

TELECOM ITALIA

FY 2005 Financial Results

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Telecom Italia Group FY 2005 Financial Results

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Safe Harbour

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TI Group: Key Financial Results FY '05

€ mln

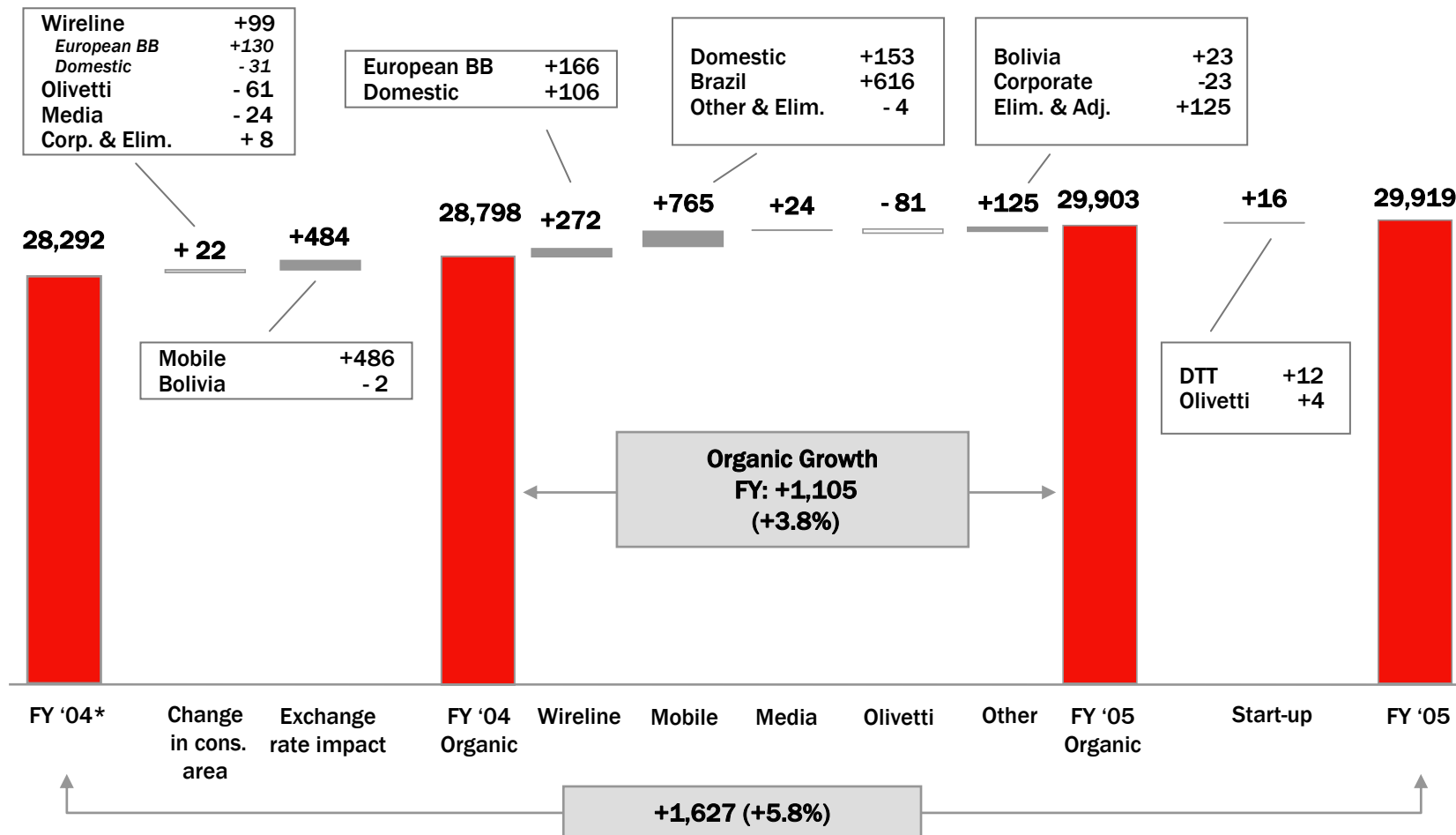
	FY '05 reported	YoY reported	YoY Organic*	Highlights
Revenues	29,919	+5.8%	+3.8%	<ul style="list-style-type: none"> ▶ Focus on innovation on domestic mobile, successful value strategy in Brazil, continuous broadband development in Italy & Europe ▶ Stronger commercial activity on domestic mobile market, cut on mobile termination rate, different revenue mix on wireline ▶ EBITDA reported trend mainly affected by restructuring costs in '05 and positive except. items in 2004 ▶ D&A increase due to higher capital intensity and growing weight of software component
Ebitda	12,517	-2.7%	+2.7%	
<i>Ebitda margin</i>	41.8%	-3.7pp	-0.5pp	
Ebit	7,499	-1.4%	+0.6%	
<i>Ebit margin</i>	25.1%	-1.8pp	-0.8pp	
Net Income <i>(post minorities)</i>	3,216	+77.2%		<ul style="list-style-type: none"> ▶ TIM PTO positive effects (full ownership of results more than offsets merger/PTO costs) and capital gain from assets disposal ▶ Continuous Innovation development: broadband, IP TV, UMTS, HSPDA, DVBH ▶ PTO debt and dividends partly offset by strong operating FCF generation, bond conversion, disposals and other
Capex	5,173	+171		
Net Debt	39,858	+7,0 bn vs. 2004		

* Excluding changes in consolidation area, exchange rate impact, exceptional items and start-up losses related to TI Media's DTT and Olivetti new product lines.



TI Group - Revenues FY '05 vs. FY '04

€ mln

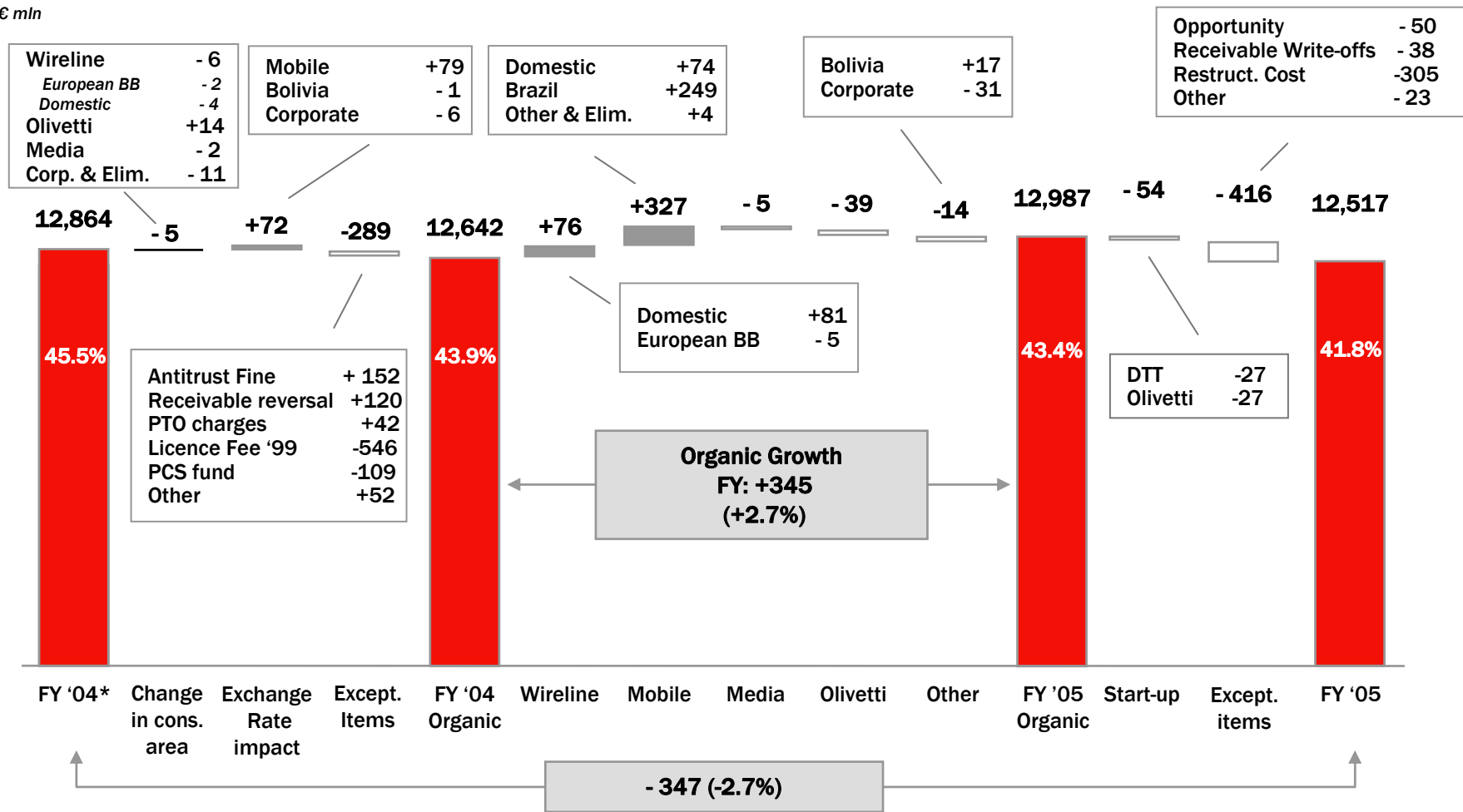


* Pro forma with TIM Peru & Buffetti as Discontinued Operations



TI Group - EBITDA FY '05 vs FY '04

€ mln

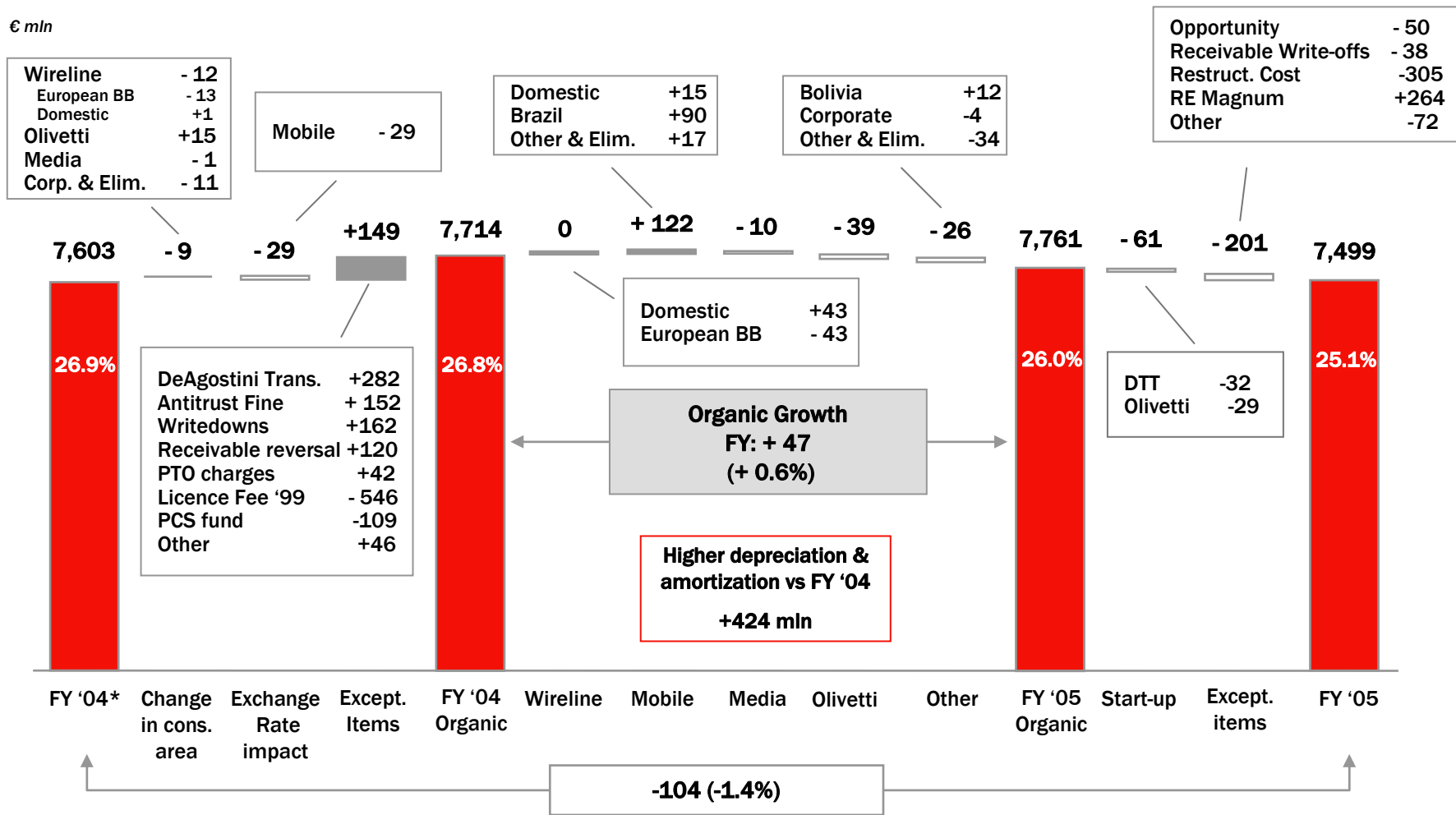


* Pro forma with TIM Peru and Buffetti as discontinued ops.



TI Group - EBIT FY '05 vs. FY '04

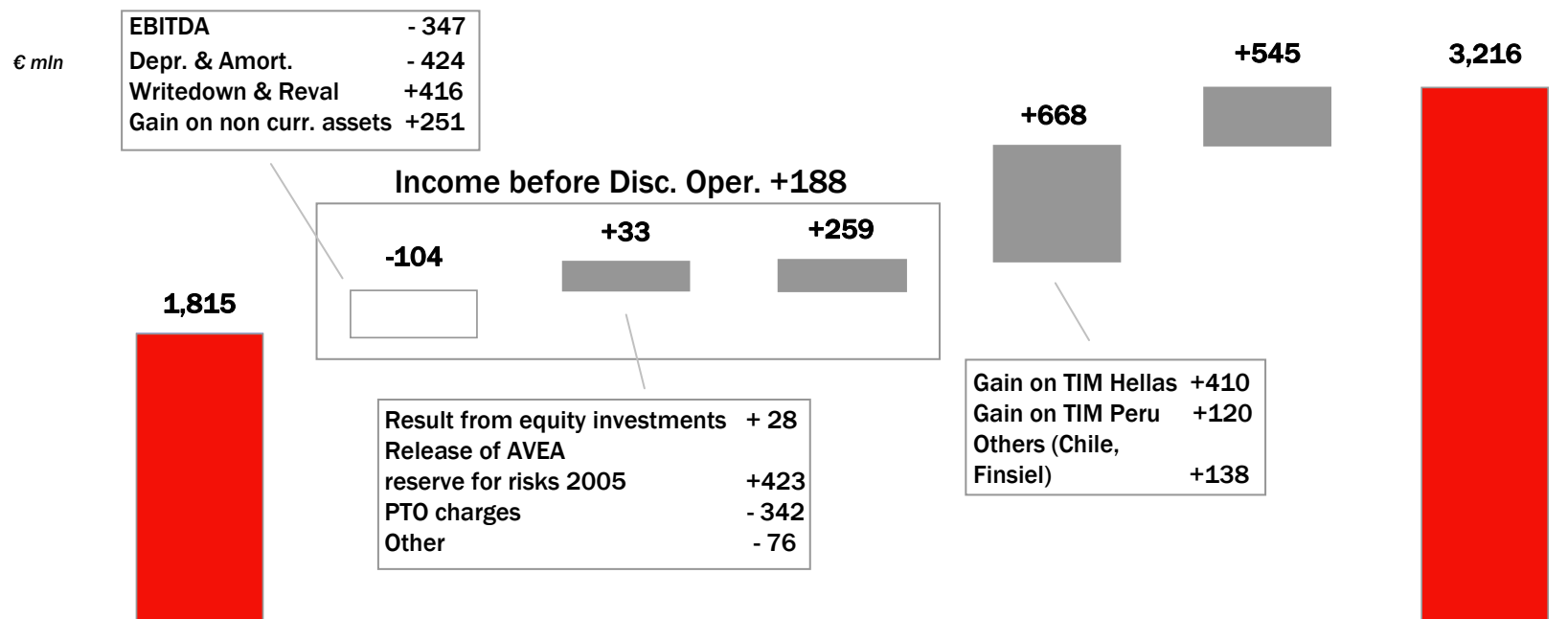
€ mln



* Pro forma with TIM Peru and Buffetti as discontinued ops.



TI Group - Net Income FY '05 vs. FY '04

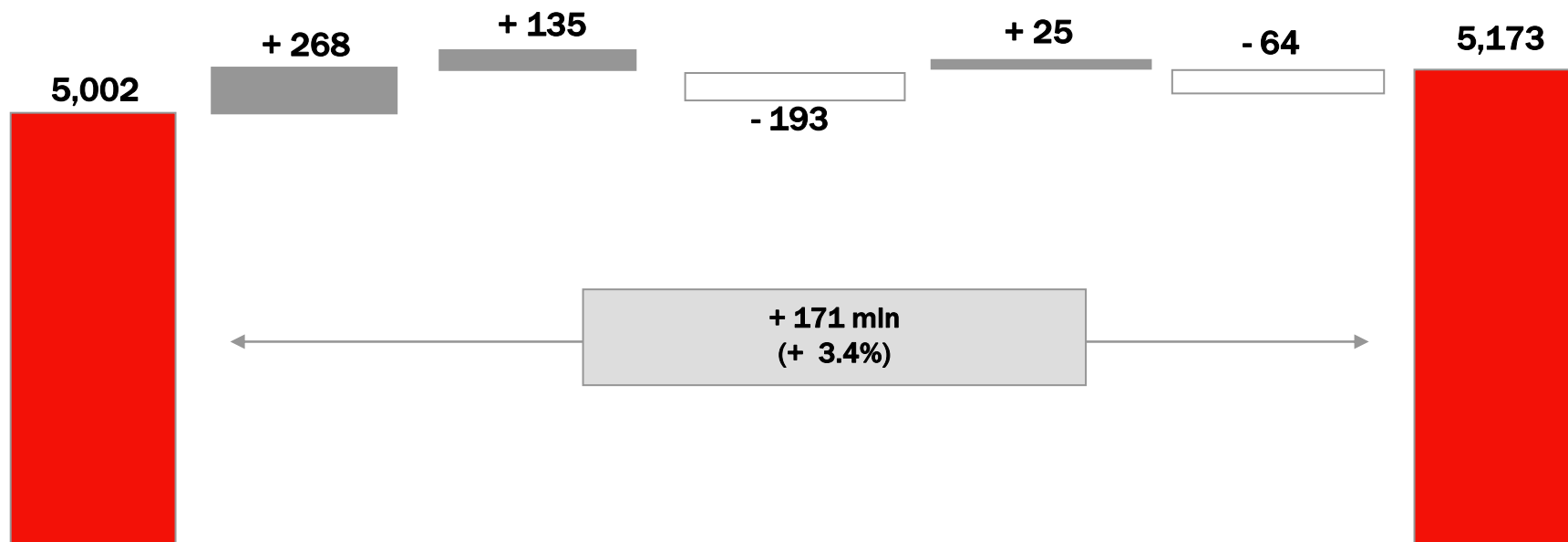


	FY '04*	Δ EBIT	Δ Net equity Invest./Financial income	Δ Taxes	Δ Net Income from Disc. Ops.	Δ Minorities	FY '05
4Q	138	- 229	- 22	+ 304	+162	+238	591
TIM PTO Benefits							
4Q '05		0	- 71	22		237	188
FY '05		- 4	- 342	137		614	405
			Δ PTO charges	Tax shield		Δ Minorities	

* Pro forma with TIM Peru and Buffetti as discontinued ops.

Capex FY '05 vs FY '04

€ Mln

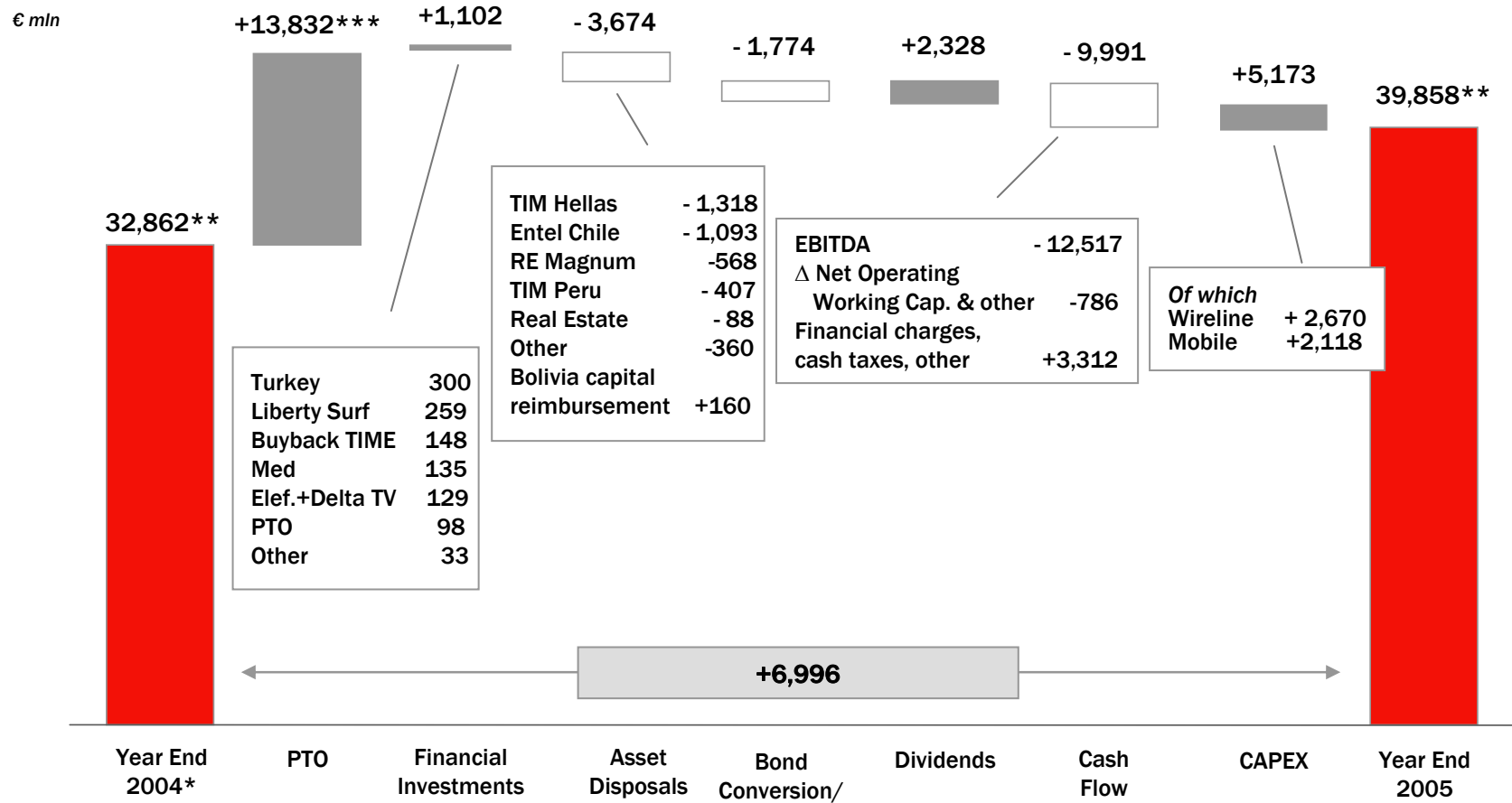


FY 04*	Domestic Wireline	Wireline European projects	Domestic mobile	TIM Brasil	Other	FY '05
4Q '04						4Q '05
2,000	- 21	+ 51	- 69	+ 18	- 8	1,971

* Pro forma with TIM Peru and Buffetti as discontinued ops.



TI Group - Net Financial Position FY '05 vs. FY '04



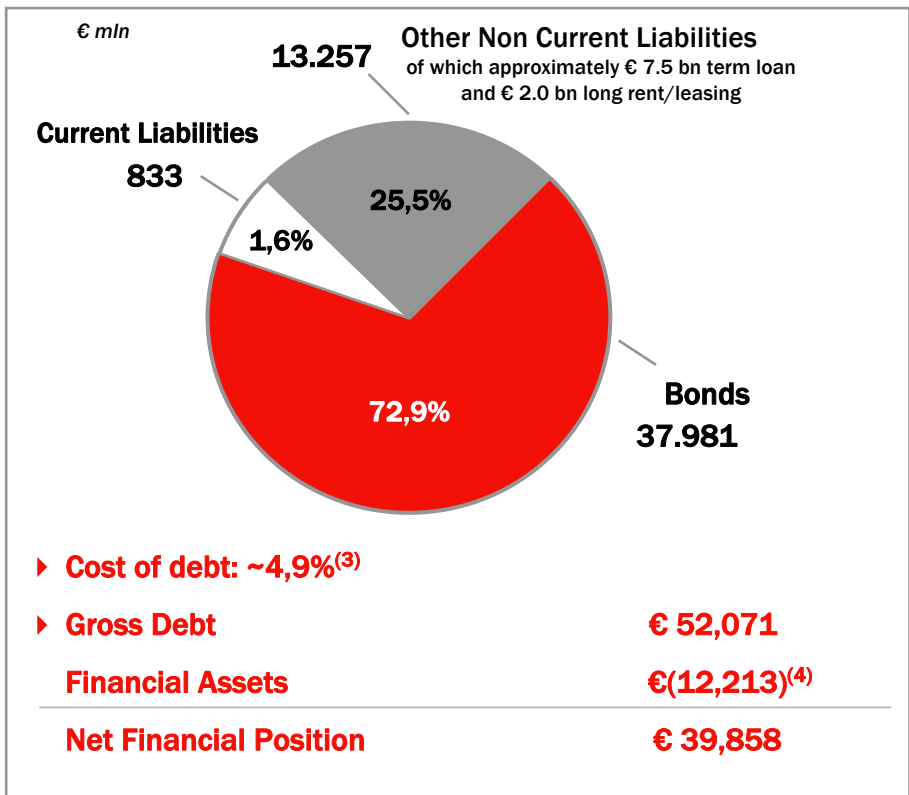
* Pro forma with TIM Peru and Buffetti as discontinued ops.
 ** Includes net financial position of discontinued operations
 *** Includes € 28 mln of TIM's share purchases after PTO completion
 **** Includes net cash flow from discontinued operations



Debt structure as of December 31, 2005

Total gross debt: € 52,071 mln⁽¹⁾⁽²⁾

Maturities and risk management



- ▶ € 10,8 bln Liquidity Position grants full coverage of forthcoming debt maturities up to the beginning of 2007
- ▶ Average bond maturity: 7.55 year
- ▶ Foreign currency-denominated debt (ca. 29% of outstanding bonds) fully hedged
- ▶ Fixed rate vs Floating rate on gross debt approximately 70% vs 30%

(1) Including Discontinued Operations without intercompany relationship of Digitel (€ 11 mln) and Gr. Buffetti (€ 19 mln) towards companies of the Group

(2) Including € 1.662 mln of IAS adj (MTM of derivatives, etc...); of which € 762 mln on bonds

(3) Considering financial expenses under IFRS, notional cost would be equal to 5.3%

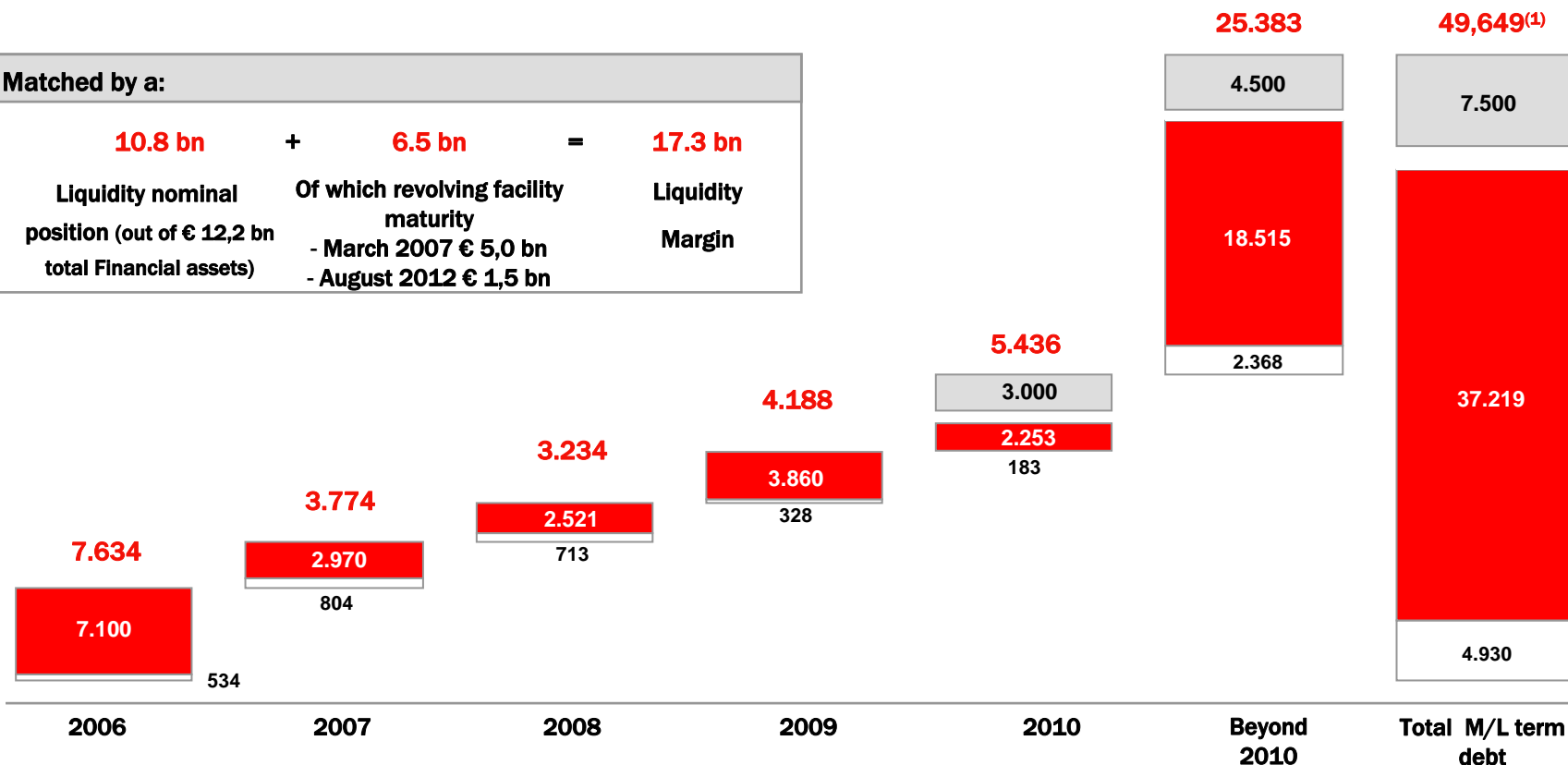
(4) Of which Liquidity Nominal Position € 10.8 bln, represented by cash and marketable securities

Medium-long term debt Maturity Profile as of December 31, 2005

€ mln

Bonds
 Loans and Long rent and op. leasing (€ 1,966)
 Term Loan

Matched by a:				
10.8 bn	+	6.5 bn	=	17.3 bn
Liquidity nominal position (out of € 12,2 bn total Financial assets)		Of which revolving facility maturity - March 2007 € 5,0 bn - August 2012 € 1,5 bn		Liquidity Margin



Maturities include € 112 mln related to discontinued activities (Digitel); mainly € 61 mln within 2006 and € 51 mln within 2007.

(1) € 49,649 mln is the nominal amount of outstanding medium-long term debt; by adding IAS adjustments (€1,589 mln) and current liabilities (€ 833 mln), the gross debt figure of € 52,071 mln is reached.

(NB) Maturities are net of € 155 mln (face value) of repurchased own bonds and € 830 mln cancelled

Appendix



TI Group – Break up Main Results by BU - Quarterly analysis

€ mln

	I Quarter			II Quarter			III Quarter			IV Quarter		
	2005 pro forma *	2004 pro forma *	Δ %	2005 pro forma *	2004 pro forma *	Δ %	2005	2004 pro forma *	Δ %	2005	2004 pro forma *	Δ %
REVENUES												
Wireline	4.350	4.294	1,3	4.494	4.364	3,0	4.332	4.181	3,6	4.626	4.592	0,7
Mobile	2.905	2.663	9,1	3.245	2.917	11,2	3.335	3.030	10,1	3.478	3.102	12,1
of which TIM Domestic (IAS)	2.361	2.293	3,0	2.569	2.495	3,0	2.577	2.576	0,0	2.569	2.559	0,4
of which Brazil	546	373	46,4	678	422	60,7	761	456	66,9	915	547	67,3
Media	35	36	(2,8)	48	49	(2,0)	38	33	15,2	59	50	18,0
Olivetti	108	139	(22,3)	115	159	(27,7)	87	128	(32,0)	142	164	(13,4)
Bolivia	38	34	11,8	41	37	10,8	43	39	10,3	49	40	22,5
Corporate	356	393	(9,4)	373	380	(1,8)	369	365	1,1	412	417	(1,2)
Elimin. & Adj.	(769)	(823)		(811)	(812)		(774)	(798)		(805)	(881)	
Total TI Group	7.023	6.736	4,3	7.505	7.094	5,8	7.430	6.978	6,5	7.961	7.484	6,4
EBITDA												
Wireline	1.993	1.935	3,0	1.972	1.973	(0,1)	1.916	1.892	1,3	1.716	2.009	(14,6)
Mobile	1.377	1.285	7,2	1.423	1.297	9,7	1.412	1.427	(1,1)	1.328	1.412	(5,9)
of which TIM Domestic (IAS)	1.293	1.270	1,8	1.343	1.282	4,8	1.306	1.375	(5,0)	1.144	1.254	(8,8)
of which Brazil	88	21	319,0	83	19	336,8	106	52	103,8	189	161	17,4
Media	(27)	(17)	(58,8)	(24)	(12)	(100,0)	(20)	(17)	(17,6)	(20)	(18)	(11,1)
Olivetti	4	8	(50,0)	(2)	12	-	(11)	(3)	(266,7)	(6)	11	(154,5)
Bolivia	17	14	21,4	18	14	28,6	19	14	35,7	21	17	23,5
Corporate	(77)	(52)	(48,1)	(178)	(116)	(53,4)	(101)	(78)	(29,5)	(224)	(141)	(58,9)
Elimin. & Adj.	(3)	1		(8)	0		4	(7)		(2)	4	
Total TI Group	3.284	3.174	3,5	3.201	3.168	1,0	3.219	3.228	(0,3)	2.813	3.294	(14,6)
EBIT												
Wireline	1.276	1.247	2,3	1.252	1.259	(0,6)	1.161	1.149	1,0	877	1.101	20,3
Mobile	934	934	0,0	971	926	4,9	948	1.030	(8,0)	808	960	(15,8)
of which TIM Domestic (IAS)	984	1.000	(1,6)	1.041	1.002	3,9	1.012	1.081	(6,4)	819	927	(11,7)
of which Brazil	(45)	(60)	25,0	(68)	(71)	4,2	(68)	(48)	(41,7)	(9)	50	(118,0)
Media	(36)	(21)	(71,4)	(31)	(19)	(63,2)	(29)	(24)	(20,8)	(34)	(29)	(17,2)
Olivetti	0	4	(100,0)	(6)	8	-	(15)	(5)	(200,0)	(17)	10	(270,0)
Bolivia	7	4	75,0	8	7	14,3	8	4	100,0	11	7	57,1
Corporate	(158)	(129)	(22,5)	(265)	(176)	(50,6)	(184)	(167)	(10,2)	(42)	(258)	83,7
Elimin. & Adj.	9	12		18	(289)		20	9		8	49	
Total TI Group	2.032	2.051	(0,9)	1.947	1.716	13,5	1.909	1.996	(4,4)	1.611	1.840	(12,4)

(*) Pro-forma with TIM Perù & Buffetti in Disc. Ops.



TI Group and TI Spa – Profit and Loss – FY 2005

Euro mln	TI Group				TI Spa **			
	2005	2004 Pro forma *	Δ Abs.	Δ %	2005	2004	Δ Abs.	Δ %
REVENUES	29.919	28.292	1.627	5,8	17.209	16.108	1.101	6,8
Other Operating Income	678	1.099	(421)	(38,3)	403	642	(239)	(37,2)
TOTAL REVENUES & OTHER INCOME	30.597	29.391	1.206	4,1	17.612	16.750	862	5,1
Total Purchases of materials and external services	(12.937)	(11.812)	(1.125)	9,5	(7.196)	(6.625)	(571)	8,6
Personnel	(4.142)	(3.852)	(290)	7,5	(3.110)	(2.868)	(242)	8,4
of which payroll***	(3.639)	(3.615)	(24)	0,7	(2.627)	(2.614)	(13)	0,5
Other operating costs	(1.468)	(1.603)	135	(8,4)	(722)	(914)	192	(21,0)
Capitalized Cost and Others	467	740	(273)	(36,9)	279	639	(360)	(56,3)
EBITDA	12.517	12.864	(347)	(2,7)	6.863	6.982	(119)	(1,7)
% on Revenues	41,8%	45,5%			39,9%	43,3%		
Depreciation & Amortization	(5.232)	(4.808)	(424)	8,8	(3.079)	(2.892)	(187)	6,5
Writedowns and revaluations of non current assets	(28)	(444)	416	93,7	(8)	0	(8)	-
Gains/losses of non current assets realization	242	(9)	251	-	306	16	290	n.m.
EBIT	7.499	7.603	(104)	(1,4)	4.082	4.106	(24)	(0,6)
% on Revenues	25,1%	26,9%			23,7%	25,5%		
Income (loss) equity invest. valued equity method	23	(5)	28		0	22	(22)	
Net Financial Income / (Expenses)	(1.987)	(1.992)	5		721	(946)	1.667	
Income before Taxes & Disc. Ops.	5.535	5.606	(71)		4.803	3.182	1.621	
% on Revenues	18,5%	19,8%			27,9%	19,8%		
Taxes	(2.395)	(2.654)	259		(918)	(1.047)	129	
Income before Disc. Ops.	3.140	2.952	188		3.885	2.135	1.750	
Net income (loss) from Disc. Ops.	550	(118)	668		0	0	0	
Net Income (ante Minorities)	3.690	2.834	856		3.885	2.135	1.750	
% on Revenues	12,3%	10,0%			22,6%	13,3%		
Minorities	(474)	(1.019)	545					
Net Income (post Minorities)	3.216	1.815	1.401					
% on Revenues	10,7%	6,4%						

(*) Pro-forma with TIM Perù & Buffetti in Disc. Ops. (**) Italian GAAP reclassified in IAS/IFRS template (***) Temporary workers excluded

TI Group and TI Spa – Balance Sheet – FY 2005

Euro mln	TI Group				TI Spa **			
	2005	2004 Pro forma*	Δ	Abs.	2005	2004	Δ	Abs.
Intangible Assets	50.790	33.089	17.701		1.682	1.628	54	
Tangible Assets	18.041	17.896	145		10.688	11.238	(550)	
Financial Assets	1.586	1.348	238		52.318	34.670	17.648	
Deferred Tax Assets	2.793	4.075	(1.282)		1.854	2.391	(537)	
TOTAL NET ASSETS	73.210	56.408	16.802		66.542	49.927	16.615	
Working Capital	(4.259)	(3.696)	(563)		1.454	(489)	1.943	
Severance Indemnities	(1.351)	(1.208)	(143)		(1.196)	(1.043)	(153)	
Other Allowances	(1.106)	(1.118)	12		(420)	(478)	58	
No fin. assets/liabilities of Disc. Ops.	349	3.274	(2.925)		0	0	0	
NET INVESTED CAPITAL	66.843	53.660	13.183		66.380	47.917	18.463	
Shareholders Equity	26.985	20.798	6.187		21.968	16.811	5.157	
Net Financial Position	39.858	32.862	6.996		44.412	31.106	13.306	
Net Financial Position of Disc. Ops.	106	798	(692)		0	0	0	
Net Financial Position excluding Disc. Ops.	39.752	32.064	7.688		44.412	31.106	13.306	
Euro mln	2005	2004 Pro forma*	Δ	Abs.	2005	2004	Δ	Abs.
INVESTMENTS								
Capital Expenditures	5.173	5.002	171		2.474	2.330	144	
Financial Investments	14.934	868	14.066		15.977	1.695	14.282	
TOTAL	20.107	5.870	14.237		18.451	4.025	14.426	

(* Pro-forma with TIM Perù & Buffetti in Disc. Ops. (** Italian GAAP)