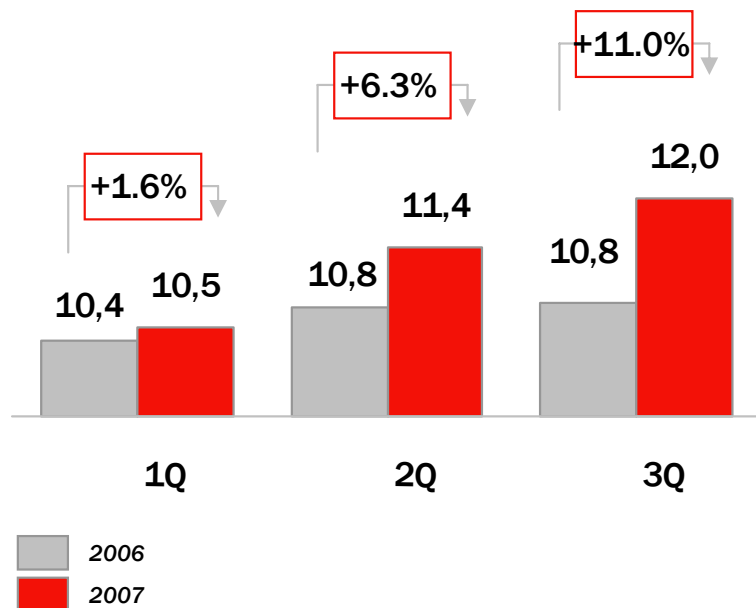
SIM '000, Not Human included



Domestic mobile: Voice Traffic Performance

Total Traffic Volumes*

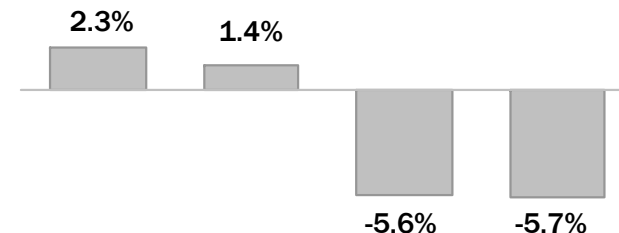
Bln. Minutes



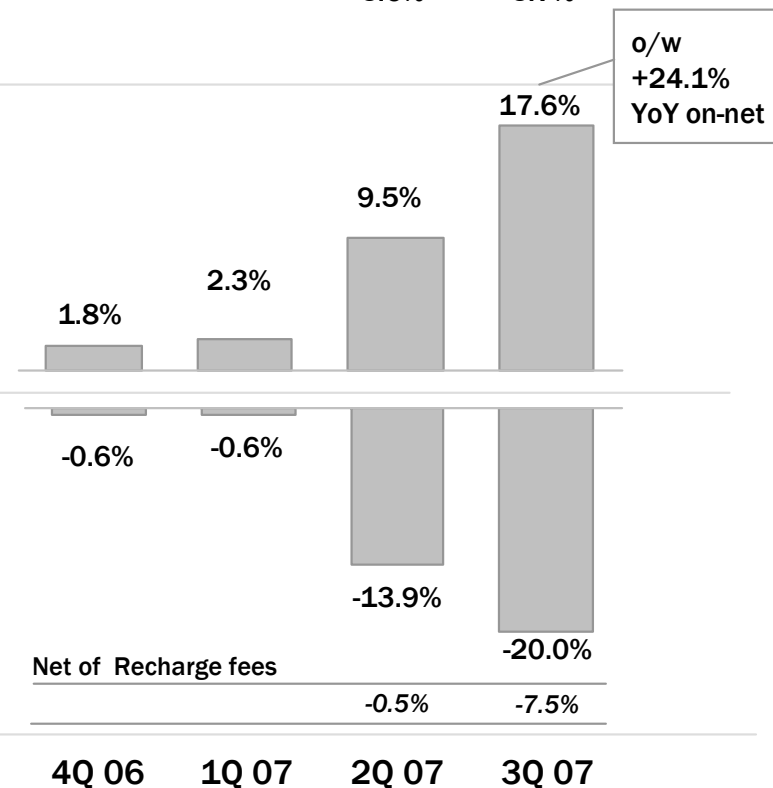
* Incoming + Outgoing, excluding Visitors and roaming
 ** Roaming not included

Outgoing voice

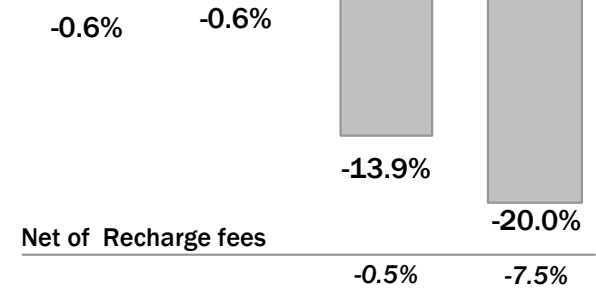
Outgoing voice revenues YoY trend



Outgoing traffic volumes** YoY trend



Outgoing traffic price** YoY trend



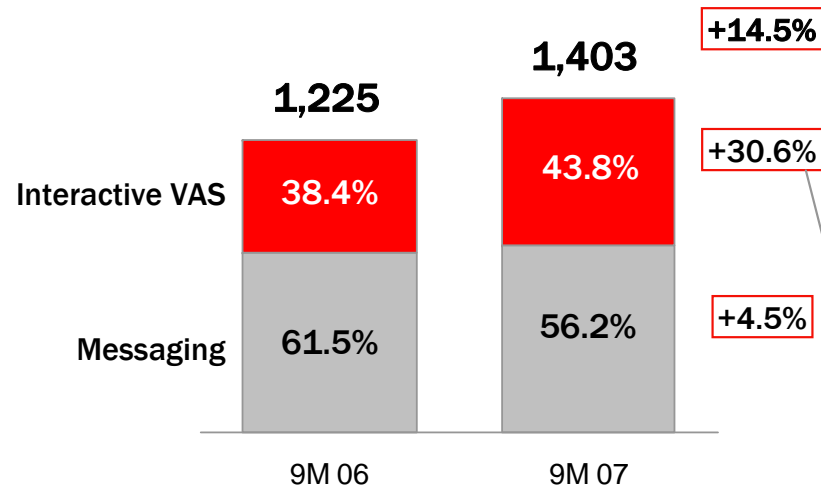
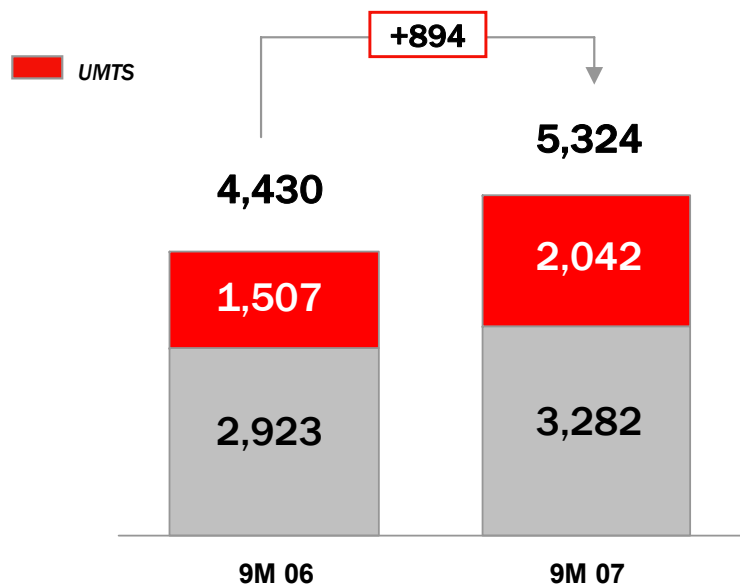
TIM Accelerates UMTS and Interactive VAS Penetration

Handsets sold

VAS Revenues

'000, %

mln €



% UMTS **34.0%**

38.4%

Mobile Office Devices Sold* (000) **77**

317

- 34.2% in 1Q '07
- 37.6% in 2Q '07
- 42.6% in 3Q '07

% VAS/Services Revenues

17.4%

20.2%

• Of which Browsing Revenues +76mln € (+51%)

* PDA, BlackBerry, PC Card

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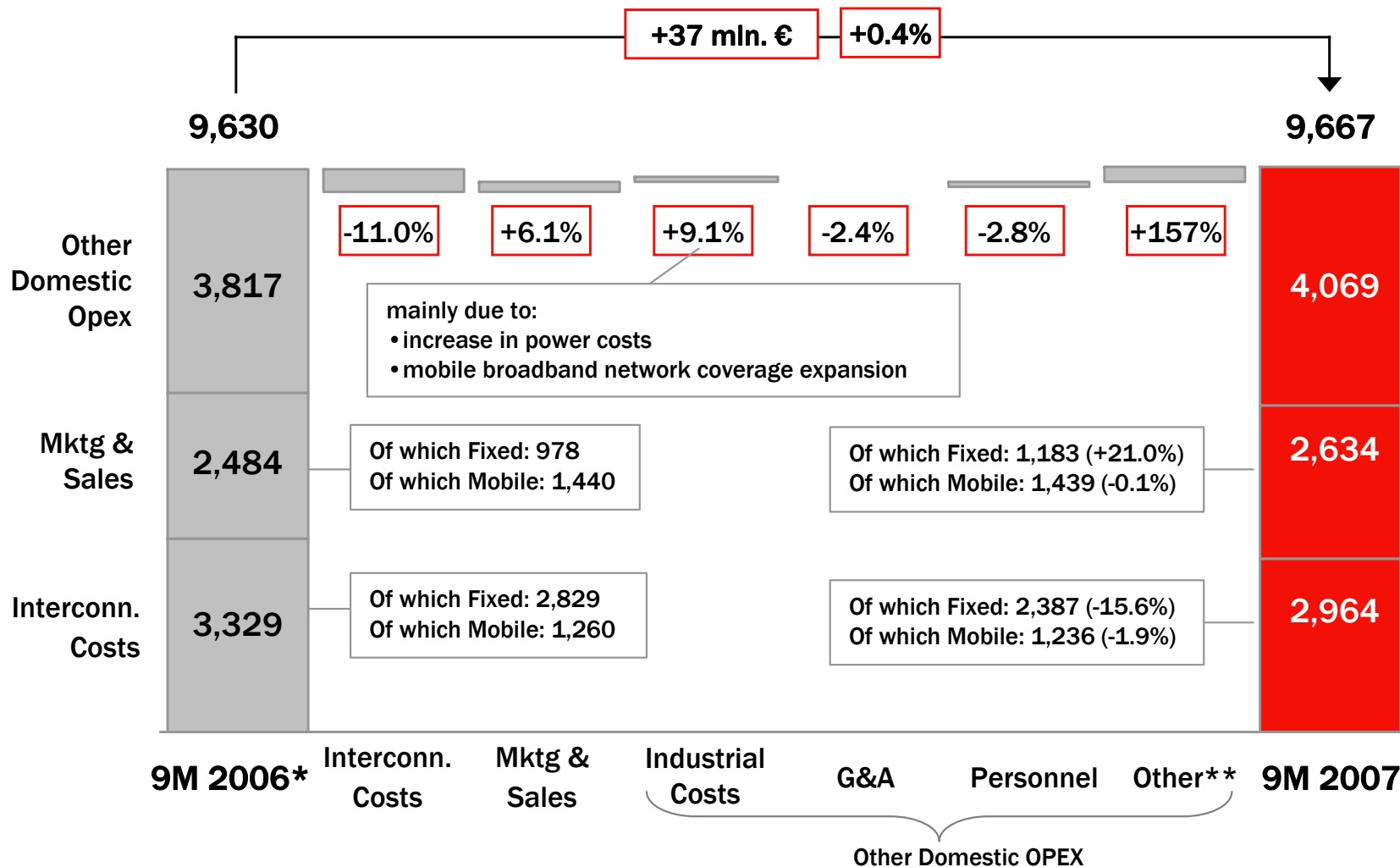
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Domestic: Cost Analysis 9M '07 vs '06

Reported Data; Mln €, %

- +126mln€ (+4.2%) in 1Q '07
- -20mln€ (-0.6%) in 2Q '07
- -69mln€ in (-2.2%) 3Q '07

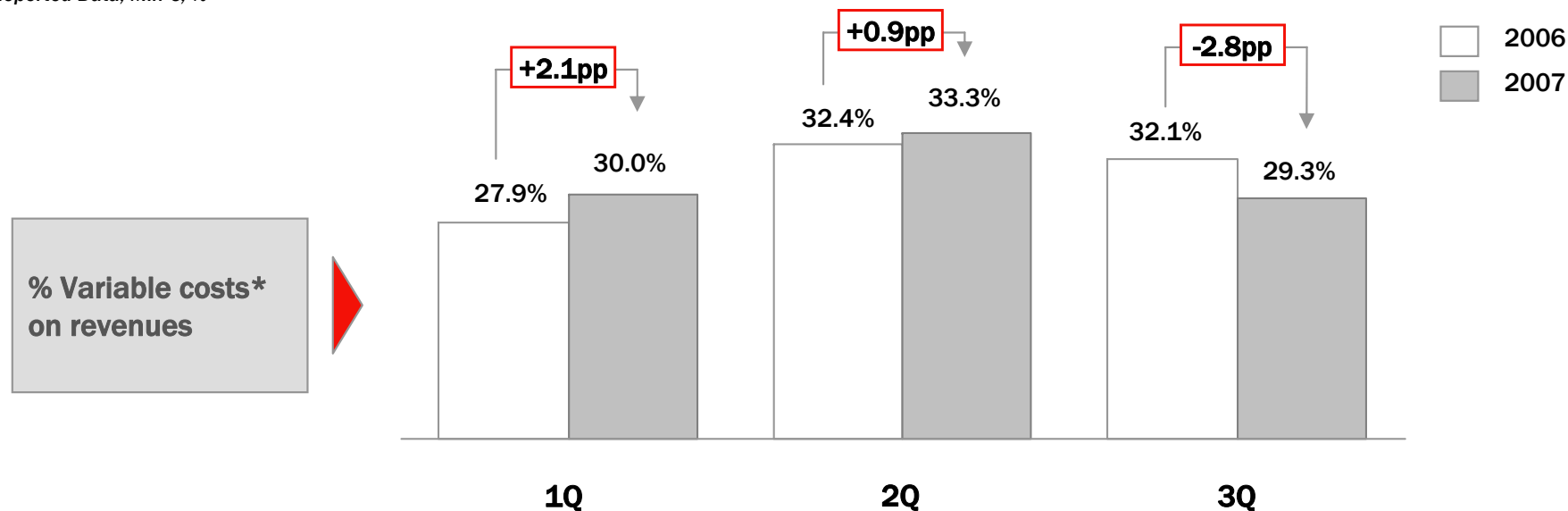


* Restated figures, excluding change in accounting for Non Geographic Numbers (-373 mln €)

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

Domestic: revenue mix improvement and variable costs

Reported Data; Mln €, %



Variable costs '06*	1,726	2,096	1,991
Variable costs '07*	1,804	2,055	1,739
Δ YoY	78	-41	-252

Strong reduction in variable costs thanks to improvement in revenues mix

* Interconnection Costs + Marketing & Sales Costs. Calculated on costs and revenues excluding change in accounting for Non Geographic Numbers

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European BroadBand: an integrated approach

Common guidelines

▶ **Common, recognizable Brand across footprint**

▶ **Valuable customer growth**

▶ **ULL Coverage expansion and improvement of client mix**

▶ **Focus on profitability**

9M 07 highlights

- ▶ Alice Germany: “stylish, uncomplicated, clear, value for money”*
 - ▶ Alice France: “leading brand in fashion, clarity and transparency”*
 - ▶ Alice Netherlands: launch of Alice retail offer in mid August
-
- ▶ Germany: ~65% total lines are 2/3P (+4pp since AOL consolidation)
207k MVO customers portfolio since Alice Mobile launch (May '07)
 - ▶ France: ~93% portfolio is 2/3P (+6pp YoY) driven by 3P take-up
>80k IPTV customers, ~10% of BB customer base
 - ▶ Netherlands: 5,000 2P retail customers in ~ 6 weeks from launch
-
- ▶ Germany: 55% ULL coverage, on track with ~60% 2007 EoY target
ULL ~54% of client portfolio (+6pp since AOL consolidation)
 - ▶ France: 48% ULL coverage already hit annual target
ULL ~64% of new client acquisitions (+31pp YoY)
-
- ▶ Germany: strong margin progression following merger of AOL
25.7% EBITDA mg 9M'07 already > 2007FY target
 - ▶ France: solid development thanks to improved portfolio mix and efficiency program
-18.1% EBITDA mg 9M'07 vs. -36.6% 9M'06 (+18.5pp YoY)

*Source: “Brand and advertising awareness of full service operators and only broadband providers..”for Germany and France – GfK Eurisko (Sept. 2007)

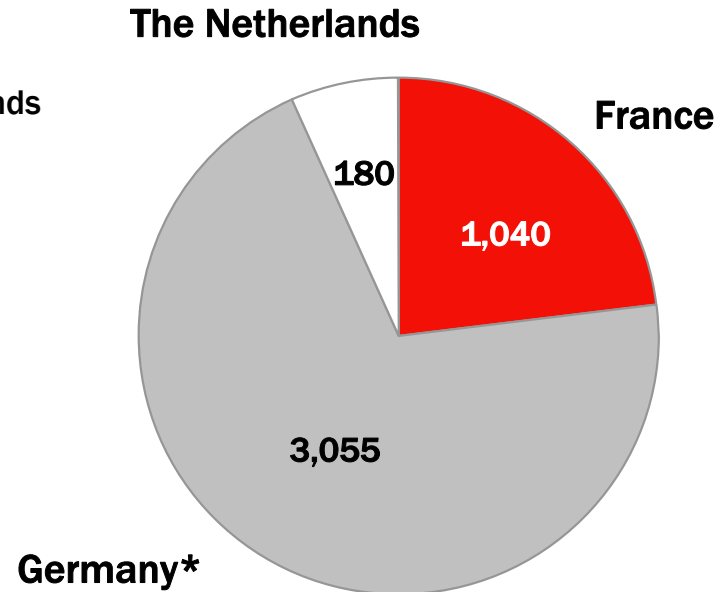
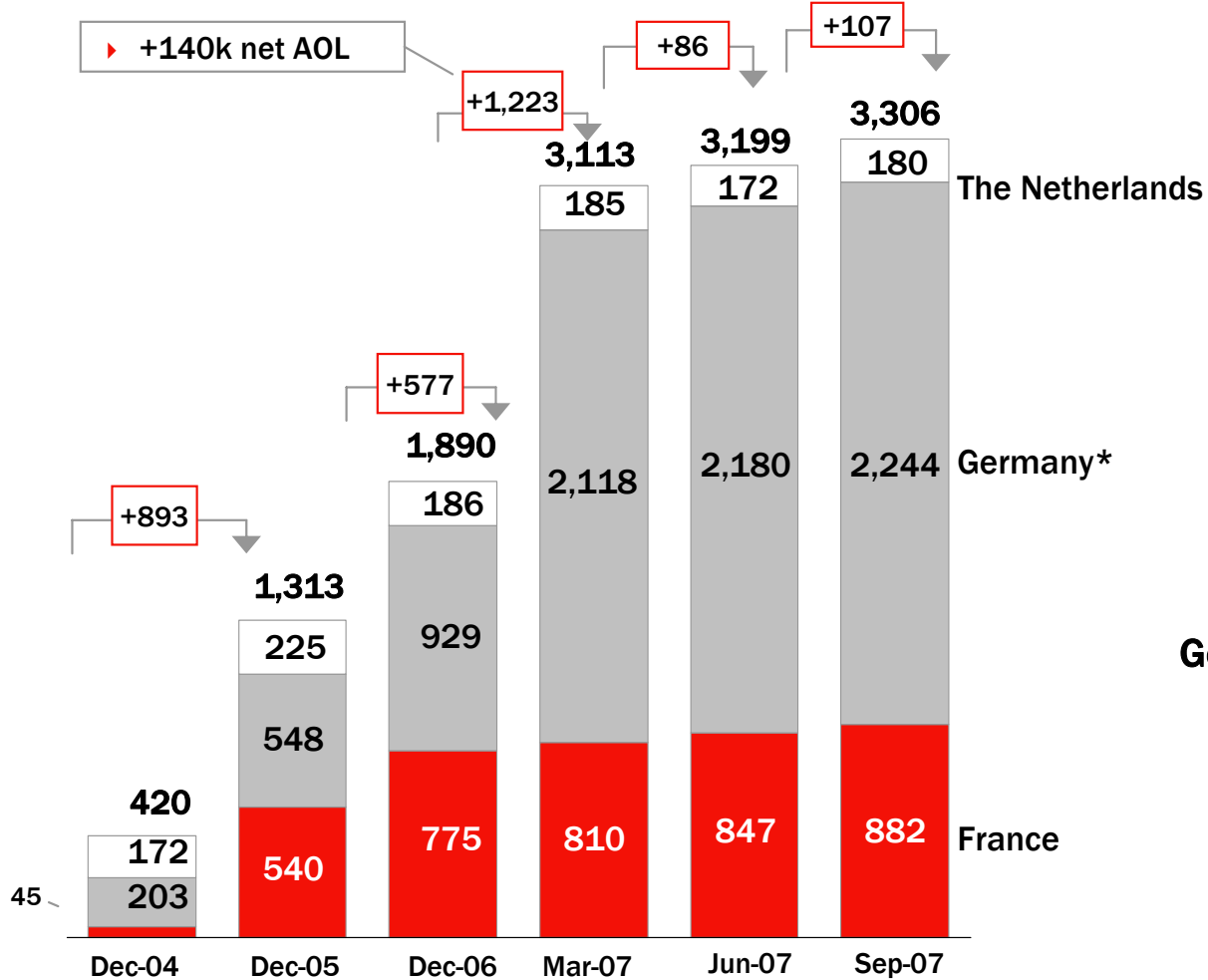
European BroadBand: Customer Base Evolution

Broadband Portfolio

Total customer portfolio: BB+NB

'000 BroadBand Access

'000 Access



**Total customer portfolio:
4,275,000**

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

European BroadBand: Main Results 9M '07 vs '06

€ Mln, %

	Reported Data				Organic Growth	
	9M07	9M06	Δ	Δ %	Δ	Δ%
Revenues	1,106	662	+444	+67.1%	+190	+20.7%
Ebitda	161	40	+121	+302.5%	+89	+117.1%
Ebitda margin	14.6%	6.0%	+8.6pp		+6.6pp	
Ebit	-59	-106	+47	+44.3%	+21	+27.6%
Ebit margin	-5.3%	-16.0%	+10.7pp		+3.3pp	
Capex	363	344	+19	+5.5%		
% on revenues	32.8%	52.0%	-19.2pp			

- 9.9% in 1Q '07
- 15.3% in 2Q '07
- 18.2% in 3Q '07

European BroadBand: Main Results 9M '07 vs '06 by Country

€ Mln, %, Reported Data

	TI France				Hansenet + AOL				BBNED			
	9M '07	9M '06	Δ Abs	Δ%	9M '07	9M '06	Δ Abs	Δ%	9M '07	9M '06	Δ Abs	Δ%
Revenues	282	227	+55	+24.2%	767	375	+392	+104.5%	57	59	-2	-3.4%
Ebitda	-51	-83	+32	+38.6%	197	99	+98	+99.0%	15	24	-9	-37.5%
<i>Ebitda margin</i>	<i>-18.1%</i>	<i>-36.6%</i>	<i>+18.5pp</i>		<i>25.7%</i>	<i>26.4%</i>	<i>-0.7pp</i>		<i>26.3%</i>	<i>40.7%</i>	<i>-14.4pp</i>	
Ebit	-147	-153	+6	+3.9%	90	40	+50	+125.0%	0	10	-10	-100%
<i>Ebit margin</i>	<i>-52.1%</i>	<i>-67.4%</i>	<i>+15.3pp</i>		<i>11.7%</i>	<i>10.7%</i>	<i>+1.0pp</i>		<i>0.0%</i>	<i>16.9%</i>	<i>-16.9pp</i>	
CAPEX	94	167	-73	-43.7%	262	165	+97	+58.8%	7	13	-6	-46.2%
<i>% on revenues</i>	<i>33.3%</i>	<i>73.6%</i>	<i>-40.3pp</i>		<i>34.2%</i>	<i>44.0%</i>	<i>-9.8pp</i>		<i>12.3%</i>	<i>22.0%</i>	<i>-9.7pp</i>	

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TIM Brasil: Solid Positioning

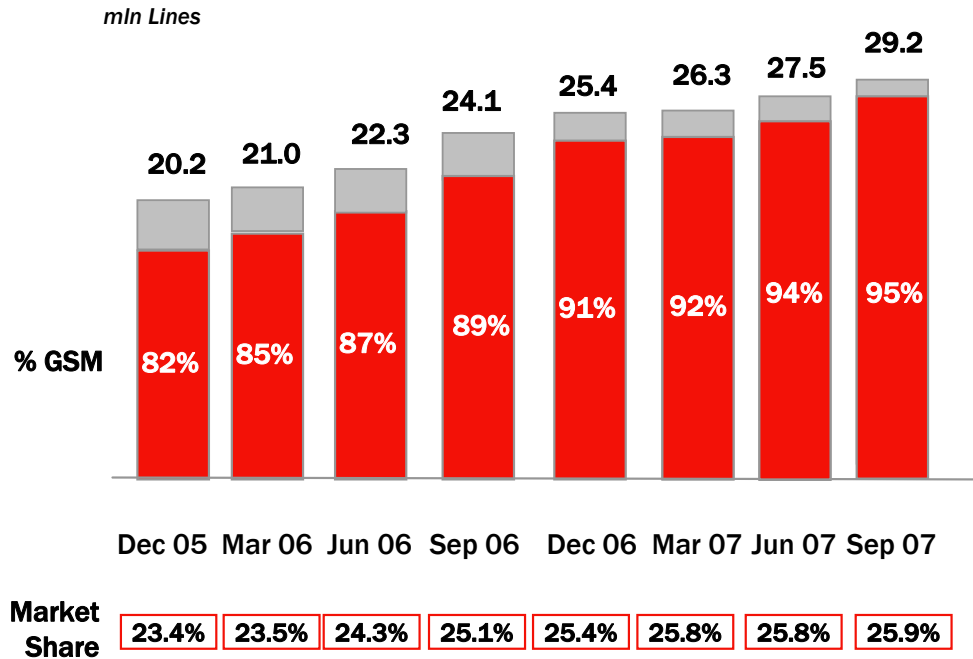
Customer	Awareness
<p>Continuous value segment growth</p> <ul style="list-style-type: none"> ▶ 29.2mln customer in Sept '07 (+3.8 mln net adds in 9M07) reaching 25.9% Market share ▶ Improving client mix: postpaid lines reach 23% on total (+2.1pp YoY) vs 20% of market average ▶ Solid ARPU premium vs market average: >15% 	<p>Recognized TIM Brand</p> <ul style="list-style-type: none"> ▶ Top of Mind” for the third consecutive year as the most remembered mobile operator company * ▶ The first mobile operator choice according to all recent key independent surveys ▶ Recognized again as the “Most Admirable Company”**
Innovation	Profitability
<p>...acceleration in convergence strategy</p> <ul style="list-style-type: none"> ▶ TIM Web: mobile internet ▶ TIM Mais Completo: convergent solution (M+F+BB) ▶ TIM Casa Flex: prepaid and postpaid Home-Zone offer <p>...launch low-ARPU offer:</p> <ul style="list-style-type: none"> ▶ Plano 1: new business model addressing wider market and ensuring profitability via lower distribution charges & ownership cost 	<p>Solid Financial growth</p> <ul style="list-style-type: none"> ▶ +27.6% Organic revenue growth in 9M07 ▶ EBITDA margin expansion (22.9% EBITDA margin Reported in 9M07, +1.3pp YoY) ▶ 3Q '07 impacted by non-recurring bad debt from write-off of receivables (18.5% reported margin vs 23.2% net of impact) ▶ FY2007 target EBITDA margin ~23% confirmed

* According to Datafolha Institute Survey

** According to CartaCapital/TNS InterScience Survey

TIM Brasil: Market Performance

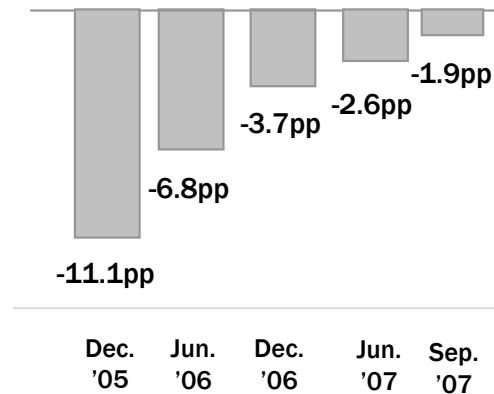
TIM Brasil Customer Portfolio



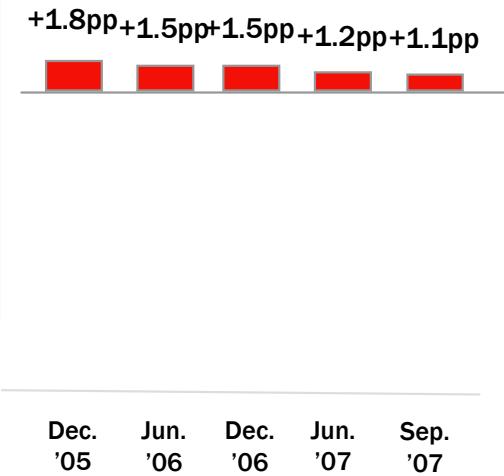
► Postpaid customers base at Sept 07: 6.6K (23% of total customer base)

Market Share Gap vs. main competitors

Vs 1st player



Vs 3rd player



TIM Brasil: Main Results 9M '07 vs 9M '06

IAS/IFRS

	Data Reported - Euro Million Euro, %				Data Reported - Reais Million R\$, %				Organic Growth %
	9M '07	9M '06	Δ Abs	Δ %	9M '07	9M '06	Δ Abs	Δ %	Δ %
RICAVI	3,603	2,792	811	29.0%	9,694	7,595	2.099	27.6%	27.6%
EBITDA	824	604	220	36.4%	2.216	1,644	572	34.8%	34.0%
<i>Ebitda margin</i>	<i>22.9%</i>	<i>21.6%</i>	<i>1.3 p.p.</i>		<i>22.9%</i>	<i>21.6%</i>	<i>1.3 p.p.</i>		<i>22.9% margin</i>
EBIT	44	-47	91		118	-128	246		
<i>Ebit margin</i>	<i>1.2%</i>	<i>-1.7%</i>	<i>2.9 p.p.</i>		<i>1.2%</i>	<i>-1.7%</i>	<i>2.9 p.p.</i>		+16.2% net of B&K
CAPEX	442	329	113		1,190	895	295		
<i>% on revenues</i>	<i>12.3%</i>	<i>11.8%</i>	<i>0.5 p.p.</i>		<i>12.3%</i>	<i>11.8%</i>	<i>0.5 p.p.</i>		

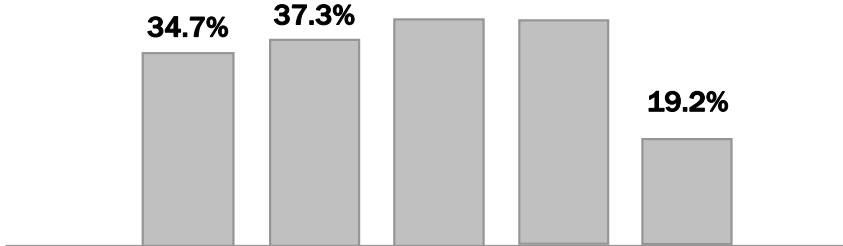
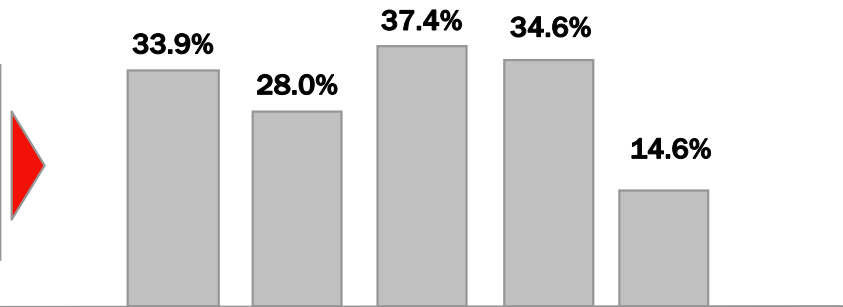
TIM Brasil: Revenue Trends by Quarter

IAS/IFRS

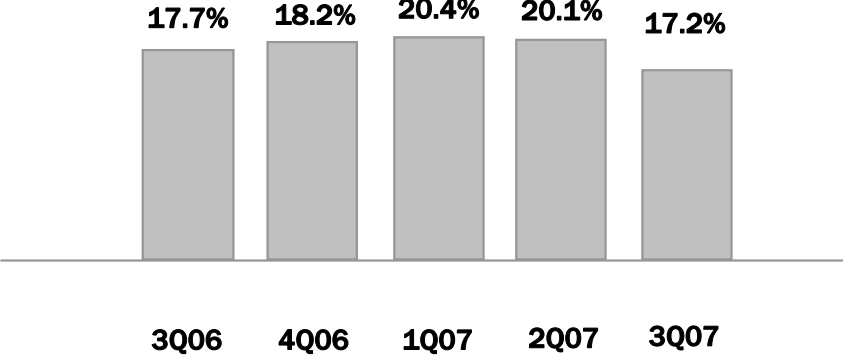
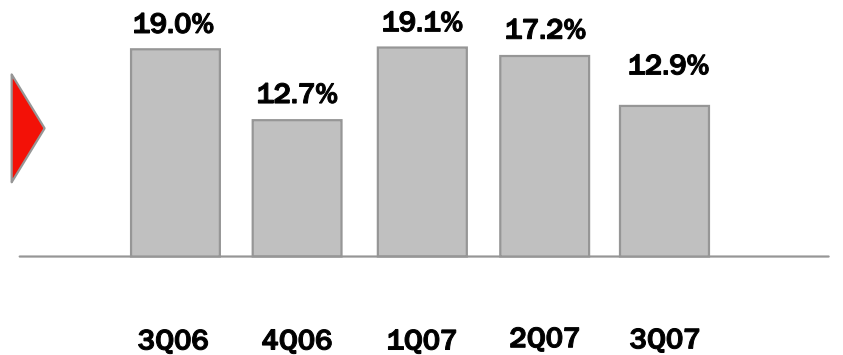
Total revenues

Service revenues

YoY Growth
(Organic)



YoY Growth
(Organic, net of
B&K)*



*Growth net of B&K calculated on a like-for-like basis

TIM Brasil: EBITDA Trend by Quarter on a like-for-like basis

IAS/IFRS - Million Reais, %

	3Q06			3Q07		
	2006	Adjustments	2006 Restated	2007	Adjustments	2007 Restated
Revenues Reported	2.951		2.951	3.381	55	3.436
EBITDA Reported	690	-54	636	625	173	798
<i>Ebitda Margin</i>	23.4%		21.6%	18.5%		23.2%
Exceptional Items	-14		-14	0		0
EBITDA Organic	676	-54	622	625	173	798
<i>Ebitda Margin</i>	22.9%		21.1%	18.5%		23.2%

Different SAC accounting between '06 and '07

+2.1pp

One-shot write-off in accounts receivable from handsets sales

Full Year 2007 Target confirmed

Agenda

- ▶ 9M 2007 business performance:
 - ▶ Domestic
 - ▶ European BroadBand
 - ▶ TIM Brasil

- ▶ **Appendix**

Domestic: Main Results – Organic Trend 9M '07

Mln. €

	9M 2006				9M 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	19,223	-10	-17		19,196	18,108		18,108	-1,088 -5.7%
Ebitda	9,220	-8	-2	+94	9,304	8,440	+150	8,590	-714 -7.7%
Ebit	5,883	-8	-1	-21	5,853	5,184	+139	5,323	-530 -9.1%

▶ Real estate Projects: 123 €mln

▶ Restructuring Charges: 86 €mln

▶ Restructuring Charges: 96 € mln
▶ Settlement with OLO: 33 € mln
▶ Antitrust Fine: 20 € mln

▶ Real estate project: 10 €mln

Fixed Access lines

EoY 2003

EoY 2004

EoY 2005

EoY 2006

Sep 2007

million access

TI Wireline Retail Access

23.0

22.4

21.7

20.5

19.6

'000 access

OLO Access (on TI infrastructure)

ULL

510

759

1,117

1,706

2,519

Virtual ULL

n.a.

n.a.

n.a.

254

250

Shared Access (ADSL)*

n.a.

29

141

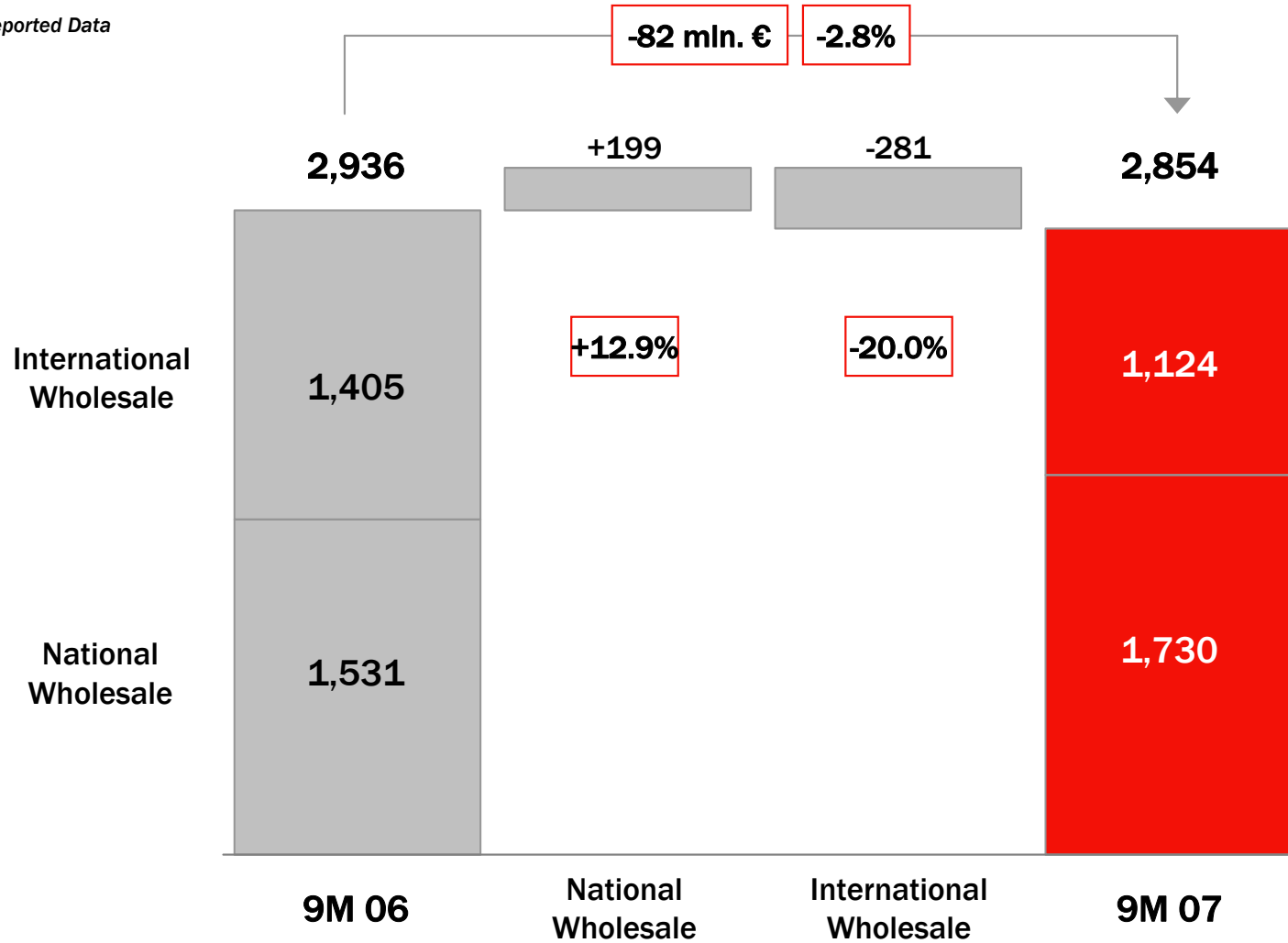
329

400

* Included in TI Retail Access

Domestic fixed: Wholesale Services Revenues

€ Mln, %, Reported Data



TIM Brasil: Main Results 9M '07 vs '06 Organic Growth in LC

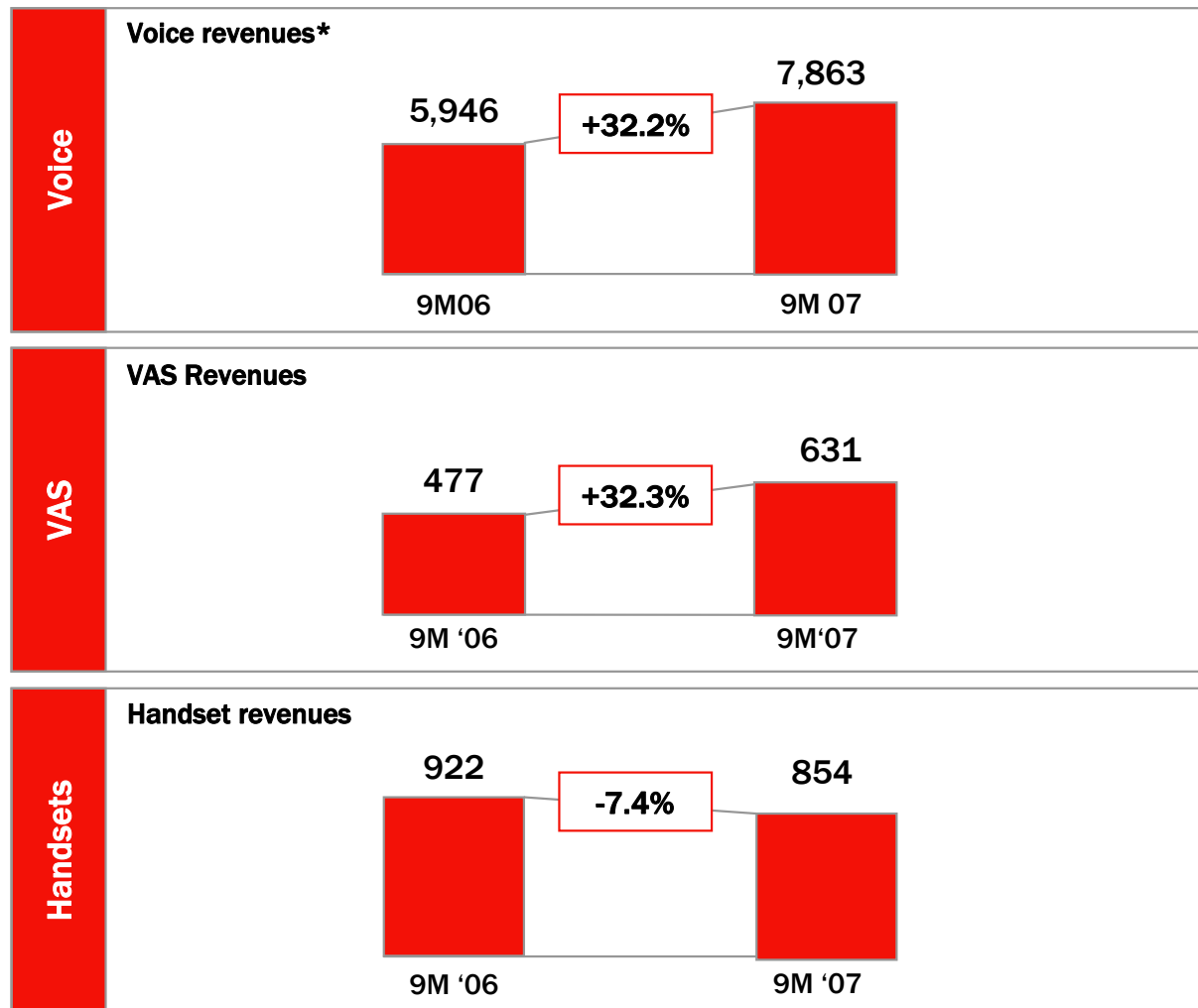
IAS/IFRS - Million Reais, %

	9M 2006			9M 2007			Organic Growth '07 vs '06	
	2006 Reported	Exceptional Items	2006 Organic	2007 Reported	Exceptional Items	2007 Organic	Delta ass	Delta %
Revenues	7,595		7,595	9,694		9,694	2,099	27,6%
Ebitda	1,644	+10	1,654	2,216	-	2,216	562	34,0%
<i>Ebitda %</i>	21.6%		21.8%	22.9%		22.9%		
Ebit	-128	+11	-117	118	-	118	235	
<i>Ebit %</i>	-1.7%		-1.5%	1.2%		1.2%		

Includes TIM Brasil merger costs

TIM Brasil: Revenue Analysis

IAS/IFRS; R\$ Mln



* Excluding visitors & others