

TELECOM ITALIA

Milan, September 11, 2006

Telecom Italia Group

MARCO TRONCHETTI PROVERA

Safe Harbour

These presentations contain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this presentation and include statements regarding the intent, belief or current expectations of the customer base, estimates regarding future growth in the different business lines and the global business, market share, financial results and other aspects of the activities and situation relating to the Company. Such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward looking statements as a result of various factors.

Analysts are cautioned not to place undue reliance on those forward looking statements, which speak only as of the date of this presentation. Telecom Italia Spa undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Telecom Italia Spa business or acquisition strategy or to reflect the occurrence of unanticipated events. Analysts and investors are encouraged to consult the Company's Annual Report on Form 20-F as well as periodic filings made on Form 6-K, which are on file with the United States Securities and Exchange Commission.

TI Group: 1H '06 financial results and positioning

€ mln

	1H '06 reported	YoY reported	Delivering across businesses, borders and efficiency targets
Revenues	15,335	+5.6%	<p>Wireline</p> <ul style="list-style-type: none"> ▶ Strengthened share on voice traffic (~72%) & rebound in domestic BB (6.3 mln lines, +0.6 mln vs.2005 ye) ▶ EU BB drives growth thanks to increasing coverage, quality of service and product innovation (1.6 mln BB lines, +67% yoy) <p>Mobile</p> <ul style="list-style-type: none"> ▶ Rebound of mkt share in Italy (40.5%, +1.1 pp vs. 1H'05 with 11.3% UMTS lines on total) with development of volume and positive elasticity ▶ Solid growth in Brazil combining volume & value (22.3 mln lines with a 24.3% mkt share reaching 20.5% EBITDA mg) <p>Media</p> <ul style="list-style-type: none"> ▶ Increasing audience and mkt share with ~15x outperformance of Italian TV Ad market <p>Domestic Savings & HR Rationalization</p> <ul style="list-style-type: none"> ▶ achievement of ~60% 2006 opex savings target thanks to integration ▶ ~50% progress on 2006 HR reduction and productivity plan
Ebitda	6,518	+0.5%	
Ebitda margin	42.5%	-2.1pp	
Ebit	3,801	-4.5%	
Ebit margin	24.8%	-2.6pp	
Net Income⁽¹⁾ (post minorities)	1,496	-15.7%	
Capex	2,216	+48	
Net Debt	41,315	+1.5 bln vs. ye 2005	

(1) 1H05 benefited from the disposal of TIM Hellas (410Mln €) and the release of reserves for sureties provided by the Group to banks for Avea (343 mln €) partially offset by lower minorities 427mln (PTO benefits and reorganization of Brazilian assets in 1H 06).

Organizational change

Creation of two separate subsidiaries to operate:

- ▶ **the mobile business**
- ▶ **the local access network**

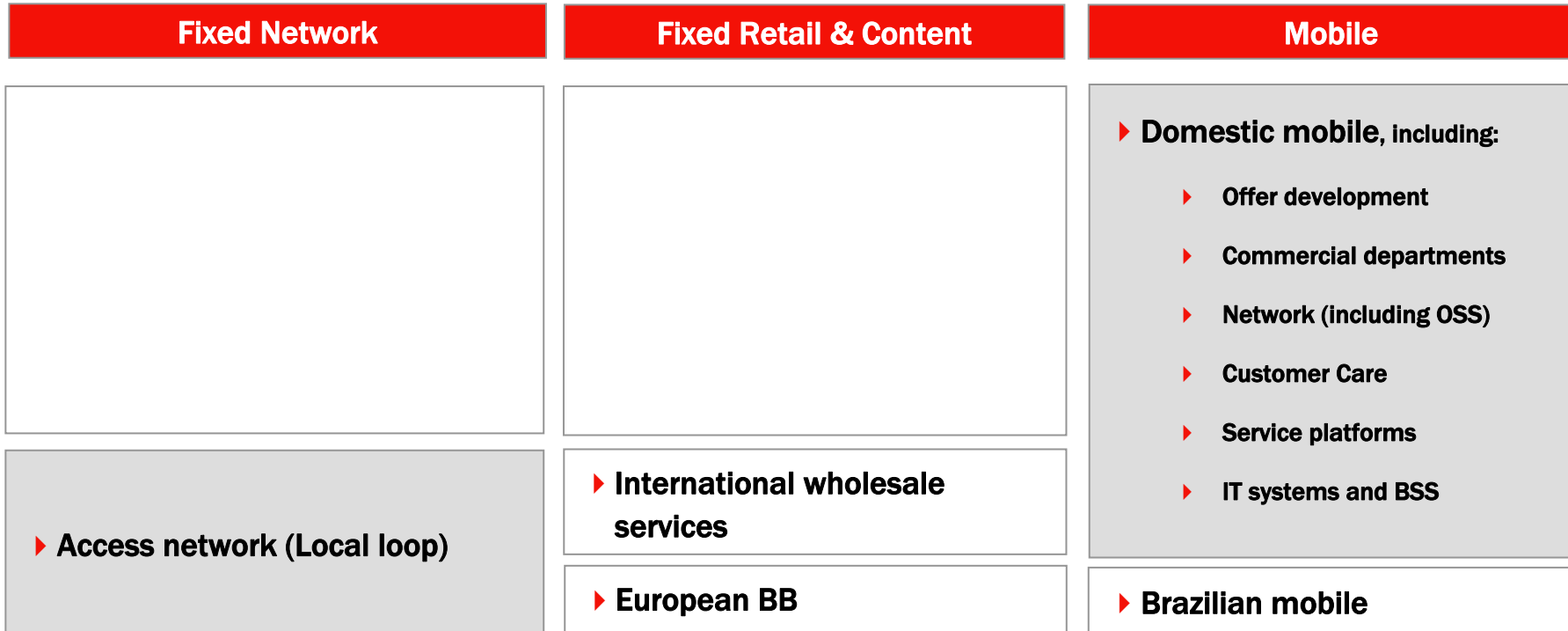
Rationale behind organizational change

To increase focus and efficacy in the development of offers, particularly in Broadband and Content

To respond to regulatory pressure and enhance the competitive process

To enhance operational and financial flexibility in order to expand international presence of the Group

Redefined perimeter of activities per business



Legend:

NewCo
Perimeter

Effects on regulatory transparency and business

The creation of a separate company which includes the access network and the related wholesale services will make the transactions between access and retail units fully transparent

Most “ex-ante” retail regulatory obligations will be made redundant by the enhanced transparency in the access to the TI network. This will simplify and reduce the time-to-market of all services

Telecom Italia will also ask the Italian regulator to adapt all its other decisions to the new, more competitive environment and face a reduced regulatory burden

Increased focus on domestic and international fixed broadband offer...

Double and Triple Play

Fixed Voice

Broadband

Contents - IPTV

- ▶ Clients may choose their “play”
- ▶ Competitive flat pricing
- ▶ Bundling of premium contents and devices (PC, VoIP telephone)

2Play

3Play



Alice “All inclusive”

Broadband

Widening the Band

- ▶ Automatic speed upgrades
- ▶ Band increase of high end offers

...and contents

Partners



Virgilio (Matrix)

Leader in Italian internet portals

- ▶ N.1 page views (>37 mln/day)
- ▶ > 20 mln unique visitors
- ▶ Wide range of content and services (news, sport, finance, etc.)



Rosso Alice

First and only broadband portal in Italy

- ▶ VOD film library, broadcast channels, live Serie A football matches, large music library, ringtones and downloadable games
- ▶ ~ 3 mln registered users
- ▶ >5,000 transactions/day



Alice Home TV

Innovative IPTV service in Italy

- ▶ VOD film library, broadcast channels, live Serie A football matches
- ▶ 250 cities covered by 2006ye
- ▶ Recent service launch, 1mln clients by 2008

- ▶ Telecom Italia has established a solid media base domestically, developing significant capabilities which represent a platform for the further developments assured by the focus on fixed triple play

- ▶ New agreements with FOX, MGM, Sony
- ▶ All the 2006-2007 football championship
- ▶ Live events: i.e. Robbie Williams...