

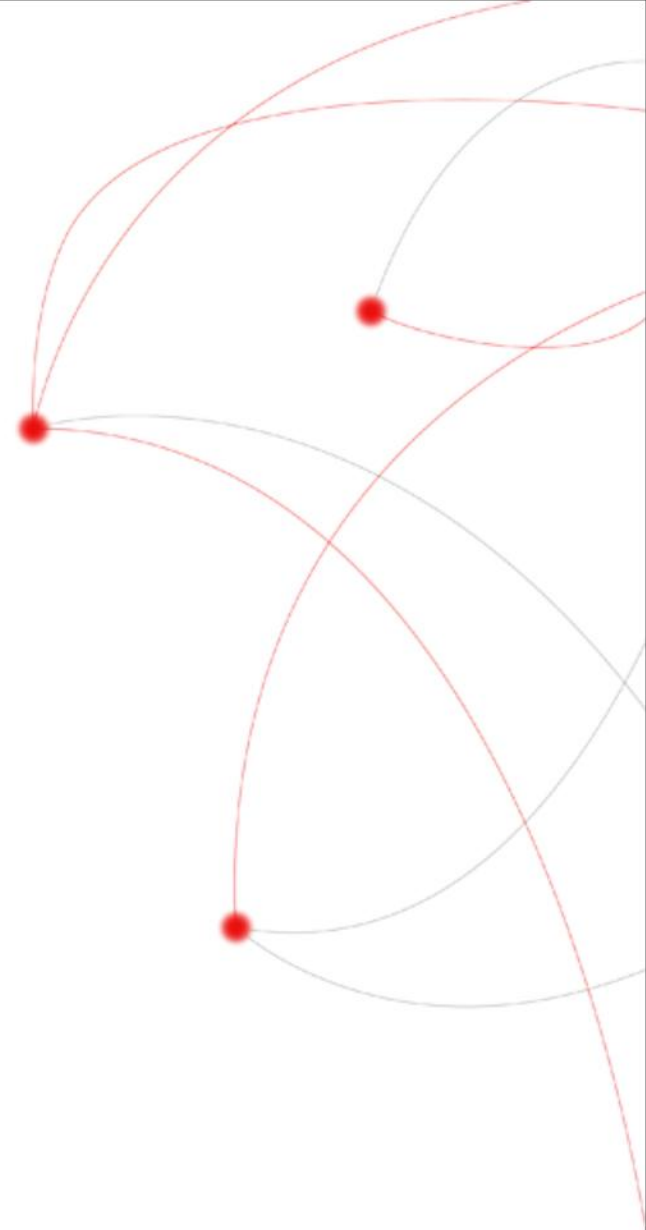
TELECOM ITALIA GROUP

## **1H 2009 Results**

Milan, August 6<sup>th</sup>, 2009

# **Telecom Italia 1H09 Financial Results**

MARCO PATUANO



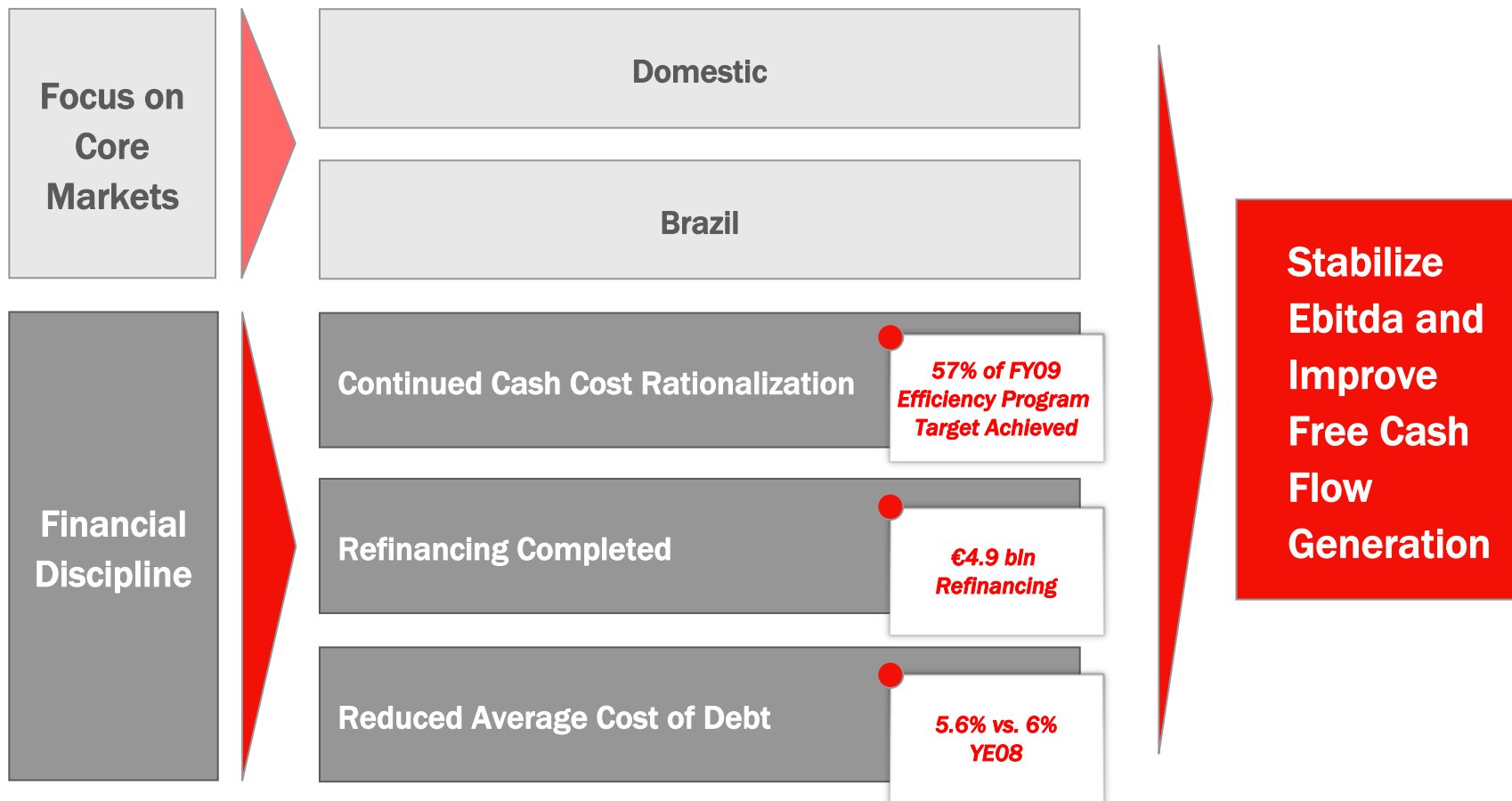
# Safe Harbour

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.

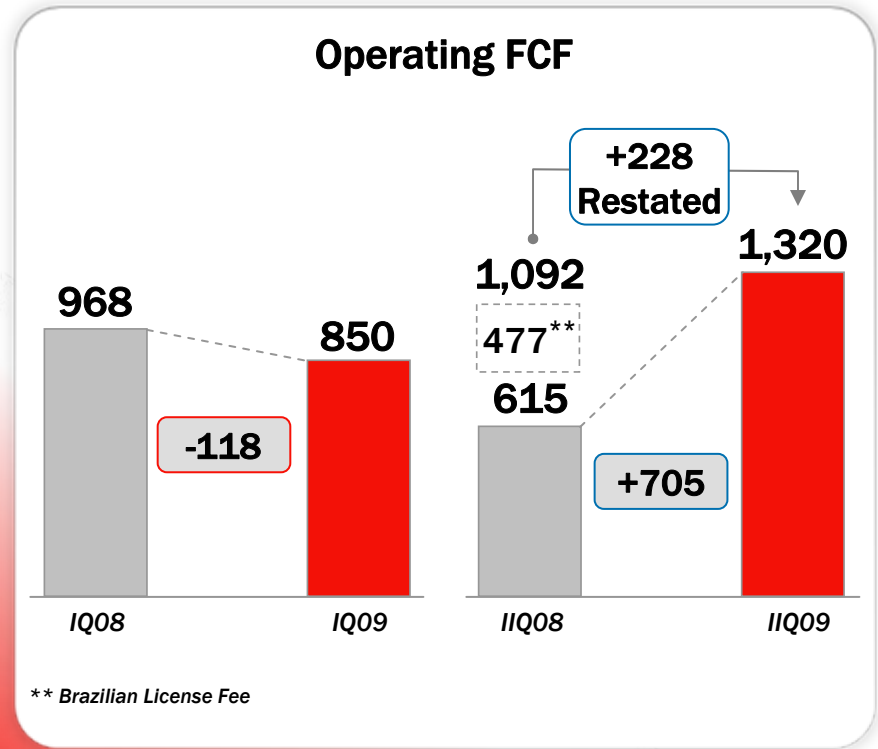
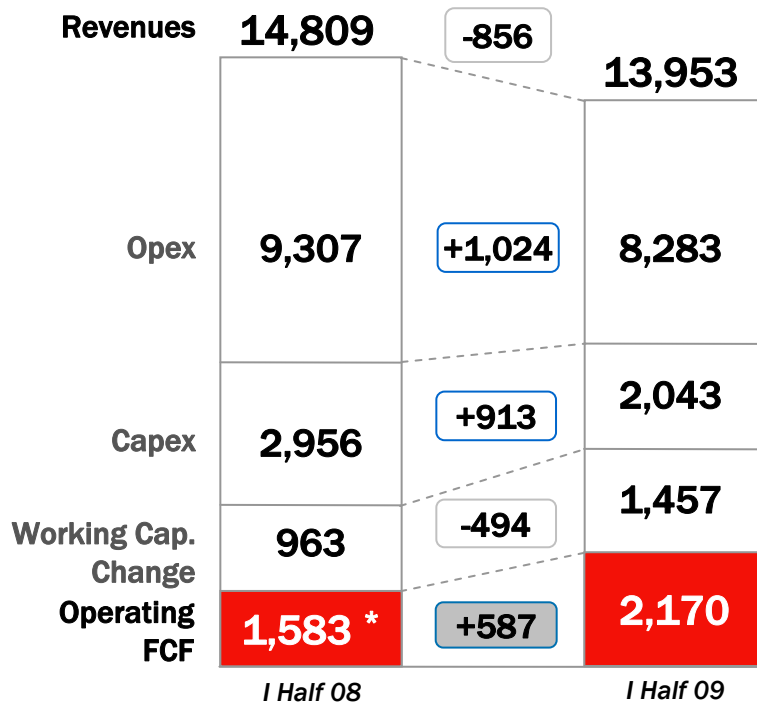
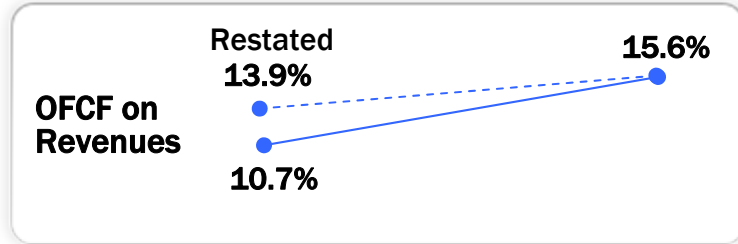
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# TI Group 1H 09 Financial Progress Report



# Improved Operating Cash Flow

Euro mln, Reported data

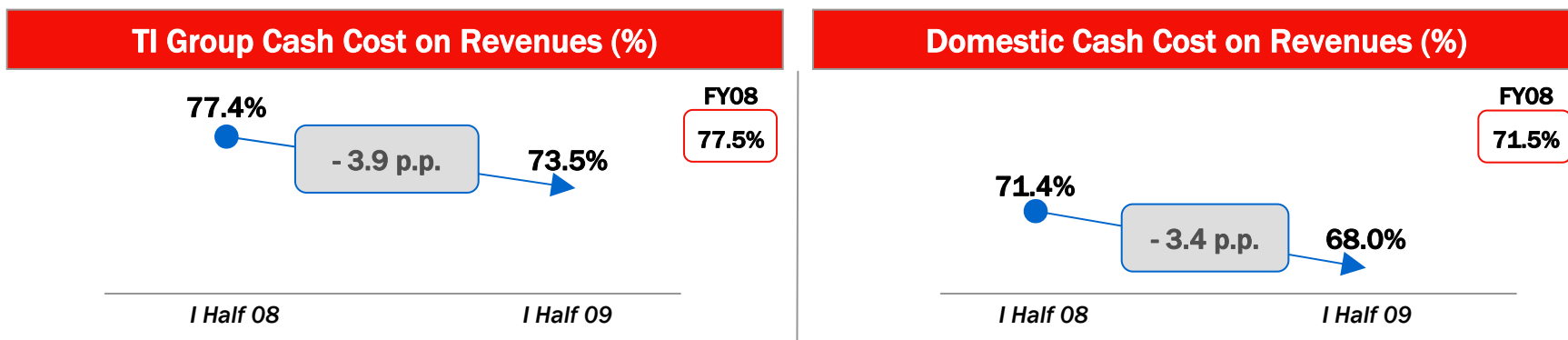
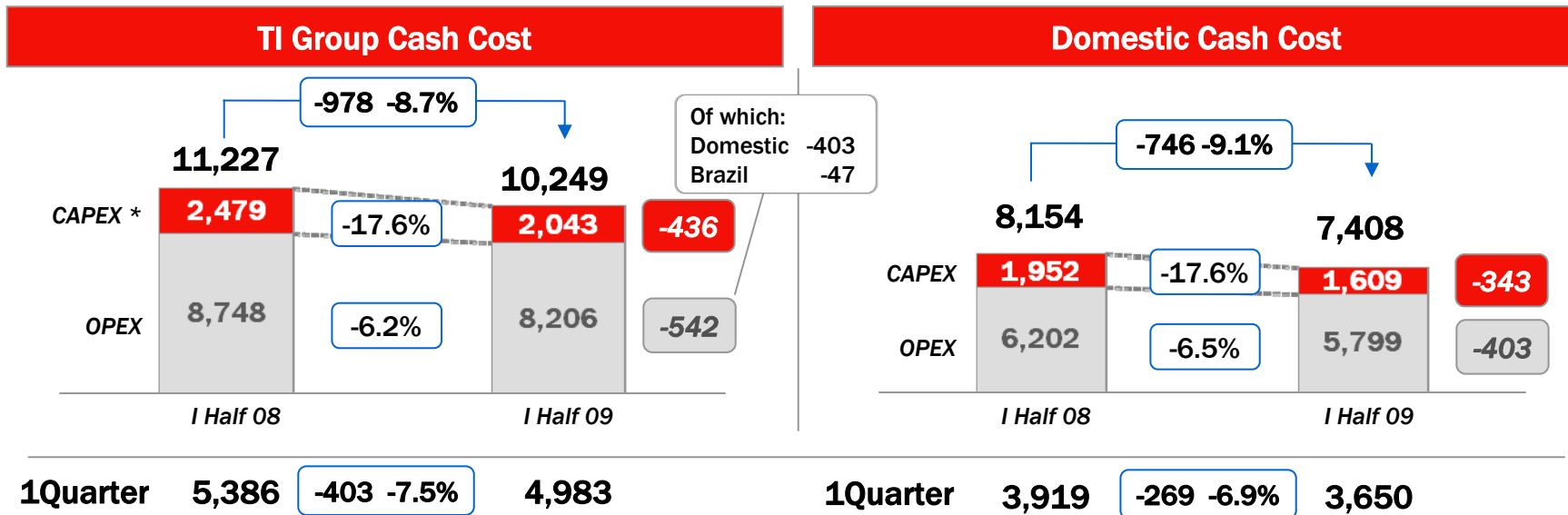


\*\* Brazilian License Fee

\* 2,060 restated for 477 Brazilian License Fee

# Group Cash Cost Control to improve Operating Cash Flow

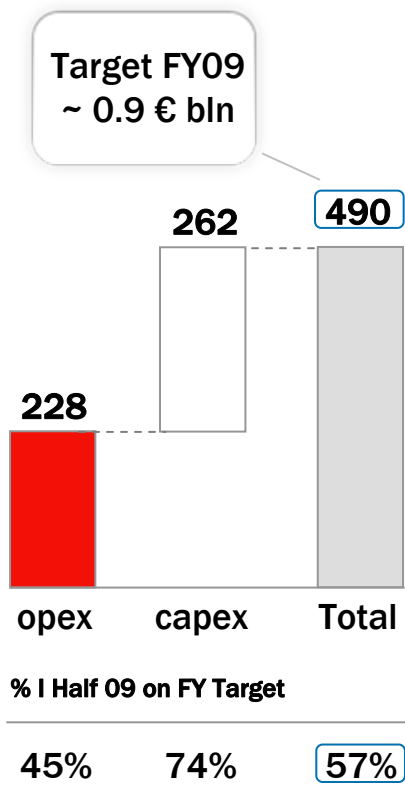
Euro mln, Organic data, %



\* 477M€ Brazilian license Fee excluded

# Domestic Efficiency on track

## I Half 09 Efficiency Program



## Efficiency I Half 09

Euro Mln

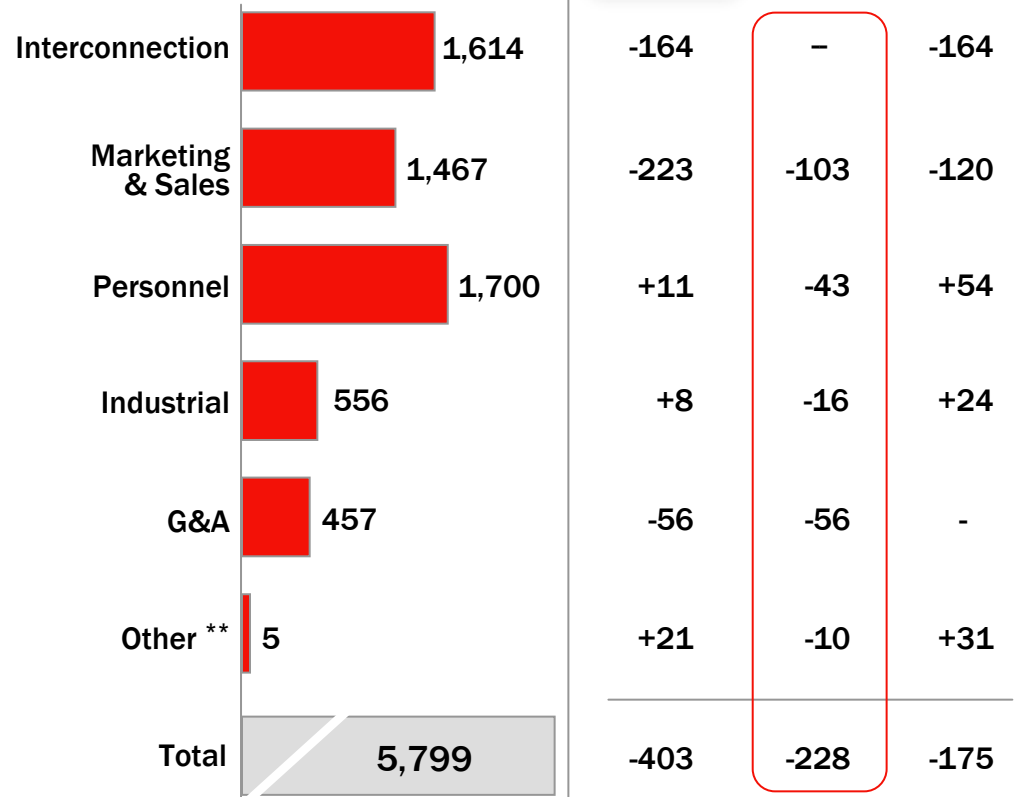
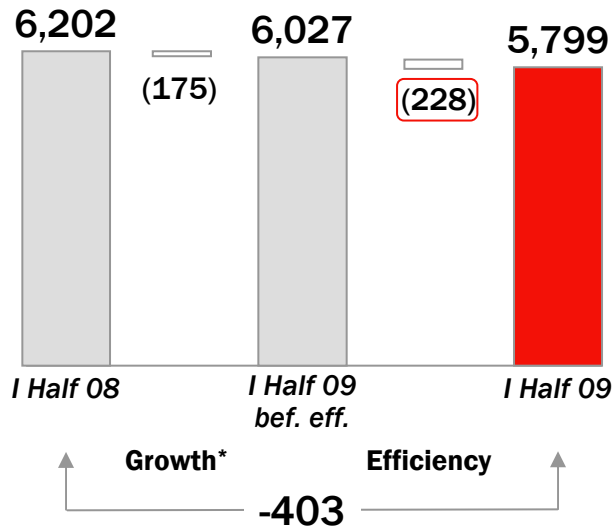


	Total		o/w Opex
	<b>490</b>		<b>228</b>
<b>1</b> Network Operations	205		6
<b>2</b> Sales & Distribution	87		87
<b>3</b> Organization & Support process	62		62
<b>4</b> Information Technology	50		11
<b>5</b> Customer Operations	27		27
<b>6</b> Delivery & Assurance	34		18
<b>7</b> Buildings and Energy Mng	25		17

# Focus on Domestic Efficiency

Euro Mln, Organic data

## I Half 09 Efficiency on Opex



\* Non Efficiency

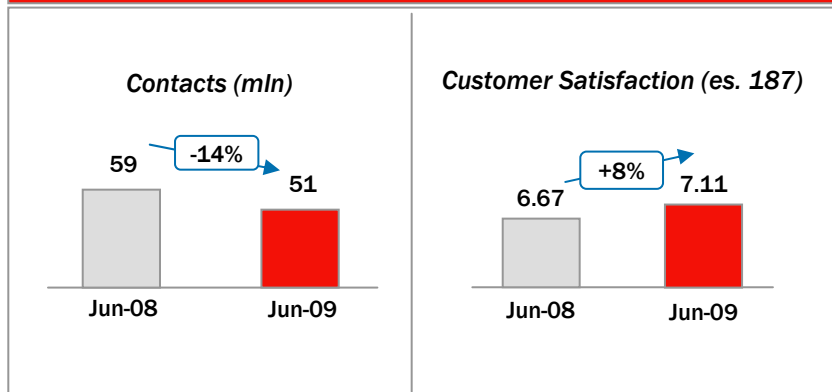
\*\* Other operating income and expenses

# Selective Cost Control: Focus on Marketing & Sales

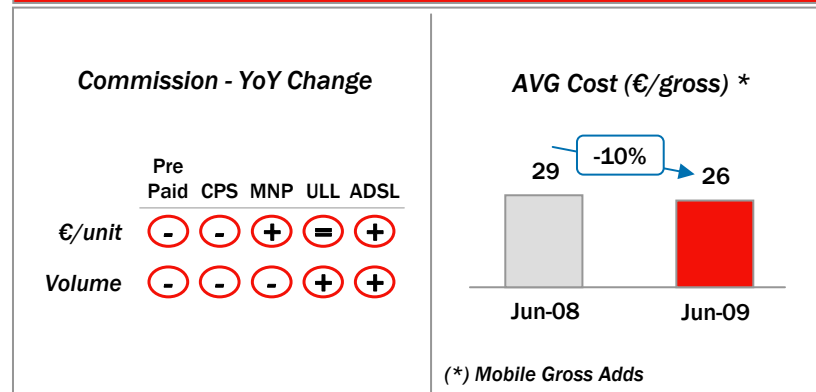
Euro Mln, Organic data

Δ abs, Δ % vs Half '08

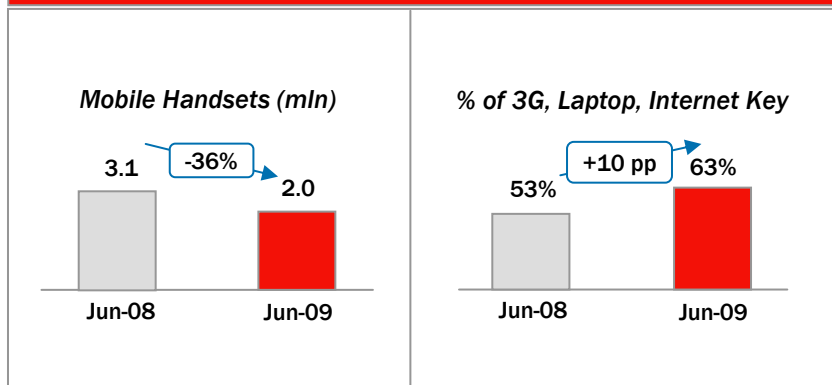
## Customer Care: -11 Mln -7%



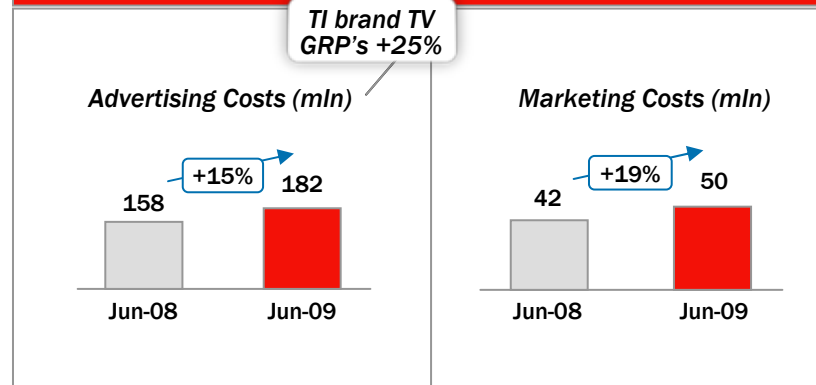
## Customer Acquisitions: -30 Mln -21%



## Products: -183 Mln -25%



## Advertising & MKT: +32 Mln +16%

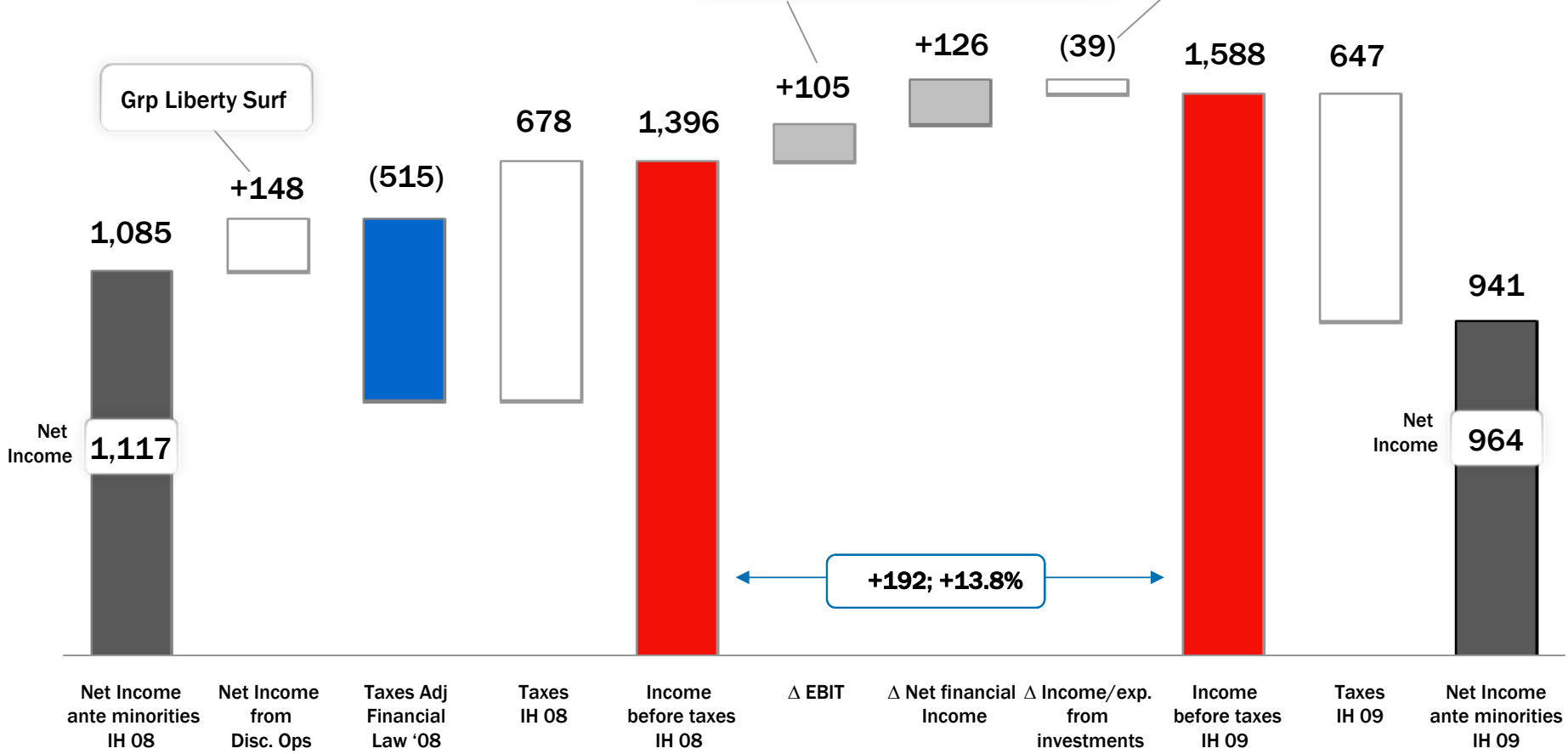




# Net Income Evolution

Euro mln

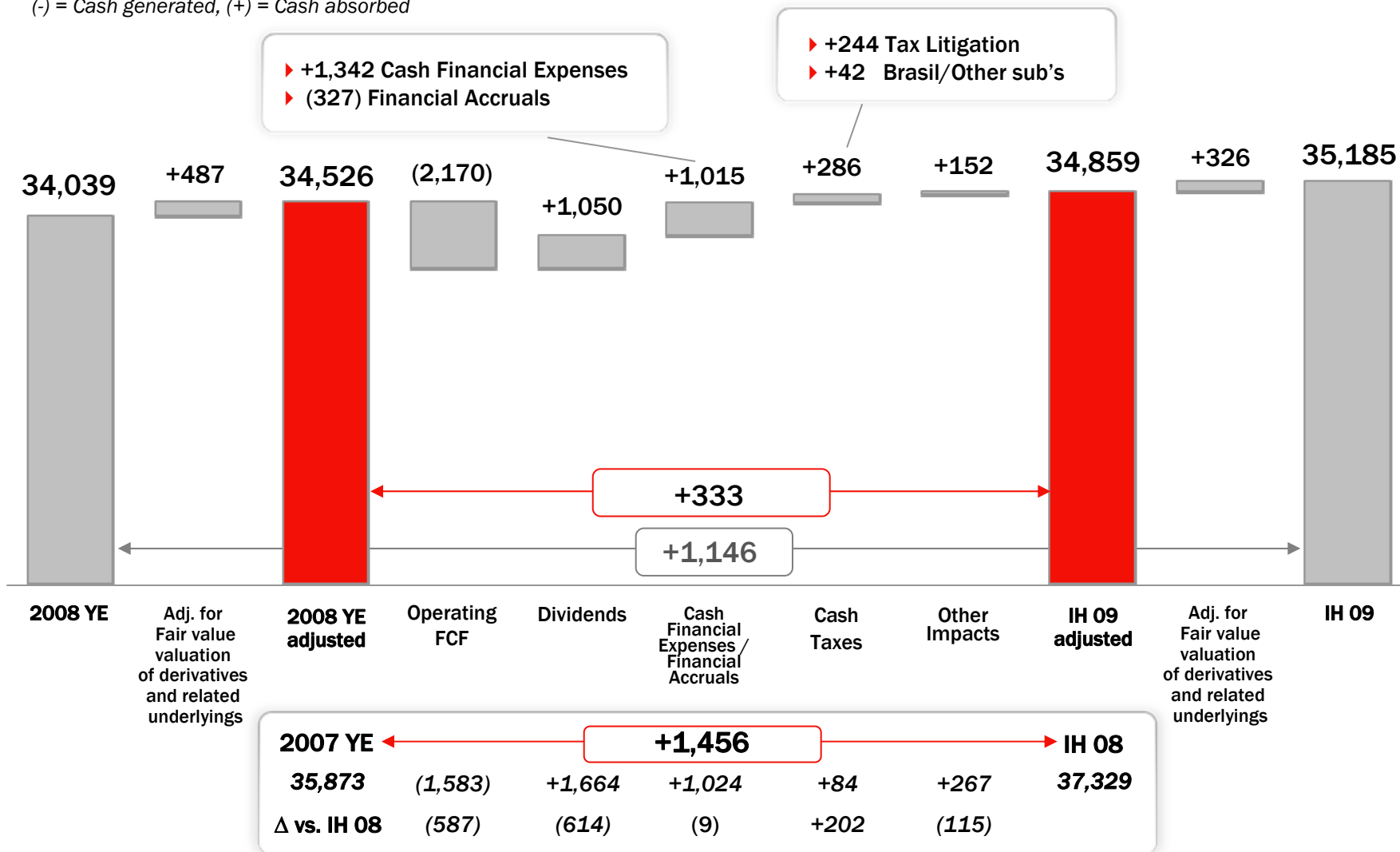
- ▶ EBITDA +168
  - ▶ Depreciation & Amortization +25
  - ▶ Writedowns of non current assets (47)
  - ▶ Gains on disposal of non current assets (41)
- of which Italtel Group (35):  
 - IH09 (39)  
 - IH08 (4)



# Net Debt Dynamics

Euro mln

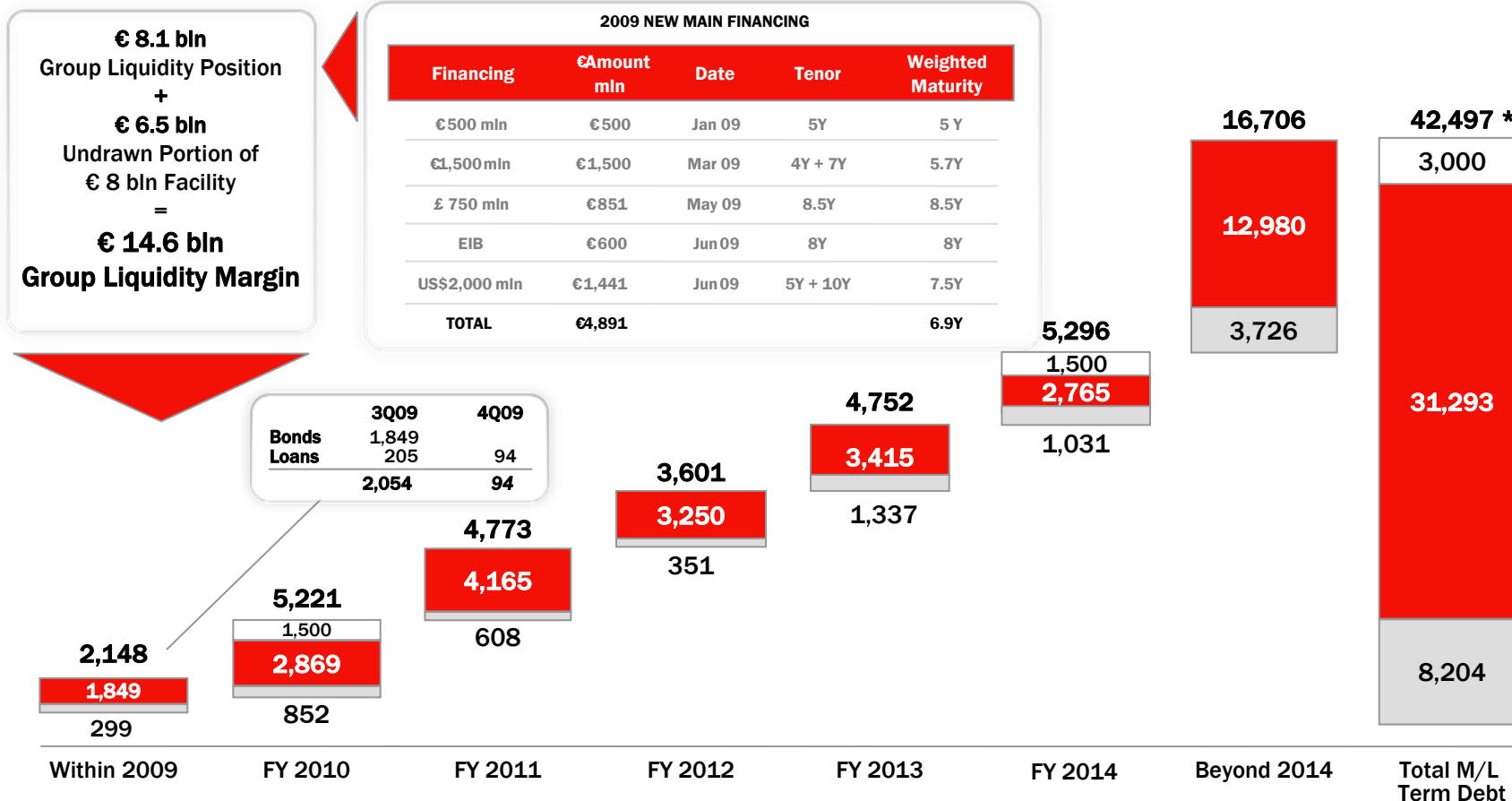
(-) = Cash generated, (+) = Cash absorbed



# Group Liquidity Matches 2009 – 2010 Maturities

Euro mln

Bonds  Loans (of which long-term rent, financial and operating lease payable € 1,896)  Drawn bank facility

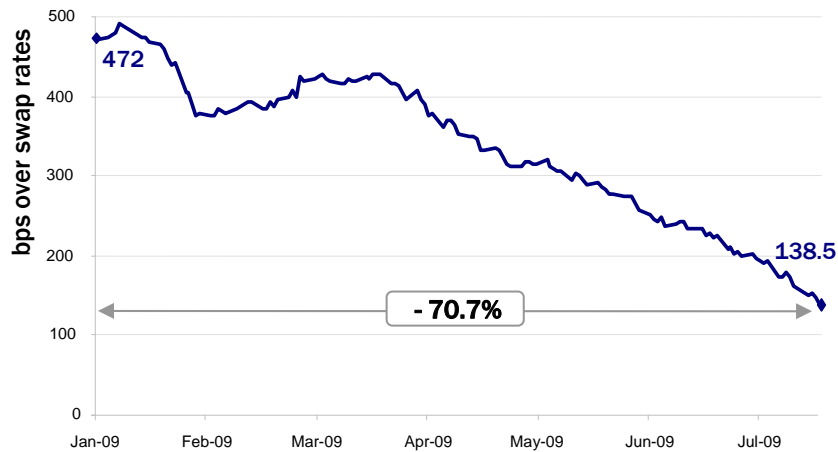


\* € 42,497 mln is the nominal amount of outstanding medium-long term debt : by adding IAS adjustments (€ 644, not considering € 1.182 mln due to interest rates impact on derivatives valuation) and current liabilities (€ 704 mln) gross debt figure of € 43,844 mln is reached.

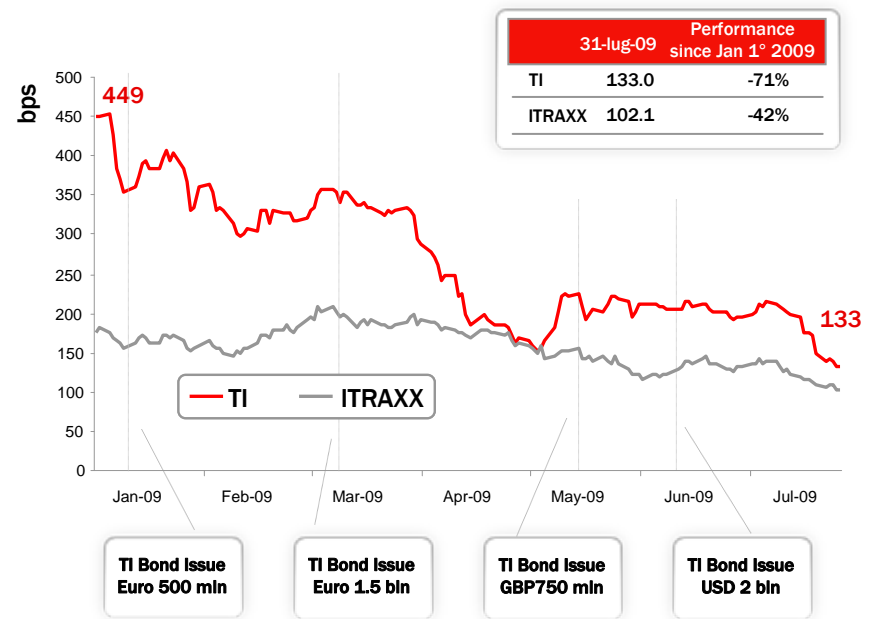
N.B. Debt maturities are net of repurchased own bonds of which: € 180 mln TI Spa € 850 mln 5.25 % Notes due 2055, € 77 mln TI Spa € 750 mln 4.75 % Notes due 2014, € 54 mln TI Spa € 850 mln Notes due 2010, € 361 mln TIF € 2,210 mln 6.575 % Notes due 2009, € 20 mln TIF € 139 mln FRN Notes due 2010 and € 35 mln TIF € 1,050 mln 7.75 % Notes due 2033.

# Creating a Virtuous Circle in TI's Credit Market

Telecom Italia: Euro Bond Secondary Market Level (5Y tenor)

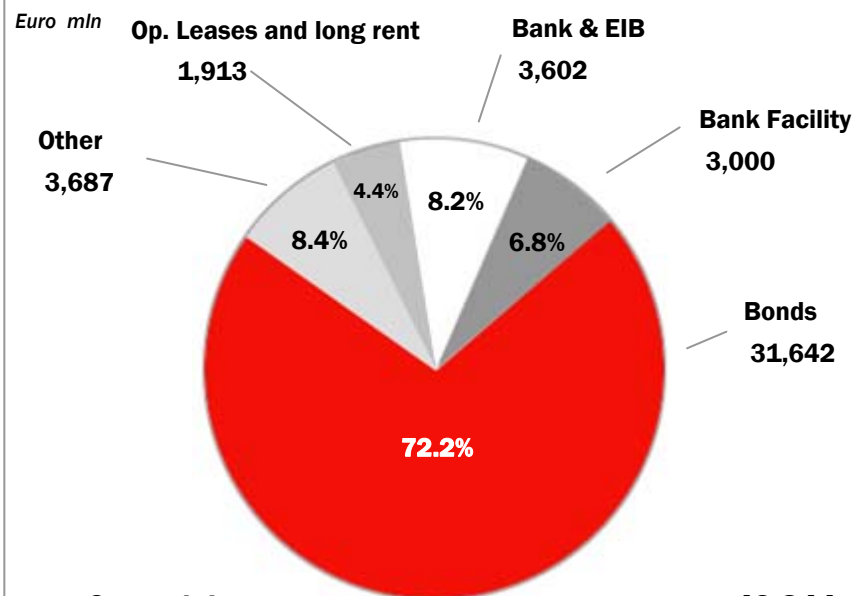


5y CDS Trend



# Well Diversified and Hedged Debt

**Total Gross Debt Net of Adjustment: Euro 43,844mln**



▶ <b>Gross debt</b>	<b>43,844</b>
▶ <b>Financial assets</b>	<b>(8,985)</b>
of which C & CE and marketable securities	<b>(8,064)</b>

**Net Financial Position** **34,859**

## Maturities and Risk Management

- ▶ Average debt maturity: 7.69 years (bond only 8.07 years)
  - ▶ Fixed rate portion on gross debt approximately 67%
  - ▶ Around 45% of outstanding bonds is denominated in USD, GBP and YEN and is fully hedged
- ▶ Cost of debt: ~5.6% vs ~ 6% at YE08

*N.B. The figures are net of the adjustment due to the fair value measurement of derivatives and related financial liabilities/assets, as follows:*

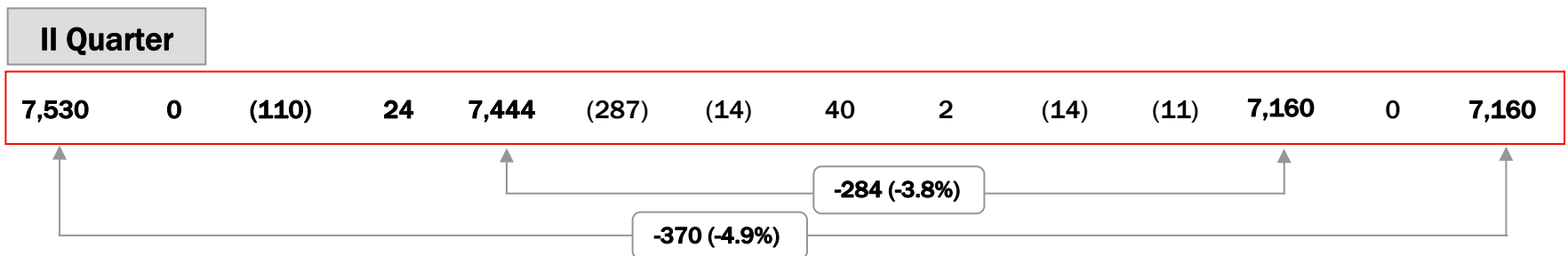
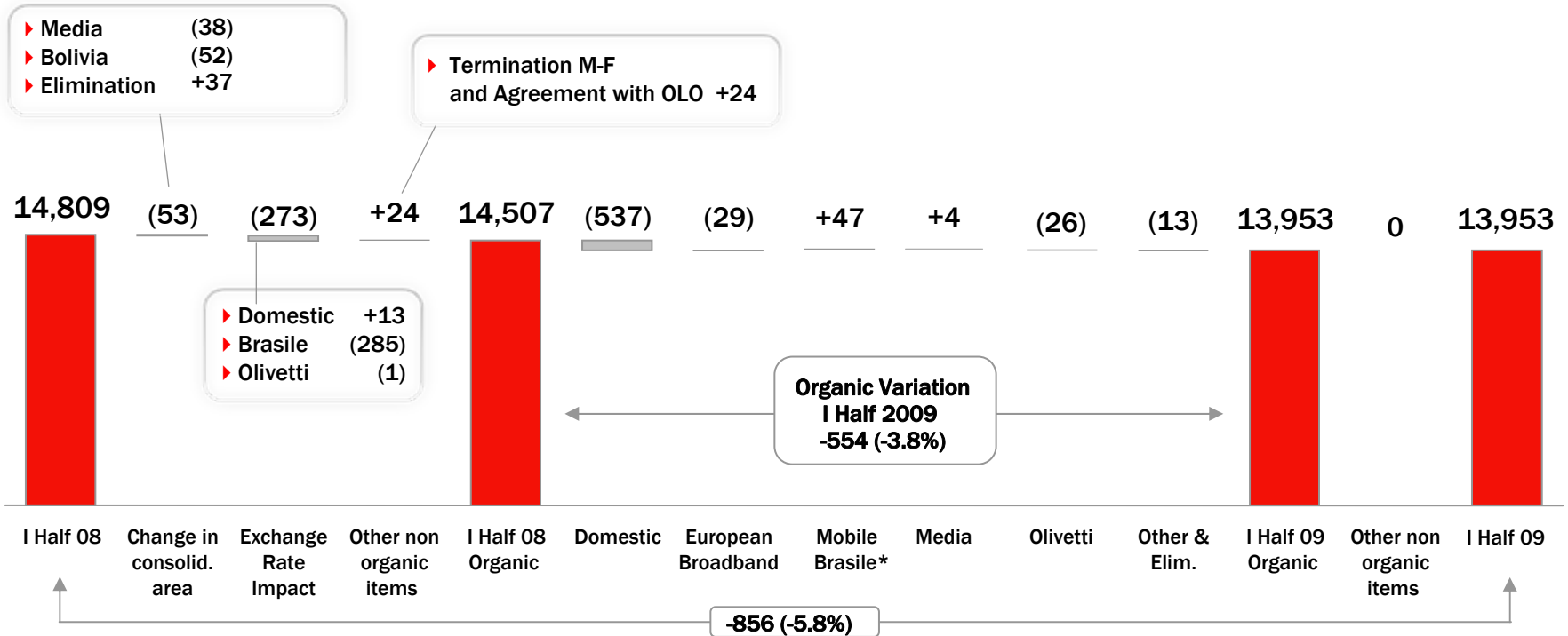
- the impact on Gross Financial Debt is equal to 1,182 €/mln (of which 287 €/mln on bonds);
- the impact on Financial Assets is equal to 856 €/mln.

*Therefore, the Net Financial Indebtedness is adjusted by 326 €/mln.*

# Appendix

# Revenues Evolution

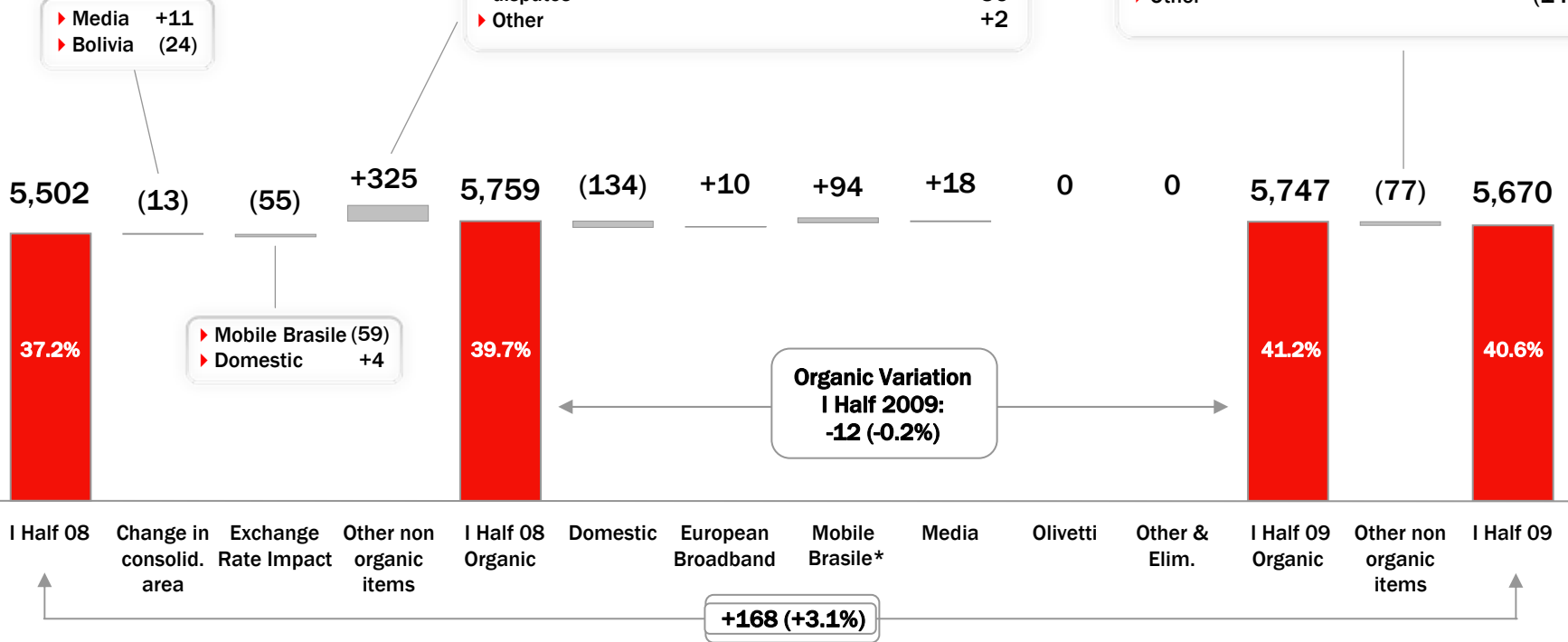
TI Group, Euro mln



\* Exchange rate (Real/Euro): 2.92 in 2009, 2.59 in 2008.

# EBITDA Evolution

TI Group, Euro mln



▶ Media +11  
▶ Bolivia (24)

▶ Mobility under Law 223/91 related to Reduction Plan announced on June 4<sup>th</sup> 2008 +287  
▶ Agreement with OLO and provisions for legal disputes +36  
▶ Other +2

▶ Agreement with OLO and provisions for legal disputes (41)  
▶ Agreement with OLO in Brazil (22)  
▶ Other (14)

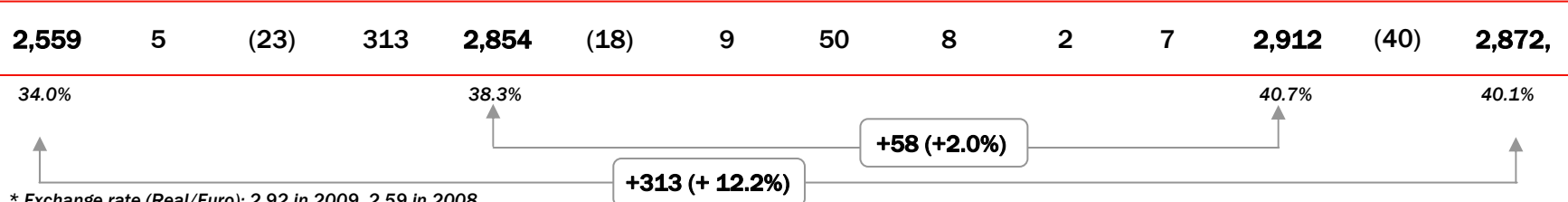
▶ Mobile Brasile (59)  
▶ Domestic +4

**+168 (+3.1%)**

**+58 (+2.0%)**

**+313 (+12.2%)**

## II Quarter

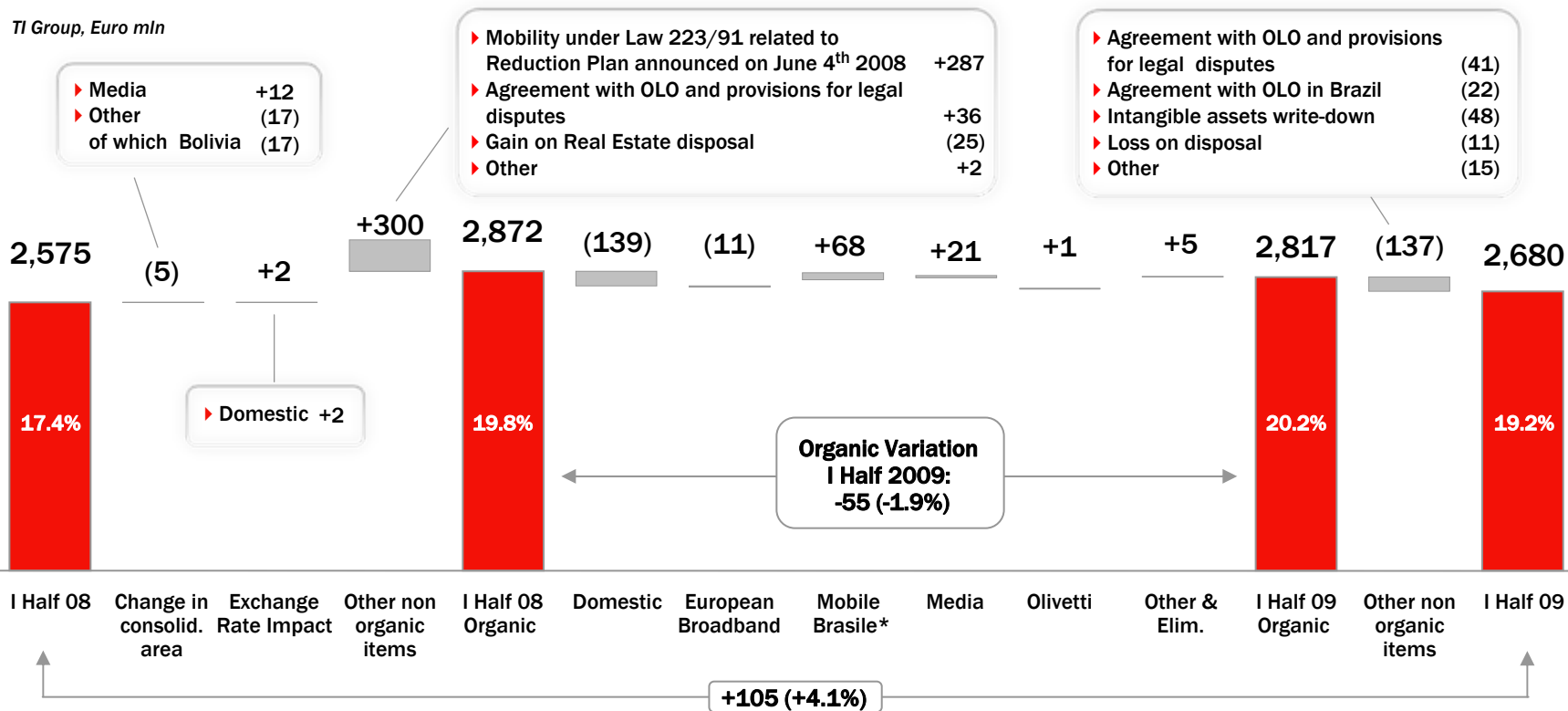


\* Exchange rate (Real/Euro): 2.92 in 2009, 2.59 in 2008.



# EBIT Evolution

TI Group, Euro mln



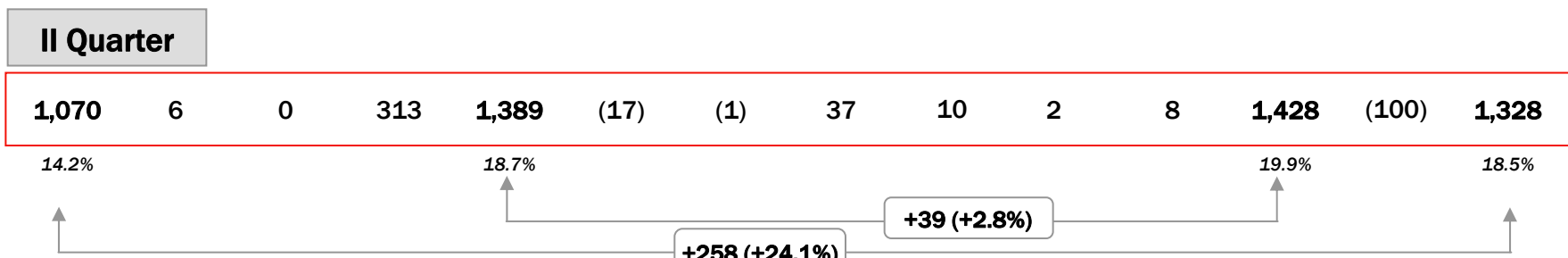
- Media +12
- Other (17) of which Bolivia (17)

- Mobility under Law 223/91 related to Reduction Plan announced on June 4<sup>th</sup> 2008 +287
- Agreement with OLO and provisions for legal disputes +36
- Gain on Real Estate disposal (25)
- Other +2

- Agreement with OLO and provisions for legal disputes (41)
- Agreement with OLO in Brazil (22)
- Intangible assets write-down (48)
- Loss on disposal (11)
- Other (15)

- Domestic +2

**Organic Variation I Half 2009: -55 (-1.9%)**



\* Exchange rate (Real/Euro): 2.92 in 2009, 2.59 in 2008.

# TI Group - Profit and Loss - by Quarter

Euro mln	I Quarter				II Quarter				I Half			
	2009	2008	Δ Abs	Δ %	2009	2008	Δ Abs	Δ %	2009	2008	Δ Abs	Δ %
<b>REVENUES</b>	<b>6.793</b>	<b>7.279</b>	<b>(486)</b>	<b>(6,7)</b>	<b>7.160</b>	<b>7.530</b>	<b>(370)</b>	<b>(4,9)</b>	<b>13.953</b>	<b>14.809</b>	<b>(856)</b>	<b>(5,8)</b>
Other Operating Income	54	94	(40)	(42,6)	84	64	20	31,3	138	158	(20)	(12,7)
<b>TOTAL REVENUES &amp; OTHER INCOME</b>	<b>6.847</b>	<b>7.373</b>	<b>(526)</b>	<b>(7,1)</b>	<b>7.244</b>	<b>7.594</b>	<b>(350)</b>	<b>(4,6)</b>	<b>14.091</b>	<b>14.967</b>	<b>(876)</b>	<b>(5,9)</b>
Total Purchases of materials and external services	(2.814)	(3.153)	339	(10,8)	(3.137)	(3.461)	324	(9,4)	(5.951)	(6.614)	663	10,0
Personnel	(992)	(991)	(1)	0,1	(962)	(1.283)	321	(25,0)	(1.954)	(2.274)	320	14,1
Other operating costs	(357)	(449)	92	(20,5)	(393)	(416)	23	(5,5)	(750)	(865)	115	13,3
Capitalized Cost and Others	114	163	(49)	(30,1)	120	125	(5)	(4,0)	234	288	(54)	(18,8)
<b>EBITDA</b>	<b>2.798</b>	<b>2.943</b>	<b>(145)</b>	<b>(4,9)</b>	<b>2.872</b>	<b>2.559</b>	<b>313</b>	<b>12,2</b>	<b>5.670</b>	<b>5.502</b>	<b>168</b>	<b>3,1</b>
% on Revenues	41,2%	40,4%			40,1%	34,0%			40,6%	37,2%		
Depreciation & Amortization	(1.447)	(1.463)	16	(1,1)	(1.480)	(1.489)	9	(0,6)	(2.927)	(2.952)	25	0,8
Writedowns and revaluations of non current assets	0	0	0	-	(48)	(1)	(47)	n.r.	(48)	(1)	(47)	n.r.
Gains/losses of non current assets realization	1	25	(24)	(96,0)	(16)	1	(17)	-	(15)	26	(41)	-
<b>EBIT</b>	<b>1.352</b>	<b>1.505</b>	<b>(153)</b>	<b>(10,2)</b>	<b>1.328</b>	<b>1.070</b>	<b>258</b>	<b>24,1</b>	<b>2.680</b>	<b>2.575</b>	<b>105</b>	<b>4,1</b>
% on Revenues	19,9%	20,7%			18,5%	14,2%			19,2%	17,4%		
Income (loss) equity invest. valued equity method	14	19	(5)		19	18	1		33	37	(4)	
Other income ( expenses ) from investments	5	0	5		(38)	2	(40)		(33)	2	(35)	
Net Financial Income / (Expenses)	(587)	(598)	11		(505)	(620)	115		(1.092)	(1.218)	126	
<b>Income before Taxes &amp; Discontinued Op.</b>	<b>784</b>	<b>926</b>	<b>(142)</b>		<b>804</b>	<b>470</b>	<b>334</b>		<b>1.588</b>	<b>1.396</b>	<b>192</b>	
% on Revenues	11,5%	12,7%			11,2%	6,2%			11,4%	9,4%		
Taxes	(340)	(385)	45		(307)	222	(529)		(647)	(163)	(484)	
<b>Income before Discontinued Op.</b>	<b>444</b>	<b>541</b>	<b>(97)</b>		<b>497</b>	<b>692</b>	<b>(195)</b>		<b>941</b>	<b>1.233</b>	<b>(292)</b>	
Net income (loss) of assets disposed	0	(75)	75		0	(73)	73		0	(148)	148	
<b>Net Income (ante Minorities)</b>	<b>444</b>	<b>466</b>	<b>(22)</b>		<b>497</b>	<b>619</b>	<b>(122)</b>		<b>941</b>	<b>1.085</b>	<b>(144)</b>	
% on Revenues	6,5%	6,4%			6,9%	8,2%			6,7%	7,3%		
Minorities	19	19	0		4	13	(9)		23	32	(9)	
<b>Net Income (post Minorities)</b>	<b>463</b>	<b>485</b>	<b>(22)</b>		<b>501</b>	<b>632</b>	<b>(131)</b>		<b>964</b>	<b>1.117</b>	<b>(153)</b>	
% on Revenues	6,8%	6,7%			7,0%	8,4%			6,9%	7,5%		

# TI Group - Main Results by BU - by Quarter - Reported

Euro mln	I Quarter				II Quarter				I Half			
	2009	2008	Δ Abs	Δ %	2009	2008	Δ Abs	Δ %	2009	2008	Δ Abs	Δ %
<b>REVENUES</b>												
Domestic	5.357	5.600	-243	(4,3)	5.534	5.791	-257	(4,4)	10.891	11.391	-500	(4,4)
Wireline Domestic	3.677	3.746	-69	(1,8)	3.724	3.739	-15	(0,4)	7.401	7.485	-84	(1,1)
Tim Domestic	2.059	2.217	-158	(7,1)	2.253	2.424	-171	(7,1)	4.312	4.641	-329	(7,1)
European broadband	308	323	-15	(4,6)	305	319	-14	(4,4)	613	642	-29	(4,5)
Hansenet	286	303	-17	(5,6)	283	298	-15	(5,0)	569	601	-32	(5,3)
Mobile Brasile	1.061	1.224	-163	(13,3)	1.238	1.313	-75	(5,7)	2.299	2.537	-238	(9,4)
Media	51	74	-23	(31,1)	63	74	-11	(14,9)	114	148	-34	(23,0)
Olivetti	71	83	-12	(14,5)	82	97	-15	(15,5)	153	180	-27	(15,0)
Other Activities	17	76	-59	(77,6)	19	22	-3	(13,6)	36	98	-62	(63,3)
Bolivia	0	52	-52	(100,0)	0	0	0	-	0	52	-52	(100,0)
Elim.	-72	-101	29		-81	-86	5		-153	-187	34	
<b>TI Group</b>	<b>6.793</b>	<b>7.279</b>	<b>-486</b>	<b>(6,7)</b>	<b>7.160</b>	<b>7.530</b>	<b>-370</b>	<b>(4,9)</b>	<b>13.953</b>	<b>14.809</b>	<b>-856</b>	<b>(5,8)</b>

Euro mln	I Quarter				II Quarter				I Half			
	2009	2008	Δ Abs	Δ %	2009	2008	Δ Abs	Δ %	2009	2008	Δ Abs	Δ %
<b>EBITDA</b>												
Domestic	2.526	2.644	-118	(4,5)	2.518	2.253	265	11,8	5.044	4.897	147	3,0
European broadband	62	61	1	1,6	67	58	9	15,5	129	119	10	8,4
Hansenet	59	59	0	0,0	64	56	8	14,3	123	115	8	7,0
Mobile Brasile	231	242	-11	(4,5)	296	279	17	6,1	527	521	6	1,2
Media	-5	-21	16	76,2	-1	-14	13	92,9	-6	-35	29	82,9
Olivetti	-9	-7	-2	(28,6)	-3	-5	2	40,0	-12	-12	0	0,0
Other Activities	-4	26	-30	-	-2	-3	1	33,3	-6	23	-29	-
Bolivia	0	24	-24	(100,0)	0	0	0	-	0	24	-24	(100,0)
Elim.	-3	-2	-1		-3	-9	6		-6	-11	5	
<b>TI Group</b>	<b>2.798</b>	<b>2.943</b>	<b>-145</b>	<b>(4,9)</b>	<b>2.872</b>	<b>2.559</b>	<b>313</b>	<b>12,2</b>	<b>5.670</b>	<b>5.502</b>	<b>168</b>	<b>3,1</b>
<b>EBITDA MARGIN</b>	<b>41,2%</b>	<b>40,4%</b>	<b>0,8 pp</b>		<b>40,1%</b>	<b>34,0%</b>	<b>6,1 pp</b>		<b>40,6%</b>	<b>37,2%</b>	<b>3,4 pp</b>	

Euro mln	I Quarter				II Quarter				I Half			
	2009	2008	Δ Abs	Δ %	2009	2008	Δ Abs	Δ %	2009	2008	Δ Abs	Δ %
<b>EBIT</b>												
Domestic	1.392	1.543	-151	(9,8)	1.319	1.102	217	19,7	2.711	2.645	66	2,5
European broadband	-4	6	-10	-	-5	-4	-1	(25,0)	-9	2	-11	-
Hansenet	-2	10	-12	-	-3	-1	-2	(200,0)	-5	9	-14	-
Mobile Brasile	-5	-17	12	70,6	42	15	27	180,0	37	-2	39	-
Media	-20	-37	17	45,9	-27	-32	5	15,6	-47	-69	22	31,9
Olivetti	-10	-9	-1	(11,1)	-5	-7	2	28,6	-15	-16	1	6,3
Other Activities	-4	17	-21	-	-3	-3	0	0,0	-7	14	-21	-
Bolivia	0	17	-17	(100,0)	0	0	0	-	0	17	-17	(100,0)
Elim.	3	2	1		7	-1	8		10	1	9	
<b>TI Group</b>	<b>1.352</b>	<b>1.505</b>	<b>-153</b>	<b>(10,2)</b>	<b>1.328</b>	<b>1.070</b>	<b>258</b>	<b>24,1</b>	<b>2.680</b>	<b>2.575</b>	<b>105</b>	<b>4,1</b>
<b>EBIT MARGIN</b>	<b>19,9%</b>	<b>20,7%</b>	<b>-0,8 pp</b>		<b>18,5%</b>	<b>14,2%</b>	<b>4,3 pp</b>		<b>19,2%</b>	<b>17,4%</b>	<b>1,8 pp</b>	

# TI Group - Main Results by BU - by Quarter - Organic

Euro mln	I Quarter				II Quarter				I Half			
	2009	2008	Δ Abs	Δ %	2009	2008	Δ Abs	Δ %	2009	2008	Δ Abs	Δ %
<b>REVENUES</b>												
Domestic	5.357	5.607	-250	(4,5)	5.534	5.821	-287	(4,9)	10.891	11.428	-537	(4,7)
Wireline Domestic	3.677	3.753	-76	(2,0)	3.724	3.769	-45	(1,2)	7.401	7.522	-121	(1,6)
Tim Domestic	2.059	2.217	-158	(7,1)	2.253	2.424	-171	(7,1)	4.312	4.641	-329	(7,1)
European broadband	308	323	-15	(4,6)	305	319	-14	(4,4)	613	642	-29	(4,5)
Hansenet	286	303	-17	(5,6)	283	298	-15	(5,0)	569	601	-32	(5,3)
Mobile Brasile	1.061	1.054	7	0,7	1.238	1.198	40	3,4	2.299	2.252	47	2,1
Media	51	49	2	4,1	63	61	2	3,3	114	110	4	3,6
Olivetti	71	83	-12	(14,5)	82	96	-14	(14,6)	153	179	-26	(14,5)
Other Activities	17	24	-7	(29,2)	19	22	-3	(13,6)	36	46	-10	(21,7)
Bolivia	0	0	0	-	0	0	0	-	0	0	0	-
Elim.	-72	-77	5	-	-81	-73	-8	-	-153	-150	-3	-
<b>TI Group</b>	<b>6.793</b>	<b>7.063</b>	<b>-270</b>	<b>(3,8)</b>	<b>7.160</b>	<b>7.444</b>	<b>-284</b>	<b>(3,8)</b>	<b>13.953</b>	<b>14.507</b>	<b>-554</b>	<b>(3,8)</b>

Euro mln	I Quarter				II Quarter				I Half			
	2009	2008	Δ Abs	Δ %	2009	2008	Δ Abs	Δ %	2009	2008	Δ Abs	Δ %
<b>EBITDA</b>												
Domestic	2.542	2.658	-116	(4,4)	2.550	2.568	-18	(0,7)	5.092	5.226	-134	(2,6)
European broadband	62	61	1	1,6	67	58	9	15,5	129	119	10	8,4
Hansenet	59	59	0	0,0	64	56	8	14,3	123	115	8	7,0
Mobile Brasile	252	208	44	20,7	304	254	50	20,1	556	462	94	20,4
Media	-5	-15	10	66,7	-1	-9	8	88,9	-6	-24	18	75,0
Olivetti	-9	-7	-2	(28,6)	-3	-5	2	40,0	-12	-12	0	0,0
Other Activities	-4	2	-6	-	-2	-3	1	33,3	-6	-1	-5	(500,0)
Bolivia	0	0	0	-	0	0	0	-	0	0	0	-
Elim.	-3	-2	-1	-	-3	-9	6	-	-6	-11	5	-
<b>TI Group</b>	<b>2.835</b>	<b>2.905</b>	<b>-70</b>	<b>(2,4)</b>	<b>2.912</b>	<b>2.854</b>	<b>58</b>	<b>2,0</b>	<b>5.747</b>	<b>5.759</b>	<b>-12</b>	<b>(0,2)</b>
<b>EBITDA MARGIN</b>	<b>41,7%</b>	<b>41,1%</b>	<b>0,6 pp</b>		<b>40,7%</b>	<b>38,3%</b>	<b>2,4 pp</b>		<b>41,2%</b>	<b>39,7%</b>	<b>1,5 pp</b>	

Euro mln	I Quarter				II Quarter				I Half			
	2009	2008	Δ Abs	Δ %	2009	2008	Δ Abs	Δ %	2009	2008	Δ Abs	Δ %
<b>EBIT</b>												
Domestic	1.408	1.530	-122	(8,0)	1.400	1.417	-17	(1,2)	2.808	2.947	-139	(4,7)
European broadband	-4	6	-10	-	-5	-4	-1	(25,0)	-9	2	-11	-
Hansenet	-2	10	-12	-	-3	-1	-2	(200,0)	-5	9	-14	-
Mobile Brasile	16	-15	31	-	50	13	37	-	66	-2	68	-
Media	-20	-31	11	35,5	-16	-26	10	38,5	-36	-57	21	36,8
Olivetti	-10	-9	-1	(11,1)	-5	-7	2	28,6	-15	-16	1	6,3
Other Activities	-4	0	-4	-	-3	-3	0	0,0	-7	-3	-4	(133,3)
Bolivia	0	0	0	-	0	0	0	-	0	0	0	-
Elim.	3	2	1	-	7	-1	8	-	10	1	9	-
<b>TI Group</b>	<b>1.389</b>	<b>1.483</b>	<b>-94</b>	<b>(6,3)</b>	<b>1.428</b>	<b>1.389</b>	<b>39</b>	<b>2,8</b>	<b>2.817</b>	<b>2.872</b>	<b>-55</b>	<b>(1,9)</b>
<b>EBIT MARGIN</b>	<b>20,4%</b>	<b>21,0%</b>	<b>-0,6 pp</b>		<b>19,9%</b>	<b>18,7%</b>	<b>1,2 pp</b>		<b>20,2%</b>	<b>19,8%</b>	<b>0,4 pp</b>	