

ATTACHMENTS TO THE PRESS RELEASE

ALTERNATIVE PERFORMANCE MEASURES

In this press release in addition to the conventional financial performance measures established by IFRS, certain alternative performance measures are presented for purposes of a better understanding of the trend of operations and the financial condition. However, such measures should not be considered as a substitute for those required by IFRS.

Specifically, the non-IFRS alternative performance measures used are described below:

- **EBITDA.** This financial measure is used by Telecom Italia as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of the operating performance of the Group (as a whole and at the level of the Business Units) and of the Parent, in addition to **EBIT**. These measures are calculated as follows:

PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

- + Finance expenses
- Finance income
- +/- Share of losses (profits) of associates and joint ventures accounted for using the equity method (*)

EBIT - OPERATING PROFIT

- +/- Impairment losses (reversals) on non-current assets
- +/- Losses (gains) on disposals of non-current assets
- + Depreciation and amortization

EBITDA - OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION, CAPITAL GAINS (LOSSES) REALIZED AND IMPAIRMENT REVERSALS (LOSSES) OF NON-CURRENT ASSETS

(*) Caption in Group consolidated financial statements only.

- **Organic change in Revenues, EBITDA and EBIT.** These measures express changes (amount and/or percentage) in Revenues, EBITDA and EBIT, excluding, where applicable, the effects of the change in the scope of consolidation, exchange differences and non-organic components constituted by non-recurring items and other non-organic income/expenses.

Telecom Italia believes that the presentation of such additional information allows to understand in a more complete and effective manner the operating performance of the Group (as a whole and at the level of the Business Units) and the Parent.

The organic change in Revenues, EBITDA and EBIT is also used in presentations to analysts and investors.

This press release provides details of the economic amounts used to arrive at the organic change as well as an analysis of the major non-organic components for the years 2007 and 2006.

- **Net Financial Debt.** Telecom Italia believes that the Net Financial Debt provides an accurate indicator of its ability to meet its financial obligations. It is represented by Gross Financial Debt less Cash and Cash Equivalents and other Financial Assets. In the attachments to this press release the tables show the amounts taken from the balance sheet and used to calculate the Net Financial Debt of the Group and the Parent, respectively.

The Income Statements and the Balance Sheets as well as the Net Financial Debt of the Telecom Italia Group and the Parent, herewith presented, are the same as those included in the Report on Operations of the 2007 Annual Report and are unaudited. Such statements as well as the Net Financial Debt are however consistent with those included in the Telecom Italia Consolidated and Separate Financial Statements for the year ended December 31, 2007.

In addition, the Cash Flow Statements of the Telecom Italia Group and the Parent, herewith presented, are those included in the Telecom Italia Consolidated and Separate Financial Statements for the year ended December 31, 2007, respectively.

Please note that the audit work by our independent auditors on the Telecom Italia Consolidated and Separate Financial Statements for the year ended December 31, 2007 has not yet been completed.

TELECOM ITALIA GROUP

CONSOLIDATED INCOME STATEMENTS

	Year	Year	Change	
	2007 (a)	2006 (b)	(a-b)	%
(millions of euro)				
Revenues	31,290	31,275	15	0.0
Other income	413	606	(193)	(31.8)
Total operating revenues and other income	31,703	31,881	(178)	(0.6)
Acquisition of goods and services	(14,545)	(14,191)	(354)	2.5
Employee benefits expenses	(3,884)	(3,801)	(83)	2.2
Other operating expenses	(2,245)	(1,543)	(702)	45.5
Changes in inventories	11	8	3	37.5
Internally generated assets	577	496	81	16.3
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION, CAPITAL GAINS (LOSSES) REALIZED AND IMPAIRMENT REVERSALS (LOSSES) OF NON-CURRENT ASSETS (EBITDA)	11,617	12,850	(1,233)	(9.6)
Depreciation and amortization	(5,811)	(5,487)	(324)	5.9
Gains (losses) on disposals of non-current assets (1)	5	95	(90)	(94.7)
Impairment reversals (losses) on non-current assets	(47)	(21)	(26)	123.8
OPERATING PROFIT (EBIT)	5,764	7,437	(1,673)	(22.5)
Share of profits (losses) of associates and joint ventures accounted for using the equity method	86	51	35	68.6
Finance income	3,345	3,041	304	10.0
Finance expenses	(5,094)	(5,014)	(80)	1.6
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	4,101	5,515	(1,414)	(25.6)
Income tax expense	(1,682)	(2,519)	837	(33.2)
PROFIT FROM CONTINUING OPERATIONS	2,419	2,996	(577)	(19.3)
Profit or loss from Discontinued operations/Non-current assets held for sale	36	7	29	°
PROFIT FOR THE YEAR	2,455	3,003	(548)	(18.2)
of which:				
* Profit attributable to equity holders of the Parent	2,448	3,014	(566)	(18.8)
* Profit or loss attributable to Minority Interest	7	(11)	18	°

(1) Excludes capital gains/losses realized on disposals of investments classified as discontinued operations/non-current assets held for sale and investments other than in subsidiaries.

TELECOM ITALIA GROUP – CONSOLIDATED BALANCE SHEETS

(millions of euro)	12/31/2007	12/31/2006	Change
	(a)	(b)	(a-b)
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	44,420	43,739	681
Intangible assets with a finite useful life	6,985	6,740	245
	51,405	50,479	926
Tangible assets			
Property, plant and equipment owned	15,484	15,690	(206)
Assets held under finance leases	1,450	1,525	(75)
	16,934	17,215	(281)
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	484	488	(4)
Other investments	57	776	(719)
Securities, financial receivables and other non-current financial assets	695	691	4
Miscellaneous receivables and other non-current assets	866	871	(5)
Deferred tax assets	247	912	(665)
	2,349	3,738	(1,389)
TOTAL NON-CURRENT ASSETS (A)	70,688	71,432	(744)
CURRENT ASSETS			
Inventories	308	291	17
Trade and miscellaneous receivables and other current assets	9,088	8,748	340
Current income tax receivables	101	287	(186)
Securities	390	812	(422)
Financial receivables and other current financial assets	377	433	(56)
Cash and cash equivalents	6,473	7,219	(746)
NET INCOME FOR THE YEAR	16,737	17,790	(1,053)
Discontinued operations/Non-current assets held for sale			
of a financial nature	-	-	-
of a non-financial nature	-	235	(235)
	-	235	(235)
TOTAL CURRENT ASSETS (B)	16,737	18,025	(1,288)
TOTAL ASSETS (A+B)	87,425	89,457	(2,032)

(millions of euro)	12/31/2007	12/31/2006	Change
	(a)	(b)	(a-b)
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to equity holders of the Parent	25,922	26,018	(96)
Equity attributable to Minority Interest	1,063	1,080	(17)
TOTAL EQUITY (C)	26,985	27,098	(113)
NON-CURRENT LIABILITIES			
Non-current financial liabilities	37,051	40,803	(3,752)
Employee benefits	1,151	1,262	(111)
Deferred tax liabilities	586	194	392
Provisions	903	775	128
Miscellaneous payables and other non-current liabilities	1,587	1,857	(270)
TOTAL NON-CURRENT LIABILITIES (D)	41,278	44,891	(3,613)
CURRENT LIABILITIES			
Current financial liabilities	6,585	5,653	932
Trade and miscellaneous payables and other current liabilities	12,380	11,596	784
Current income tax payables	197	219	(22)
Current liabilities sub-total	19,162	17,468	1,694
Liabilities directly associated with Discontinued operations/Non-current assets held for sale			
of a financial nature	-	-	-
of a non-financial nature	-	-	-
	-	-	-
TOTAL CURRENT LIABILITIES (E)	19,162	17,468	1,694
TOTAL LIABILITIES (F=D+E)	60,440	62,359	(1,919)
TOTAL EQUITY AND LIABILITIES (C+F)	87,425	89,457	(2,032)

TELECOM ITALIA GROUP – CONSOLIDATED CASH FLOW STATEMENTS

(millions of euro)	Year 2007	Year 2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit from continuing operations	2,419	2,996
<i>Adjustments for:</i>		
Depreciation and amortization	5,811	5,487
Impairment losses (reversals) of non-current assets (including investments)	(31)	1
Net change in deferred tax assets and liabilities	930	1,843
Losses (gains) realized on disposals of non-current assets (including investments)	(467)	(317)
Share of losses (profits) of associates and joint ventures accounted for using the equity method	(86)	(51)
Change in employee benefits	(216)	(114)
Change in inventories	(17)	-
Change in trade receivables and net receivables on construction contracts	101	(461)
Change in trade payables	748	(10)
Net change in miscellaneous receivables/payables and other assets/liabilities	(502)	(180)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	8,690	9,194
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of intangible assets on an accrual basis	(2,357)	(2,187)
Purchase of tangible assets on an accrual basis	(3,163)	(2,927)
Total purchase of intangible and tangible assets on an accrual basis	(5,520)	(5,114)
Change in amounts due to fixed asset suppliers	269	10
Total purchase of intangible and tangible assets on a cash basis	(5,251)	(5,104)
Acquisition of subsidiaries and businesses, net of cash acquired (I)	(636)	-
Acquisition of other investments	(1)	(206)
Change in financial receivables and other financial assets	475	(264)
Proceeds from sale of subsidiaries, net of cash disposed of (II)	4	345
Proceeds from sale/repayment of intangible, tangible and other non-current assets (II)	1,163	1,038
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	(4,246)	(4,191)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in current financial liabilities and other	202	(204)
Proceeds from non-current financial liabilities (including current portion)	2,625	5,222
Repayments of non-current financial liabilities (including current portion)	(5,220)	(9,995)
Proceeds from equity instruments	-	2
Dividends paid	(2,831)	(2,997)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	(5,224)	(7,972)
CASH FLOWS FROM (USED IN) DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE (D)	-	(13)
AGGREGATE CASH FLOWS (E=A+B+C+D)	(780)	(2,982)
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (F)	6,960	9,958
Net foreign exchange differences on net cash and cash equivalents (G)	24	(16)
NET CASH AND CASH EQUIVALENTS AT END OF THE YEAR (H=E+F+G)	6,204	6,960

(I) Net of change in payables arising from the related acquisition.

(II) Net of change in receivables arising from the related disposal.

ADDITIONAL CASH FLOW INFORMATION:

(millions of euro)	Year 2007	Year 2006
Income taxes (paid) received	(501)	(566)
Interest expense paid	(3,569)	(3,108)
Interest income received	1,477	1,156
Dividends received	59	63

ANALYSIS OF NET CASH AND CASH EQUIVALENTS:

(millions of euro)	Year 2007	Year 2006
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR:		
Cash and cash equivalents - from continuing operations	7,219	10,323
Bank overdraft repayable on demand - from continuing operations	(259)	(383)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	-	37
Bank overdraft repayable on demand - from Discontinued operations/Non-current assets held for sale	-	(19)
	6,960	9,958
NET CASH AND CASH EQUIVALENTS AT END OF THE YEAR:		
Cash and cash equivalents - from continuing operations	6,473	7,219
Bank overdraft repayable on demand - from continuing operations	(269)	(259)
	6,204	6,960

TELECOM ITALIA GROUP – EFFECTS OF NON-RECURRING EVENTS AND TRANSACTIONS ON THE SINGLE ITEMS OF THE INCOME STATEMENTS

The effect of non-recurring events and transactions on the net income for the year is set out below in accordance with Consob communication DEM/6064293 dated July 28, 2006.

(millions of euro)	2007 (a)	2006 (b)	Change (a – b)
Acquisition of goods and services, Other operating expenses:			
Corporate reorganization costs	-	(13)	13
Industrial reconversion costs	(17)	(13)	(4)
Supplementary Antitrust fine	-	(2)	2
Provision for risk regarding Antitrust fine	(20)	-	(20)
Others expenses	(6)	-	(6)
IMPACT ON EBITDA	(43)	(28)	(15)
Gains (losses) on disposals of non-current assets:			
Gains on sales of properties	10	135	(125)
Gain on sale of Ruf Gestion	-	27	(27)
Loss on sale Telecom Italia Learning Services	-	(33)	33
Loss on sale “Radiomaritime activities”	-	(9)	9
Impairment reversals (losses) on non-current assets:			
Impairment losses on non-current assets for industrial reconversion	(6)	-	(6)
IMPACT ON EBIT	(39)	92	(131)
Finance income (expenses):			
Release of Avea I.H.A.S. provisions	-	121	(121)
Gain on sale of Avea I.H.A.S.	-	72	(72)
Gain on sale of Neuf Télécom	-	148	(148)
Gain on sale of Oger Telecom	86	-	86
Gain on sale of Capitalia	38	-	38
Gain on sale of Mediobanca	109	-	109
Gain on sale of Solpart Participações	201	-	201
Gain on sale of Brasil Telecom Participações	27	-	27
Other gains	1	2	(1)
Sundry financial expenses	-	(4)	4
IMPACT ON PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	423	431	(8)
Income tax expense	(23)	(72)	49
Discontinued operations	36	(8)	44
IMPACT ON PROFIT FOR THE YEAR	436	351	85

TELECOM ITALIA GROUP – CONSOLIDATED NET FINANCIAL DEBT

(millions of euro)	12/31/2007	12/31/2006	Change
	(a)	(b)	(a-b)
Non-current financial liabilities (*):			
Financial payables	33,299	37,391	(4,092)
Finance lease liabilities	1,809	1,847	(38)
Non-current liabilities for hedging derivatives	1,942	1,451	491
Other financial liabilities	1	114	(113)
	(1)		
	37,051	40,803	(3,752)
Less:			
Non-current financial receivables for lessors' net investments	(279)	(229)	(50)
Non-current assets for hedging derivatives	(286)	(243)	(43)
	(565)	(472)	(93)
TOTAL NON-CURRENT FINANCIAL LIABILITIES (*)	(A)	40,331	(3,845)
Current financial liabilities (*):			
Financial payables	5,943	5,143	800
Finance lease liabilities	262	269	(7)
Current liabilities for hedging and non-hedging derivatives	372	231	141
Other financial liabilities	8	10	(2)
	(2)		
	6,585	5,653	932
Less:			
Current financial receivables for lessors' net investments	(149)	(148)	(1)
Current assets for hedging derivatives	(186)	(207)	21
	(335)	(355)	20
TOTAL CURRENT FINANCIAL LIABILITIES (*)	(B)	5,298	952
Financial liabilities relating to Discontinued operations/Non-current assets held for sale	(C) (3)	-	-
TOTAL GROSS FINANCIAL DEBT (*)	(D=A+B+C)	45,629	(2,893)
Current financial assets (*):			
Securities	(390)	(812)	422
Financial receivables and other current financial assets	(377)	(433)	56
Cash and cash equivalents	(6,473)	(7,219)	746
	(4)		
	(7,240)	(8,464)	1,224
Less:			
Current financial receivables for lessors' net investments	149	148	1
Current assets for hedging derivatives	186	207	(21)
	335	355	(20)
	(E)	(8,109)	1,204
Financial assets relating to Discontinued operations/Non-current assets held for sale	(F) (5)	-	-
TOTAL CURRENT FINANCIAL ASSETS (*)	(G=E+F)	(8,109)	1,204
NET FINANCIAL DEBT AS OF CONSOB COMMUNICATION N. DEM/6064293/2006	(H=D+G)	37,520	(1,689)
Non-current financial assets (*):			
Securities other than investments	(9)	(12)	3
Financial receivables and other non-current financial assets	(686)	(679)	(7)
	(6)		
	(695)	(691)	(4)
Less:			
Non-current financial receivables for lessors' net investments	279	229	50
Non-current assets for hedging derivatives	286	243	43
	565	472	93
TOTAL NON-CURRENT FINANCIAL ASSETS (*)	(I)	(219)	89
NET FINANCIAL DEBT	(L=H+I)	35,701	(1,600)
COMPOSITION OF THE NET FINANCIAL DEBT:			
Total gross financial debt:			
Non-current financial liabilities	(1)	37,051	40,803
Current financial liabilities	(2) + (3)	6,585	5,653
		43,636	(2,820)
Total gross financial assets:			
Non-current financial assets	(6)	(695)	(691)
Current financial assets	(4) + (5)	(7,240)	(8,464)
	8	(7,935)	(9,155)
		35,701	(1,600)

(*) Net of assets for hedging derivatives and financial receivables for lessors' net investments.

TELECOM ITALIA GROUP - DEBT STRUCTURE, BOND ISSUES AND EXPIRING BONDS

In June and July 2007, new bonds were issued pursuant to Telecom Italia's Euro Medium Term Note Programme, as follows:

- 850 million of euro maturing on June 2010;
- 400 million of euro maturing on June 2016;
- 500 million of euro maturing on July 2013.

During the year the following expired bonds were regularly repaid:

- 1,250 million of euro in February by Telecom Italia S.p.A.;
- 1,720 million of euro in April by Telecom Italia Finance S.A. (the original amount was 1,750 million of euro, subsequently reduced as a consequence of the repurchase of securities on the market and the subsequent cancellation of 30 millions of euro).

The total reimbursement amount, net of the Group's debt buy-back, related to the bonds expiring in the following 18 months as of December 31, 2007 issued by Telecom Italia S.p.A., Telecom Italia Finance S.A. and Telecom Italia Capital S.A. (fully and unconditionally guaranteed by Telecom Italia S.p.A.), totals approximately 5,198 million of euro with the following detail:

- 1,659 million of euro, expiring on January 24, 2008;
- 750 million of euro, expiring on June 9, 2008;
- 500 million of euro, expiring on September 14, 2008 (it is referred to a bond issued by Telecom Italia Finance S.A. with the faculty for the bondholders to extend the due date for 21 months; last expiration date is March 2012);
- 679 million of euro, expiring on November 15, 2008;
- 1,500 million of euro, expiring on February 9, 2009;
- 110 million of euro, expiring on March 30, 2009.

Furthermore, we underline that 1,500 million of euro related to the bank facility (Term Loan) expiring in 2010 (for a total amount of 3,000 million of euro) had been partially repaid before maturity in July 2007 (1,000 million of euro) and September 2007 (500 million of euro).

Bonds issued by companies of the Group to third parties do not contain either financial covenant or clauses which can result in the early repayment of the bonds except in the event of the insolvency of the Telecom Italia Group. Furthermore, the repayment of the bonds and the payment of interest are not covered by specific guarantees nor there are commitments provided relative to the assumption of guarantees, except for the full and unconditional guarantees provided by Telecom Italia S.p.A. for the bonds issued by Telecom Italia Finance S.A. and Telecom Italia Capital S.A..

With reference to the loans other than bond issues, we underscored that all of the contracts for loan directly granted by the European Investment Bank (EIB), which are recorded in the financial statements at December 31, 2007 for 2,114 million of euro, are covered by bank guarantees for the full and exact fulfilment of the company's economic obligations (with the exception for 556 million of euro). The loan contracts contain negative pledge clauses, that is limitations regarding activities of the company which could influence in a negative way its capability to produce profits and therefore to face the undertaken

commitments, however leaving wide managerial possibilities in line with the international contractual best practise.

Moreover, the major bank loans granted to subsidiaries of TIM Brazil Group provide obligations to respect certain financial indexes (capitalization, hedge of debt, profitability and level of financial indebtedness), as well as the going clauses of negative pledge.

As at December 31, 2007 the committed credit line represented by the Revolving Credit Facility amounts to 8 billion of euro, drawn for 1.5 billion of euro. In August 2007 the expiration date of the Revolving Credit Facility, originally due on August 2012, had been extended for two years until August 2014.

It should be stressed that Telecom Italia's syndacated bank lines (Revolving Credit Facility maturing on 2014 and Term Loan maturing on 2010) do not contain financial covenant for non-compliance which require the repayment of the existing loan. They do provide for the going clauses of negative pledge, related to the commitment of non-modifying the object of the business or making over corporate asset unless specific conditions. These credit lines are subject, only with regard to the interest margin, to variations in rating which would pertain to the credit risk of the company, on the basis of a pre-set grid.

The above mentioned syndacated bank lines (as well as a contract of export credit agreement for the nominal outstanding amount of 138 million of euro as at December 31, 2007) discipline the case where a subject, other than the current relative majority shareholder or other permitted acquiring shareholders, take the control of Telecom Italia individually or jointly; in that case a thirty-day period is established during which the parties shall negotiate the terms to continue the relationship.

Finally, we point out that on December 31, 2007 none of covenant, negative pledge or other clauses have been broken or no respected in any way.

TELECOM ITALIA S.p.A.

INCOME STATEMENTS

(millions of euro)	Year 2007	Year 2006	Change	
	(a)	(b)	(a-b)	%
Revenues	22,847	22,721	126	0.6
Other income	298	405	(107)	(26.4)
Total operating revenues and other income	23,145	23,126	19	0.1
Acquisition of goods and services	(9,471)	(9,180)	(291)	3.2
Employee benefits expenses	(3,112)	(3,004)	(108)	3.6
Other operating expenses	(1,260)	(751)	(509)	67.8
Changes in inventories	(27)	5	(32)	°
Internally generated assets	455	414	41	9.9
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION, CAPITAL GAINS (LOSSES) REALIZED AND IMPAIRMENT REVERSALS (LOSSES) OF NON-CURRENT ASSETS (EBITDA)	9,730	10,610	(880)	(8.3)
Depreciation and amortization	(4,259)	(3,934)	(325)	8.3
Gains (losses) on disposals of non-current assets	1	110	(109)	(99.1)
Impairment reversals (losses) on non-current assets	(37)	(4)	(33)	°
OPERATING PROFIT (EBIT)	5,435	6,782	(1,347)	(19.9)
Finance income	1,360	2,883	(1,523)	(52.8)
Finance expenses	(3,269)	(3,415)	146	(4.3)
PROFIT BEFORE TAX	3,526	6,250	(2,724)	(43.6)
Income tax expense	(1,644)	(2,106)	462	(21.9)
PROFIT FOR THE YEAR	1,882	4,144	(2,262)	(54.6)

TELECOM ITALIA S.p.A. - BALANCE SHEETS

(millions of euro)	12.31.2007 (a)	12.31.2006 (b)	Change (a-b)
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	40,013	40,013	-
Intangible assets with a finite useful life	4,867	4,897	(30)
	44,880	44,910	(30)
Tangible assets			
Property, plant and equipment owned	12,208	12,476	(268)
Assets held under finance leases	1,442	1,512	(70)
	13,650	13,988	(338)
Other non-current assets			
Investments	11,199	10,913	286
Securities, financial receivables and other non-current financial assets	582	670	(88)
Miscellaneous receivables and other non-current assets	489	542	(53)
Deferred tax assets	122	714	(592)
	12,392	12,839	(447)
TOTAL NON-CURRENT ASSETS (A)	70,922	71,737	(815)
CURRENT ASSETS			
Inventories	98	125	(27)
Trade and miscellaneous receivables and other current assets	6,872	6,853	19
Current income tax receivables	37	258	(221)
Financial receivables and other current financial assets	244	266	(22)
Cash and cash equivalents	4,383	5,208	(825)
TOTAL CURRENT ASSETS (B)	11,634	12,710	(1,076)
TOTAL ASSETS (A+B)	82,556	84,447	(1,891)
EQUITY AND LIABILITIES			
EQUITY			
- Share capital issued	10,674	10,674	-
less: Treasury shares	(1)	(1)	-
- Share capital	10,673	10,673	-
- Reserves	7,928	7,935	(7)
- Retained earnings, including net income for the year	5,014	5,916	(902)
			-
TOTAL EQUITY (C)	23,615	24,524	(909)
NON-CURRENT LIABILITIES			
Non-current financial liabilities	39,332	40,069	(737)
Employee benefits	1,040	1,143	(103)
Deferred tax liabilities	479	134	345
Provisions	738	646	92
Miscellaneous payables and other non-current liabilities	1,397	1,680	(283)
TOTAL NON-CURRENT LIABILITIES (D)	42,986	43,672	(686)
CURRENT LIABILITIES			
Current financial liabilities	6,019	6,690	(671)
Trade and miscellaneous payables and other current liabilities	9,833	9,436	397
Current income tax payables	103	125	(22)
TOTAL CURRENT LIABILITIES (E)	15,955	16,251	(296)
TOTAL LIABILITIES (F=D+E)	58,941	59,923	(982)
TOTALE PATRIMONIO NETTO E PASSIVITA' (C+F)	82,556	84,447	(1,891)

TELECOM ITALIA S.p.A. - CASH FLOW STATEMENTS

(thousands of euro)	Year 2007	Year 2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the year	1,882,421	4,143,577
<i>Adjustments for:</i>		
Depreciation and amortization	4,258,951	3,934,599
Impairment (reversals) losses on non-current assets (including investments)	103,036	325,269
Net change in deferred tax assets and liabilities	882,753	1,729,521
Net (gains) losses realized on disposals of non-current assets (including investments)	(149,880)	(64,751)
Change in employee severance indemnities and other employee-related provisions	(195,309)	(117,830)
Change in inventories	26,950	1,144
Change in trade receivables and net receivables on construction contracts	334,384	(138,317)
Change in trade payables	499,876	286,436
Net change in miscellaneous receivables/payables and other assets/liabilities	(564,921)	(261,123)
CASH FLOWS GENERATED BY (USED IN) OPERATING ACTIVITIES (A)	7,078,261	9,838,525
CASH FLOWS FROM INVESTING ACTIVITIES:		
<i>Purchase of intangible assets on an accrual basis</i>	(1,551,298)	(1,537,046)
<i>Purchase of tangible assets on an accrual basis</i>	(2,396,452)	(2,187,544)
Total purchase of intangible and tangible assets on an accrual basis	(3,947,750)	(3,724,590)
<i>Change in amounts due to fixed asset suppliers</i>	265,143	319,379
Total purchase of intangible and tangible assets on a cash basis	(3,682,607)	(3,405,211)
Acquisitions of investments and businesses, net of cash acquired (I)	(703,872)	(149,129)
Acquisition of cash and cash equivalents as a result of merger and acquisitions	(10,336)	1,354,493
Change in financial receivables and other financial assets	110,013	(70,656)
Proceeds on the distribution of dividends by Telecom Italia Media		361,654
Proceeds from sale/repayments of intangible, tangible and other non-current assets (II)	348,120	414,868
CASH FLOWS GENERATED BY (USED IN) INVESTING ACTIVITIES (B)	(3,938,682)	(1,493,981)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in current financial liabilities and other	(410,299)	(3,403,108)
Proceeds from non-current financial liabilities (including current portion)	4,699,846	6,512,474
Repayments of non-current financial liabilities (including current portion)	(5,972,692)	(9,695,258)
Proceeds from equity instruments		
Dividends paid	(2,779,736)	(2,782,728)
CASH FLOWS GENERATED BY (USED IN) FINANCING ACTIVITIES (C)	(4,462,881)	(9,368,620)
AGGREGATE CASH FLOWS (D=A+B+C)	(1,323,302)	(1,024,076)
NET CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (E)	4,788,491	5,812,567
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (F=D+E)	3,465,189	4,788,491

(I) Net of change in payables following the related acquisition.

(II) Net of change in receivables following the related disposal.

ADDITIONAL CASH FLOW INFORMATION:

(thousands of euro)	Year 2007	Year 2006
Income taxes (paid) received	(460,965)	(647,180)
Interest expense paid	(2,707,882)	(2,334,590)
Interest income received	631,740	511,460
Dividends received	151,878	2,167,152

ANALYSIS OF NET CASH AND CASH EQUIVALENTS:

(thousands of euro)	Year 2007	Year 2006
NET CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
Cash and cash equivalents	5,207,976	6,601,126
Bank borrowings repayable on demand	(419,485)	(788,559)
	4,788,491	5,812,567
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Cash and cash equivalents	4,383,255	5,207,976
Bank borrowings repayable on demand	(918,066)	(419,485)
	3,465,189	4,788,491

TELECOM ITALIA S.p.A. - EFFECTS OF NON-RECURRING EVENTS AND TRANSACTIONS ON THE SINGLE ITEMS OF THE INCOME STATEMENTS

The effect of non-recurring events and transactions on the net income for the year is set out below in accordance with Consob communication DEM/6064293 dated July 28, 2006.

(thousands of euro)	2007 (a)	2006 (b)	Change (a - b)
Other operating expenses:			
Antitrust fine	(20,000)	(2,500)	(17,500)
Other expenses	(6,528)	-	(6,528)
IMPACT ON EBITDA	(26,528)	(2,500)	(24,028)
Gains (losses) on disposals of non-current assets:			
Gains on sales of properties	-	141,423	(141,423)
Loss on sale "Radiomaritime activities"	-	(9,197)	9,197
IMPACT ON EBIT	(26,528)	129,726	(156,254)
Finance income (expenses):			
Release of Avea I.H.A.S. provisions	-	90,701	(90,701)
Gain on sale of Mediobanca	109,138	-	109,138
Gain on sale of Capitalia	37,594	-	37,594
Other gains	1,422	-	1,421
Loss on sale Telecom Italia Learning Services	-	(45,389)	45,389
Sundry financial expenses	-	(4,100)	4,100
IMPACT ON PROFIT BEFORE TAX	121,626	170,938	(49,312)
Income tax expense	(9,420)	(80,185)	70,765
IMPACT ON PROFIT FOR THE YEAR	112,206	90,753	21,453

TELECOM ITALIA S.p.A. - NET FINANCIAL DEBT

(millions of euro)		12/31/2007	12/31/2006	Change
		(a)	(b)	(a-b)
Non-current financial liabilities (*)				
Financial payables		36,791	37,466	(675)
Finance lease liabilities		1,778	1,823	(45)
Non-current liabilities for hedging derivatives		763	780	(17)
	(1)	39,332	40,069	(737)
Less:				
Non-current financial receivables for lessors' net investments		(264)	(222)	(42)
Non-current assets for hedging derivatives		(95)	(156)	61
		(359)	(378)	19
TOTAL NON-CURRENT FINANCIAL LIABILITIES (*)	(A)	38,973	39,691	(718)
Current financial liabilities (*)				
Financial payables		5,531	6,305	(774)
Finance lease liabilities		251	258	(7)
Current liabilities for hedging and non-hedging derivatives		229	118	111
Other financial liabilities		8	9	(1)
	(2)	6,019	6,690	(671)
Less:				
Current financial receivables for lessors' net investments		(139)	(141)	2
Current assets for hedging derivatives		(80)	(91)	11
		(219)	(232)	13
TOTAL CURRENT FINANCIAL LIABILITIES (*)	(B)	5,800	6,458	(658)
TOTAL GROSS FINANCIAL DEBT (*)	(C=A+B)	44,773	46,149	(1,376)
Current financial assets (*)				
Financial receivables and other current financial assets		(244)	(266)	22
Cash and cash equivalents		(4,383)	(5,208)	825
	(3)	(4,627)	(5,474)	847
Less:				
Current financial receivables for lessors' net investments		139	141	(2)
Current assets for hedging derivatives		80	91	(11)
		219	232	(13)
TOTAL CURRENT FINANCIAL ASSETS (*)	(D)	(4,408)	(5,242)	834
NET FINANCIAL DEBT AS OF CONSOB COMMUNICATION N. DEM/6064293/2006	(E=C+D)	40,365	40,907	(542)
Non-Current financial assets (*)				
Financial receivables and other non-current financial assets	(4)	(582)	(670)	88
Less:				
Non-current financial receivables for lessors' net investments		264	222	42
Non-current assets for hedging derivatives		95	156	(61)
		359	378	(19)
TOTAL NON-CURRENT FINANCIAL ASSETS (*)	(F)	(223)	(292)	69
NET FINANCIAL DEBT	(G=E+F)	40,142	40,615	(473)
COMPOSITION OF THE NET FINANCIAL DEBT:				
Total gross financial debt:				
Non-current financial liabilities	(1)	39,332	40,069	(737)
Current financial liabilities	(2)	6,019	6,690	(671)
		45,351	46,759	(1,408)
Total gross financial assets				
Non-current financial assets	(4)	(582)	(670)	88
Current financial assets	(3)	(4,627)	(5,474)	847
	16	(5,209)	(6,144)	935
		40,142	40,615	(473)

(*) Net of assets for hedging derivatives and financial receivables for lessors' net investments.