



Statements of cash flows of Telecom Italia S.p.A.

(millions of euro)	Year 2004	Year 2003 Historical data
A. NET DEBT AT BEGINNING OF PERIOD	(35,327)	(30,622)
Net debt at beginning of period of the merged company TILAB	-	(169)
Net debt at beginning of period of the merged companies IT TELECOM and EPIClink	(274)	
B. ADJUSTED NET DEBT AT BEGINNING OF PERIOD	(35,601)	(30,791)
Operating income	4,234	4,139
Depreciation of fixed assets/amortization of intangible assets	2,892	2,919
Investments in fixed assets and intangible assets (1)	(2,330)	(2,534)
Cash in of capital grants	-	5
Proceeds from sale of intangible assets and fixed assets	8	314
Change in operating working capital and other changes	769	(141)
C. OPERATING FREE CASH FLOW	5,573	4,702
Investment in long-term investments (1)	(1,722)	(6,918)
Proceeds from sale/redemption value of other assets	2,276	3,102
Change in non-operating working capital and other changes (2)	(87)	(4,661)
D.	467	(8,477)
E. NET CASH FLOWS BEFORE DISTRIBUTION OF INCOME/RESERVES,		
CONTRIBUTIONS BY SHAREHOLDERS (C+D)	6,040	(3,775)
F. DISTRIBUTION OF INCOME/RESERVES	(1,740)	(794)
G. CONTRIBUTIONS BY SHAREHOLDERS	44	33
H. CHANGE IN NET DEBT (E+F+G)	4,344	(4,536)
I. NET DEBT AT END OF PERIOD (B+H)	(31,257)	(35,327)

The change in net debt is the result of the following:

(millions of euro)		
Increase (decrease) in medium/long-term debt	12,425	(3,014)
Increase (decrease) in short-term borrowings	(16,769)	7,719
CHANGE IN NET DEBT	(4,344)	4,705

(1) Total cash used for investments can be analyzed as follows:

(millions of euro)		
Industrial investments:	2,330	2,534
- intangible assets	1,031	767
- fixed assets	1,299	1,767
Investment in long-term investments	1,722	6,918
CASH USED FOR INVESTMENTS	4,052	9,452

(2) The item can be analyzed as follows:

(millions of euro)		
Net financial income (expenses)	(1,772)	(2,404)
Dividends received	1,329	428
Utilization of reserves for risks for the early exercise of the JP Morgan put option	-	(1,942)
Income taxes payments (3)	934	(246)
Net extraordinary income (expenses) and other	(578)	(497)
CHANGE IN NON-OPERATING WORKING CAPITAL AND OTHER CHANGES	(87)	(4,661)

(3) The amount for the Fiscal Year 2004 is positive due to the cash in of a tax credit transferred to TIM (euro 1.294 millions).