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1H2007 financial results

Milan, 13th September 2007

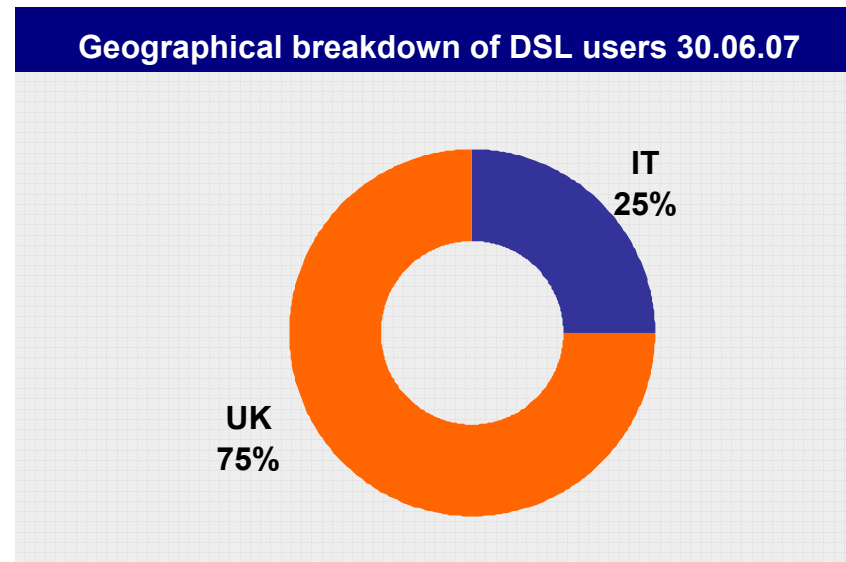
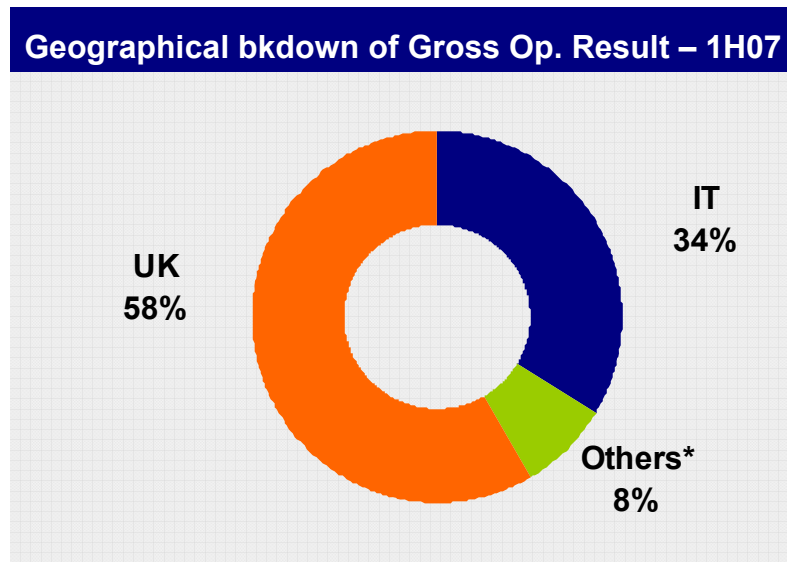
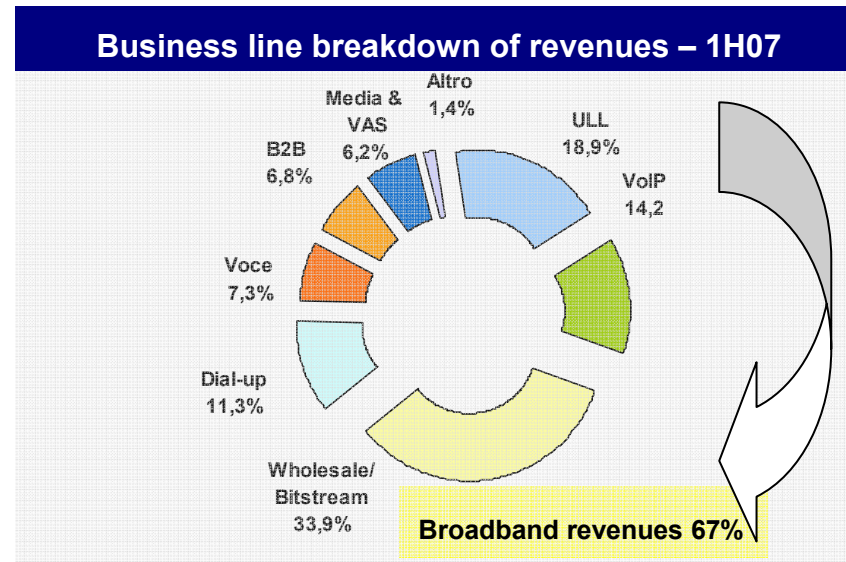
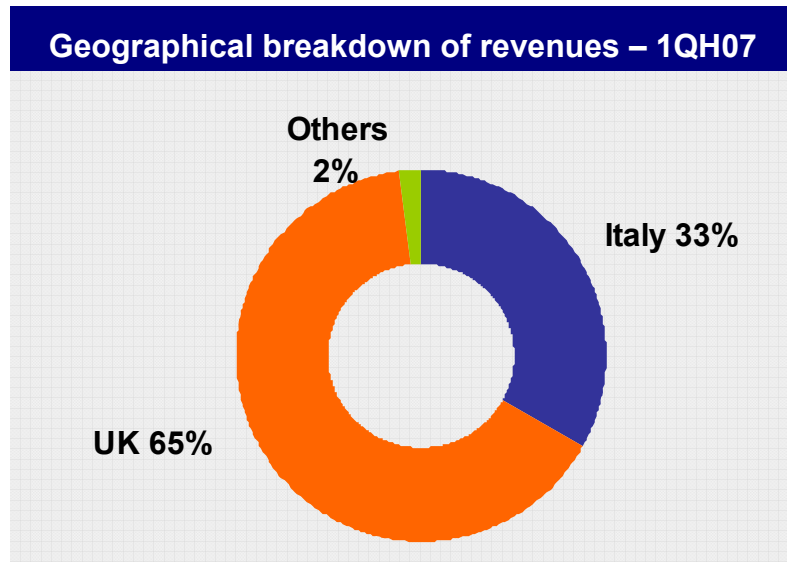
- **Key 1H2007 results**

- **Solid growth of economic results**
 - 1H07 revenues at 393 EUR ml (+24% YoY)
 - 1H07 ADSL revenues at EUR 207.5 ml (+29% YoY)
 - 1H07 LLU revenues grow four-fold YoY driven by the success of double-play product offers
 - Broadband revenues (including double play) represent over 67% of total
 - 1H07 Gross Operating Result at EUR 61.9 ml (16% of revenues) +59% YoY

- **Over 2 million ADSL customers:**
 - 181K new ADSL adds in the first half 2007, bringing total DSL customers at over 2 ml
 - Over 780K direct (LLU) customers (+230% YoY)

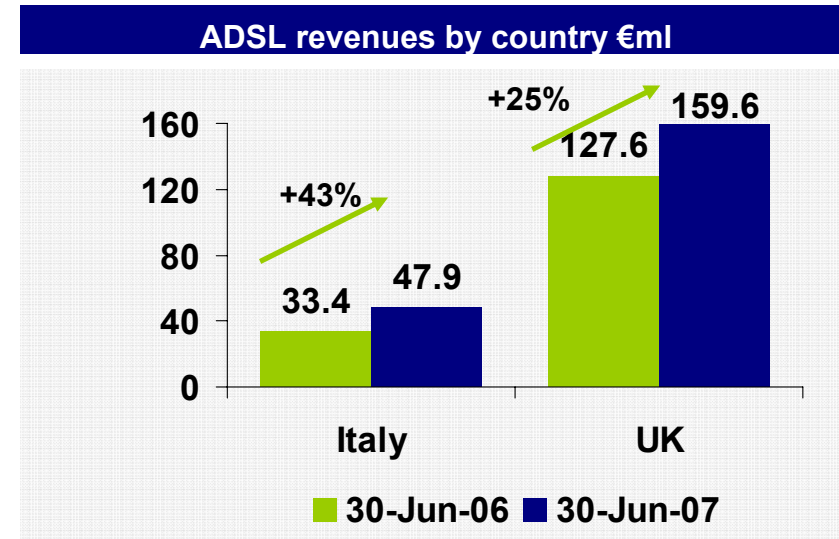
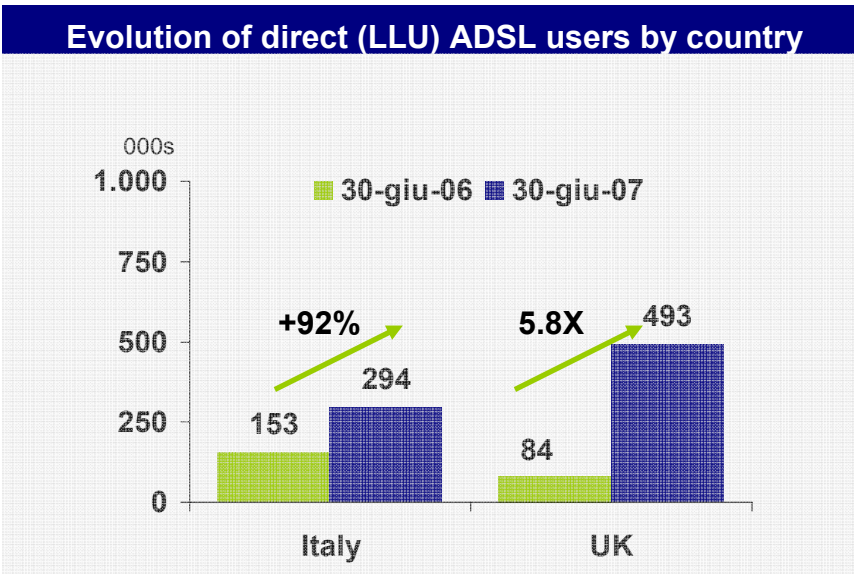
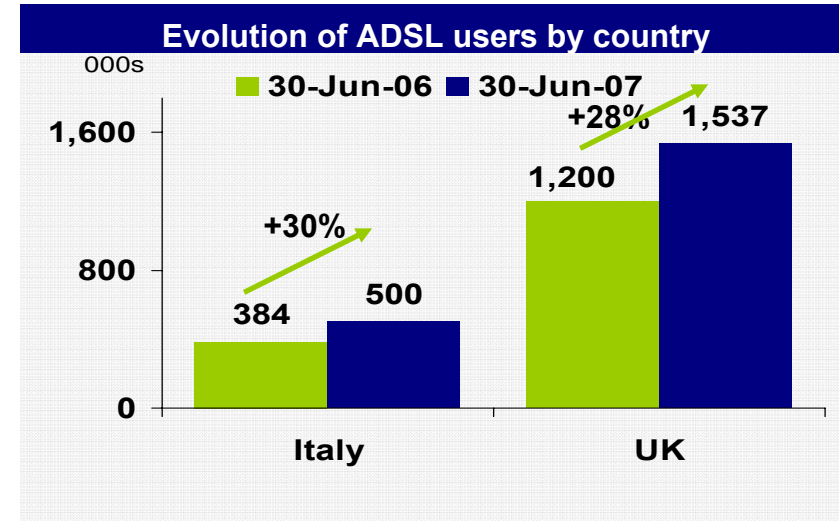
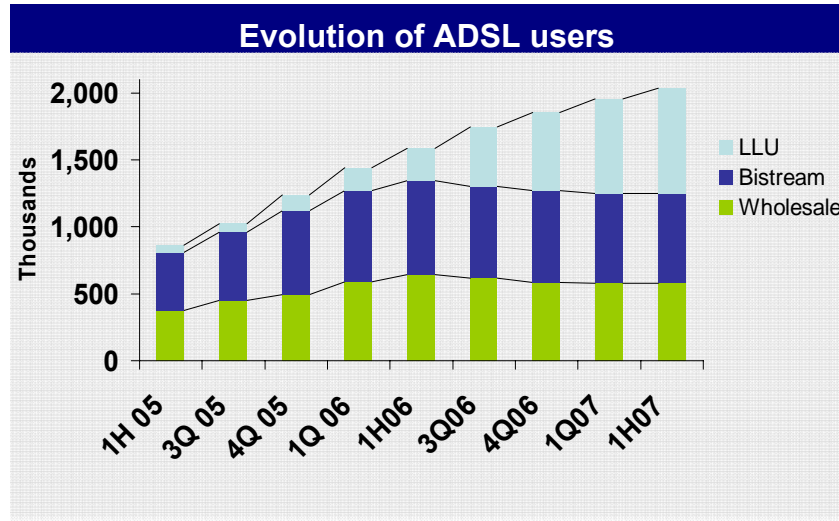
- **NFP improvement** from net debt of EUR 397 million on 31/12/2006 to net debt of EUR 250 million on 30/06/2007

Operational breakdown and dynamics

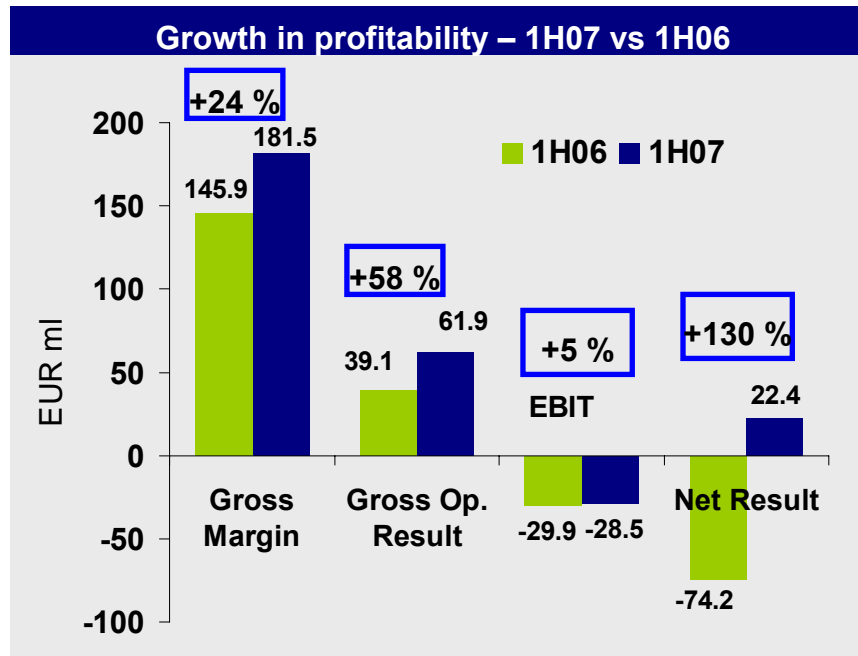


* Others include TiNet and other minor subsidiaries

ADSL: the growth driver



Positive net result in the semester



Highlights

- Indirect costs decrease from 34% of revenues in 1H06 to 31% of revenues in 1H07
- EBIT improvement in spite of the increase of amortization and depreciation charges
- Net result includes EUR 18 ml of financial restructuring costs

- Gross Operating Result trend is related to continuing migration of clients to proprietary infrastructure and success of double play offers in Italy
- Net result trend shows an increase of 130%. 1H2006 net income includes the net capital gain of EUR 101.1 million after completion of the Dutch and German assets' disposal

Financials 1H06 vs 1H07

€ ml	1H07	% of rev.	1H06	% of rev.	Delta 1H06/1H07
Revenues	393.1	100%	318.1	100%	24%
Access	251.8	64%	223.7	70%	13%
<i>of which direct access (ULL)</i>	74.1	19%	17.0	5%	4X
Voice	84.3	21%	50.0	16%	69%
<i>of which double play offers</i>	55.8	14%	3.3	1%	17X
B2B	26.8	7%	21.0	7%	28%
Media and VAS	24.5	6%	19.8	6%	24%
Other	5.6	1%	3.6	1%	56%
Gross Margin	181.5	46%	145.9	46%	24%
Operating costs	121.5	31%	108.6	34%	12%
<i>Sales & Marketing costs</i>	42.5	11%	41.8	13%	2%
<i>Personnel costs</i>	50.2	13%	39.3	12%	28%
<i>G&A costs</i>	28.8	7%	27.5	9%	5%
<i>Other Income & Expenses</i>	(2.0)	<i>nm</i>	(1.8)	<i>nm</i>	<i>nm</i>
Gross Operating Result	61.9	16%	39.1	12%	58%
EBIT	(28.5)	<i>nm</i>	(29.9)	<i>nm</i>	5%
Net result	22.4	6%	(74.2)	<i>nm</i>	130%

Financials 1H06 vs 1H07

ITALY					
€ ml	1H07	% of rev.	1H06	% of rev.	Delta 1H06/1H07
Revenues	130.1	100%	104.7	100%	24%
ADSL	47.9	37%	33.4	32%	43%
<i>of which unbundling (ULL)</i>	26.4	20%	12.3	12%	115%
Gross Margin	72.3	56%	53.7	51%	35%
Operating costs	45.1	35%	37.7	36%	20%
<i>Sales & Marketing costs</i>	20.0	15%	17.7	17%	13%
<i>Personnel costs</i>	17.3	13%	14.5	14%	19%
<i>G&A costs</i>	7.8	6%	5.5	5%	42%
Gross Operating Result*	21.3	16%	10.7	10%	99%

Gross Operating Result +99% in Italy thanks to the success of the double play offer: VoIP revenues up fourfold YoY.

UK					
€ ml	1H07	% of rev.	1H06	% of rev.	Delta 1H06/1H07
Revenues	253.2	100%	205.7	100%	23%
ADSL	159.6	63%	127.6	62%	25%
<i>of which unbundling (ULL)</i>	47.8	19%	4.7	2%	10X
Gross Margin	105.7	42%	87.4	42%	21%
Operating costs	59.6	24%	51.5	25%	16%
<i>Sales & Marketing costs</i>	21.4	8%	23.2	11%	-8%
<i>Personnel costs</i>	20.7	8%	12.2	6%	70%
<i>G&A costs</i>	17.5	7%	16.1	8%	9%
Gross Operating Result*	36.0	14%	30.1	15%	20%

* Net of intra-group costs

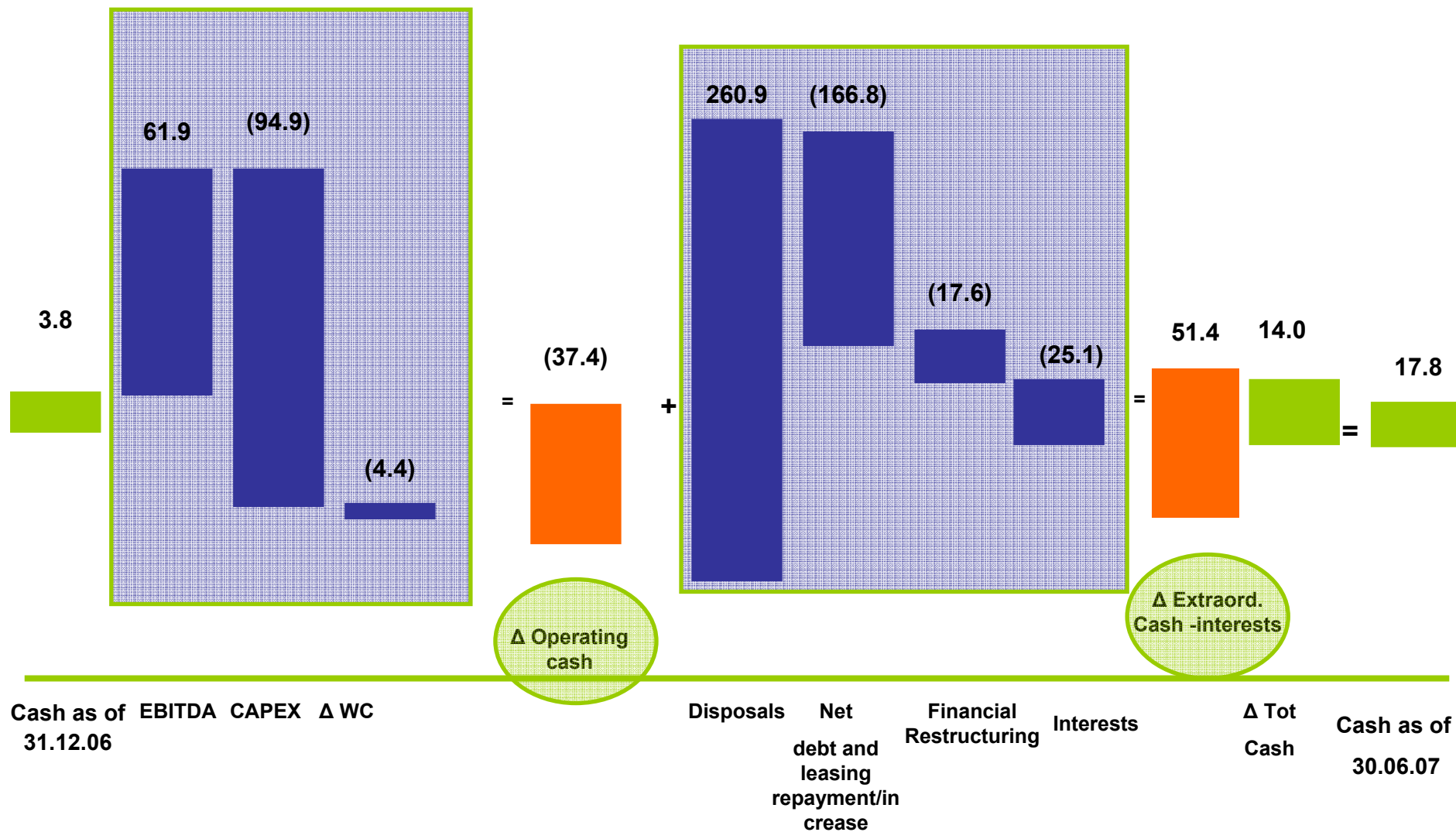
Evolution of capital structure

€ ml	30-Jun-07	31-Dec-06
A. Cash	17.8	3.8
B. Other liquid assets	18.4	11.5
C. Securities	-	-
D. Total cash and other financial assets (A) + (B) + (C)	36.3	15.3
E. Other current financial assets	43.0	21.2
F. Bank Overdraft	54.8	374.8
G. Long term loans falling within one year	-	-
H. Other financial debt (*)	17.1	12.3
I. Current financial debt (F) + (G) + (H)	71.9	387.0
J. Net current financial debt (I) – (E) – (D)	(7.4)	350.5
K. Non current bank loans	151.3	-
L. Bonds	-	-
M. Other non current debt (**)	107.2	46.7
N. Non current financial debt (K) + (L) + (M)	258.5	46.7
O. Net financial debt (J) + (N)	251.1	397.2

(*) includes leasing debts

(**) includes leasing debt and debts to shareholders

Cash Flow



Targets update

- 2007 targets inclusive of Pipex in 4Q07:
 - Revenues: EUR 930 ml
 - Gross Operating Result: ca EUR 160 ml (over 17% margin)
 - Capex: EUR 200 ml
- Full year 2008 FCF and Net Result positive

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