

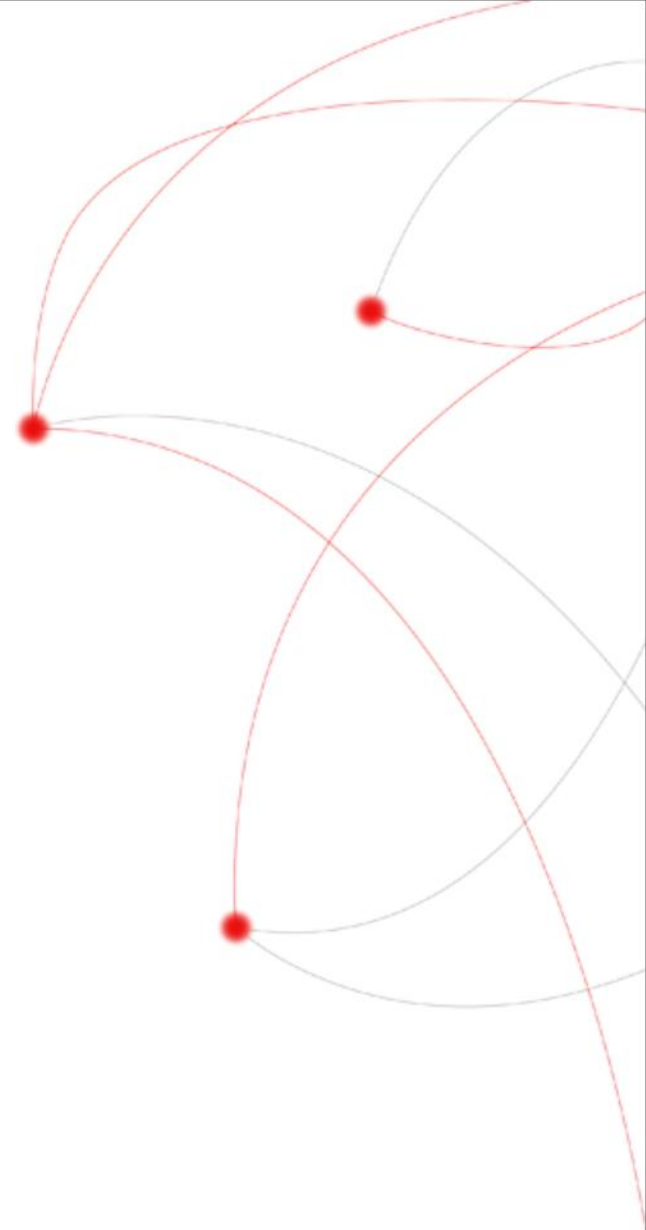
TELECOM ITALIA GROUP

1Q 2009 Results

Milan, May 7th, 2009

Telecom Italia 1Q09 Financial Results

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Safe Harbour

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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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Financial Priorities and Achievements

Refinancing


- ▶ Euro 2.6 bln refinanced in Q1 through various sources, reaping opportunities from cost efficient ones (EIB)
- ▶ Appropriate balance of Bank Loans vs Bond Market
- ▶ Taking opportunities from cost efficient sources (EIB)
- ▶ Keep risk profile under control:
 - ▶ no FX Risk
 - ▶ maintain Fixed/Variable mix (70/30)
 - ▶ no monetary volatility on Financial Expenses thanks to hedging policies

Keep Efficiency on Track

- ▶ Overall TI Group Cash Cost reduced by 0.4 bln or 7.5% YoY (organic)
- ▶ Cash Cost on Revenues improved by 3 p.p.
- ▶ Domestic Cash Cost reduced by 0.3 bln or 6.9% YoY (organic) with percentage on Revenues down to 68% (70% in 1Q08)
- ▶ Domestic Efficiency on track (25% of Full Year '09 program achieved)
- ▶ Group Operating Free Cash Flow at ~13% on Revenues and broadly in line with 1Q08 despite Top Line decline
- ▶ Net Income at 6.8% of Revenues (+0.1 p.p. vs 1Q08)

Refinancing On Track

- ▶ Euro 1,500 mln issue in two tranches:
 - ▶ Euro 650 mln 4yr maturity, 6.75% coupon, 6.875% yield
 - ▶ Euro 850 mln 7yr maturity, 8.25% coupon, 8.30% yield
 - ▶ Great response from investors
 - ▶ Final pricing below initial guidance
- ▶ Euro 500 mln private placement:
5yr maturity, 7.875% coupon, 7.943% yield
 - ▶ TI took advantage of the window of opportunity in January in the Euro Bond Market with no execution risk and locked in a 5 - year swap rate at historically low levels
- ▶ Euro 600 mln European Investment Bank Loan, subscribed on February 12, 8 yr maturity, still undrawn


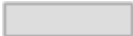



Euro 2.6 bln refinancing
already done in 1Q09

Even and Back-Loaded Maturities

Euro mln

Average Maturity: 7.84 yrs

 Bonds  Loans (of which long-term rent, financial and operating lease payable € 1,935)  Drawn bank facility

Matched by:					
€ bln	5.6	+	6.5	=	12.1
	Liquidity Position		Undrawn Portion of		Liquidity Margin
	€ 4.9 bln Cash & Cash Equivalents		€ 8.0 bln Revolving Facility		
	€ 0.7 bln Marketable Securities		Maturing in August 2014		

	2Q	2H
Bonds	103	1,884
Loans	103	193
	103	2,077

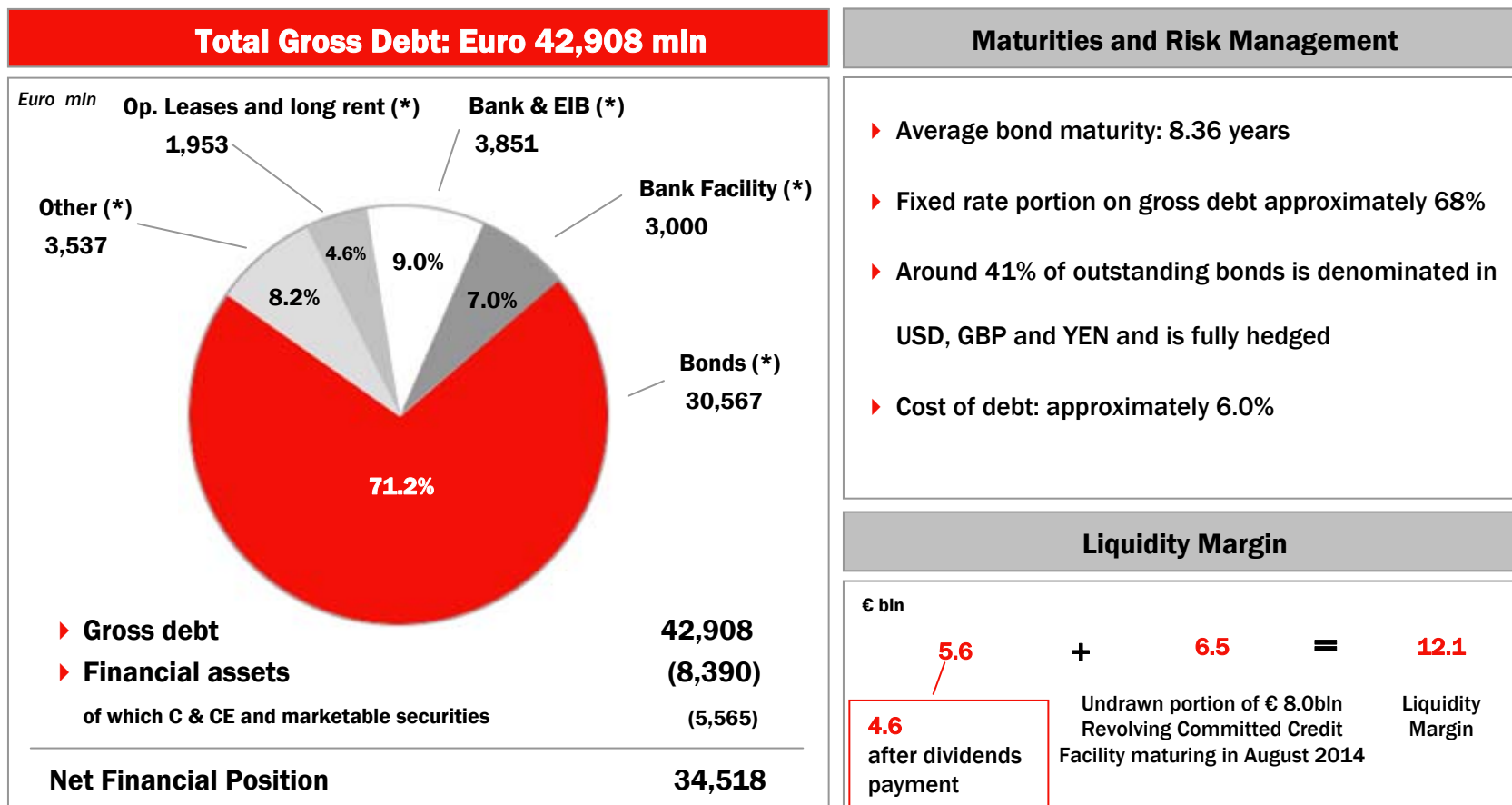
2,180	5,255
1,884	1,500
296	3,011
	744

Period	Bonds	Loans	Total
Within 2009	1,884	296	2,180
FY 2010	3,011	744	3,755
FY 2011	4,253	587	4,840
FY 2012	3,250	301	3,551
FY 2013	3,503	997	4,500
FY 2014	2,112	1,242	3,354
Beyond 2014	11,503	2,956	15,959
Total M/L Term Debt	29,516	7,123	39,639⁽¹⁾

(1) € 39,639 mln is the nominal amount of outstanding medium-long term debt. By adding IAS adjustments (€ 2,513 mln) and current liabilities (€ 756 mln), a gross debt figure of € 42,908 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, € 326 mln TIF € 2,210 mln 5.575 % Notes due 2009, € 17 mln TIF € 139 mln 4.629 % Notes due 2010 and € 35 mln TIF € 1,050 mln 7.75 % Notes due 2033.

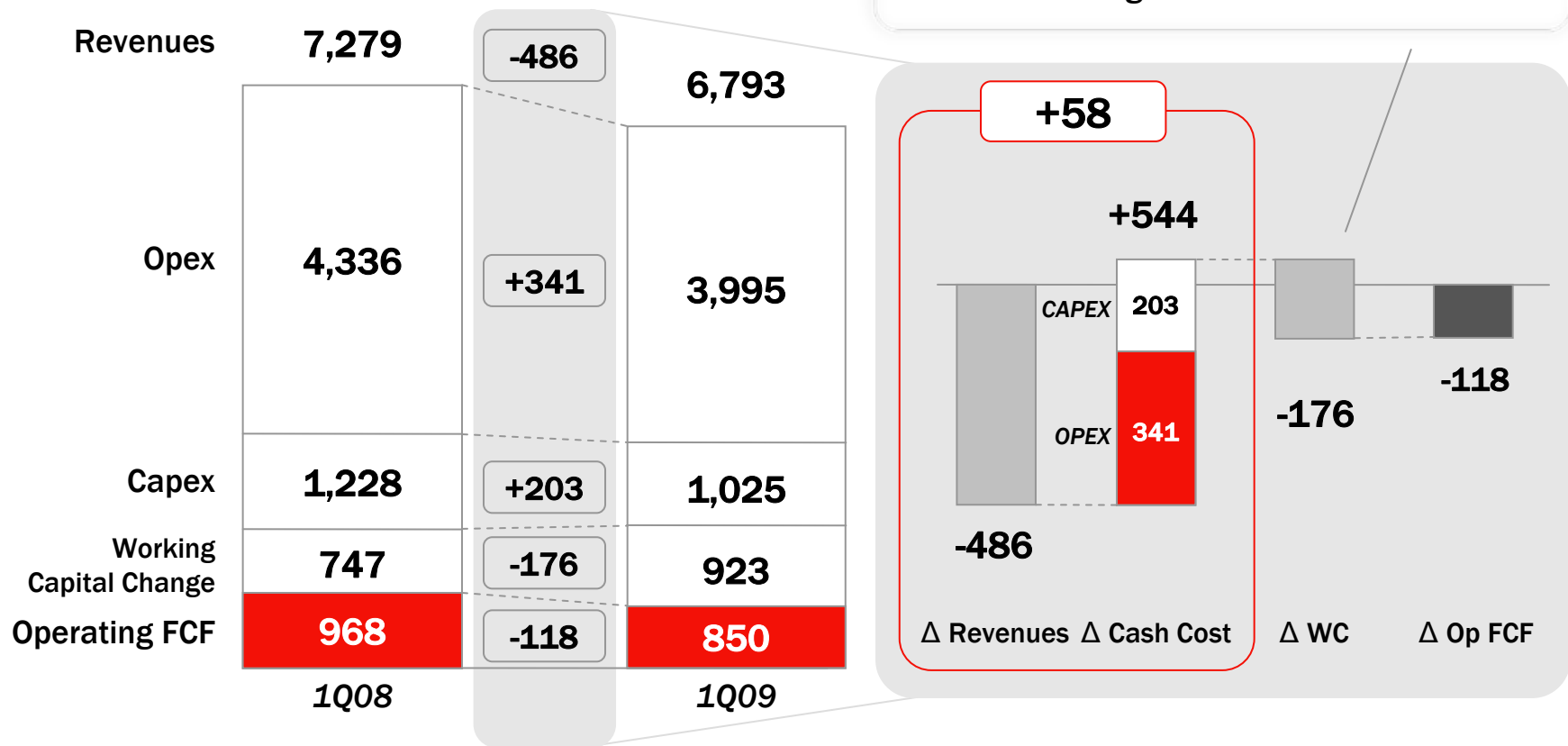
Well Diversified and Hedged Debt



(*) Including the current portion of non current liabilities (maturing within 12 months) for € 6,401 mln (of which bonds € 4,020 mln and other € 2,381 mln)

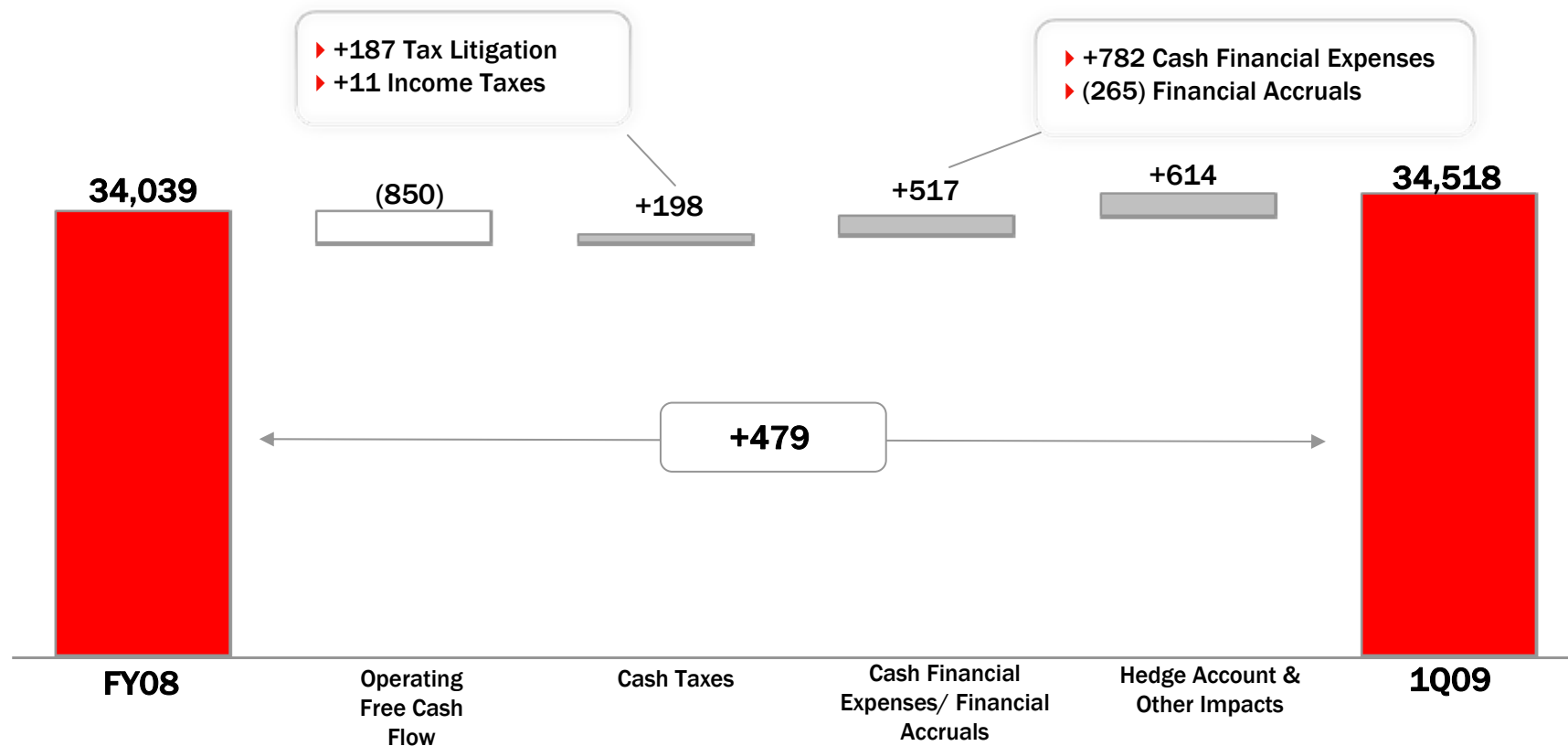
Operating Cash Flow

Euro mln, Reported data



Net Debt Affected By Non-Monetary Adjustments

Euro mln



1Q08	35,701	(968)	+23	+505	+175	35,436
Δ		+118	+175	+12	+439	

Efficiency and Opex Control Offsetting Top Line Decline

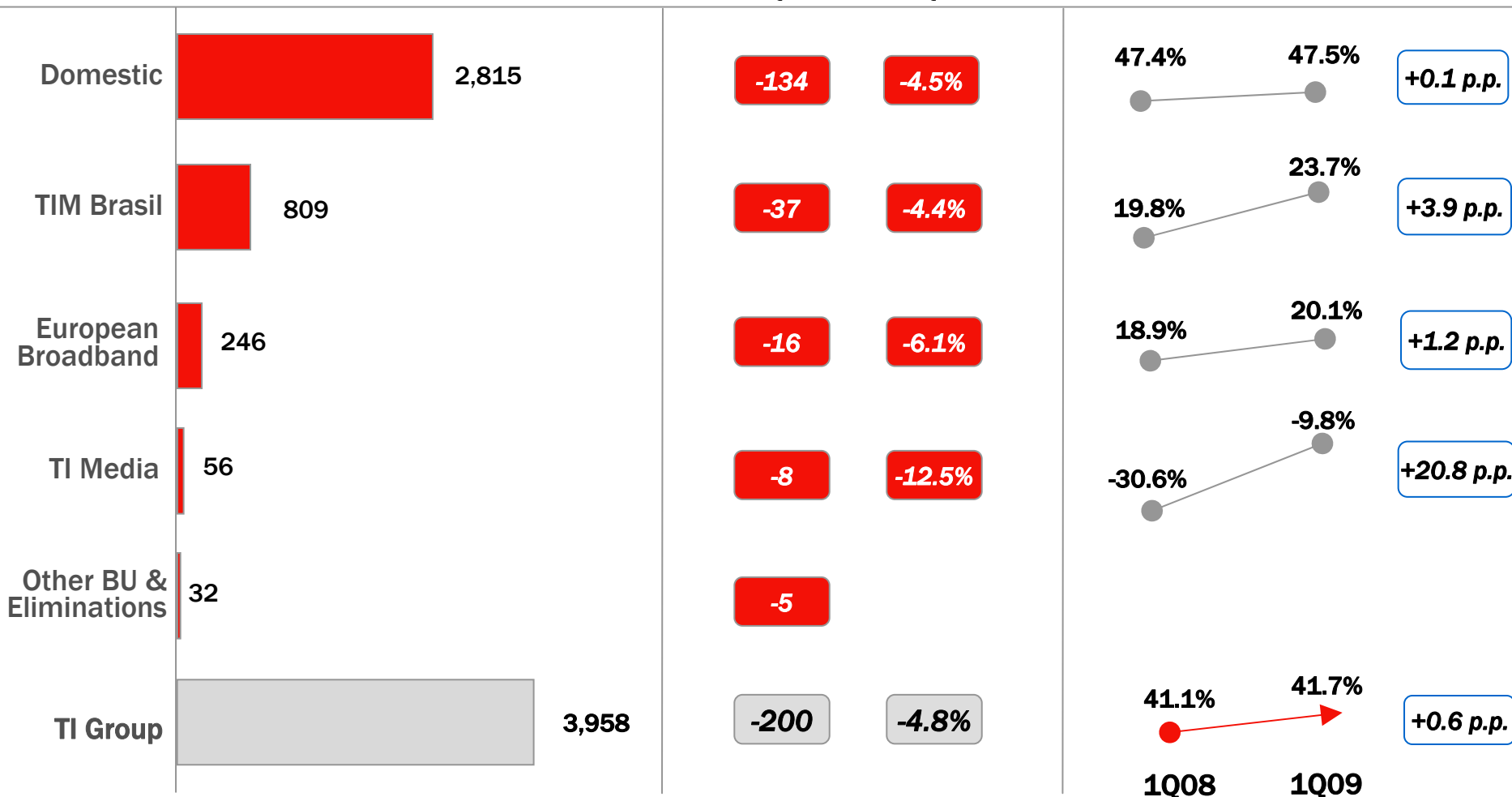
Euro mln, Organic data, %

Organic OPEX 1Q09

Δ abs. vs.
1Q08

Δ % vs.
1Q08

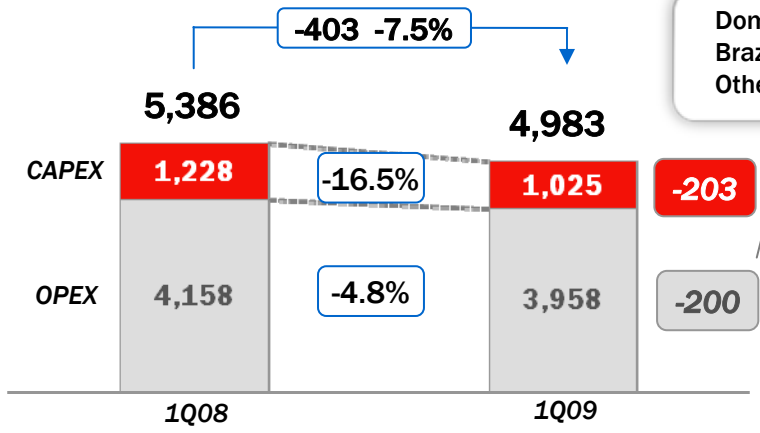
EBITDA Margin



Group Cash Cost Control Securing Operating Cash Flow

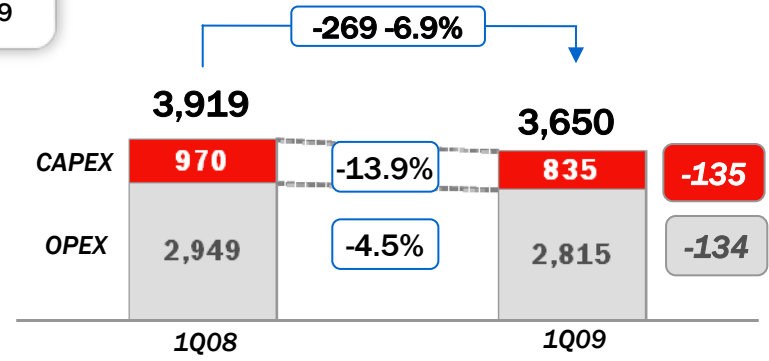
Euro mln, Organic data, %

TI Group Cash Cost

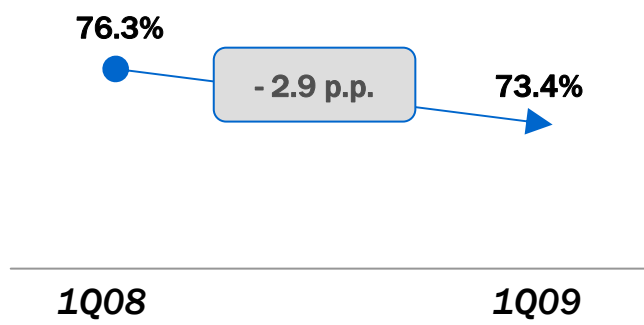


Domestic -134
Brazil -37
Other -29

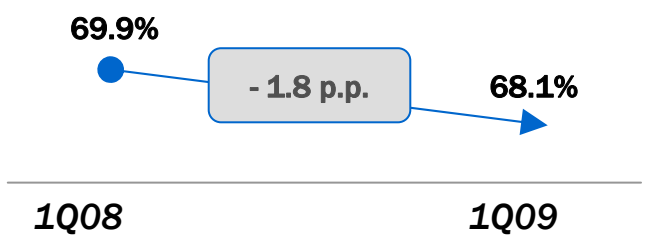
Domestic Cash Cost



TI Group Cash Cost on Revenues (%)



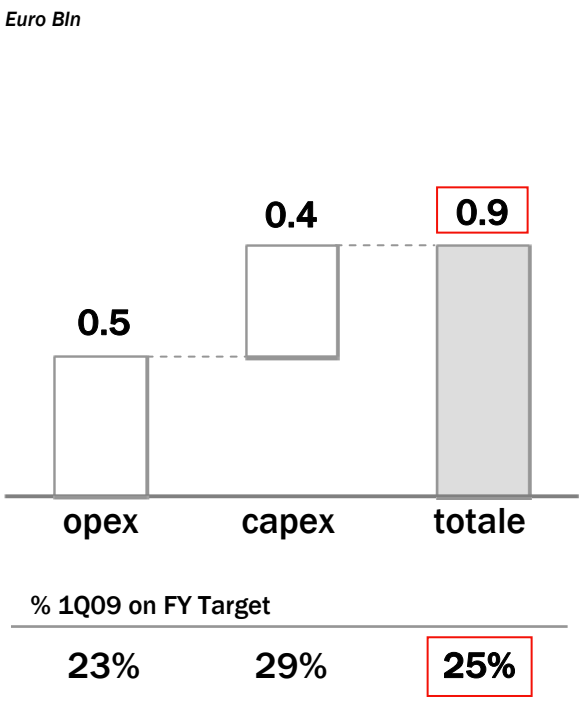
Domestic Cash Cost on Revenues (%)



Domestic Efficiency on track

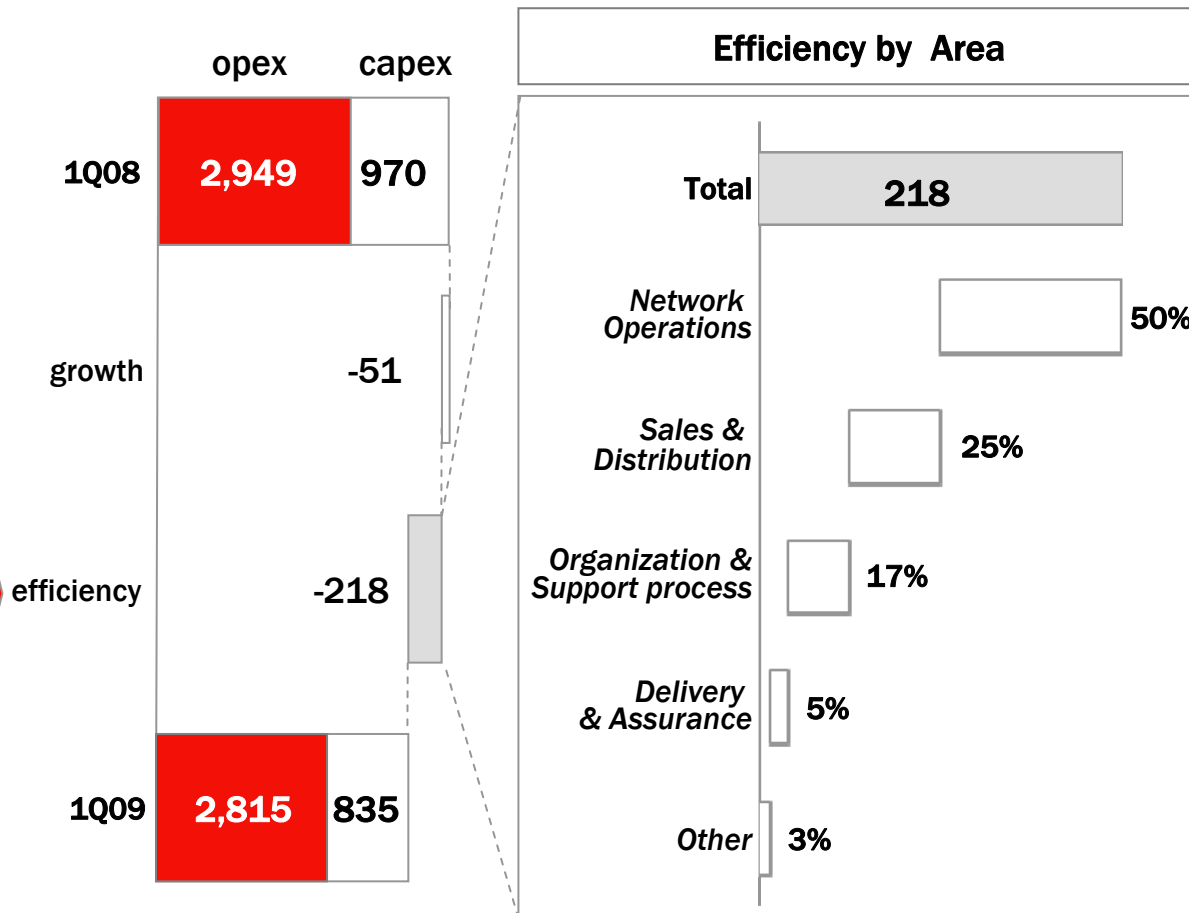
FY09 Efficiency Program

Euro Bln



Efficiency 1Q09

Euro Mln



Flexibility in Domestic Opex

Euro mln. Organic Data

Main drivers of cost reduction:

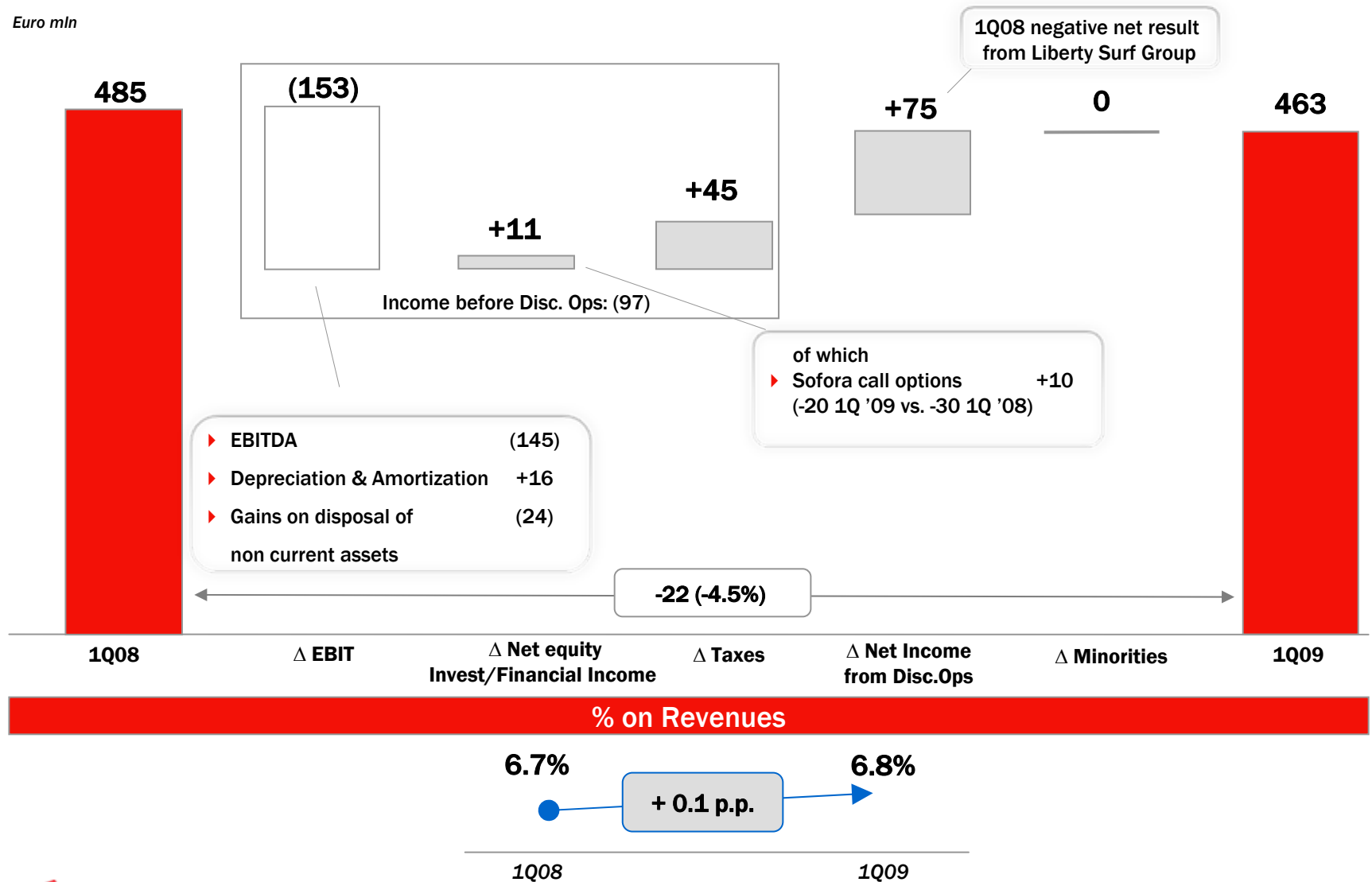
Δ vs 1Q08

▶ Interconnection rate cut	Interconnection	803	-70
▶ Handsets sales reduction; commissioning policy revision (value vs volume)	Marketing & Sales	624	-93
▶ Headcount reduction partially offsets increase in minimum salary contract terms and in IAS adjustments	Personnel	863	+17
▶ Energy consumption and Real Estate rationalization totally offset price adjustment related to inflation	Industrial	273	-1
▶ Lean Company and Corporate rationalization	G&A	232	-10
▶ Reduction in damage penalty compensation, capital grant and late payment fees	Other (*)	20	+23
	Total	2,815	-134

(*) Other operating income and expenses

Net Income Evolution

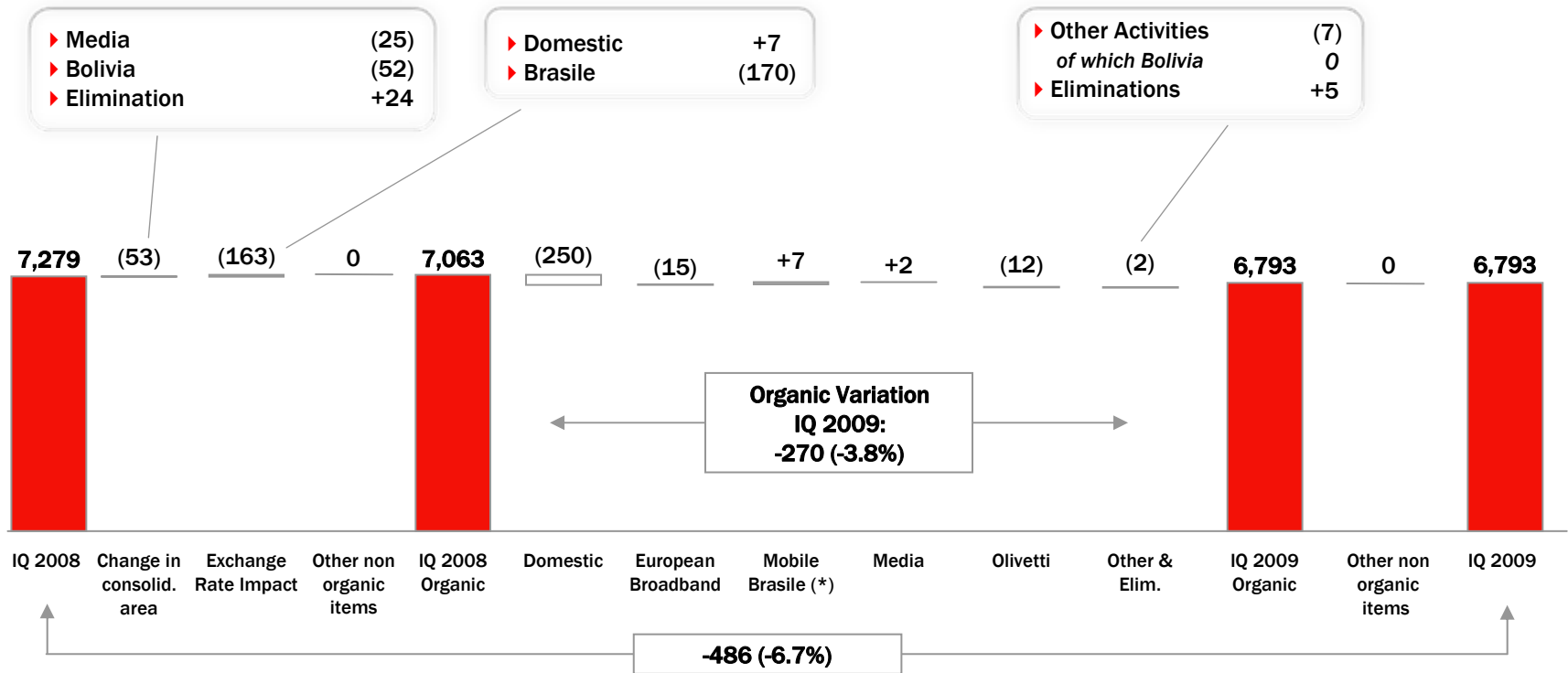
Euro mln



Appendix

Revenues Evolution

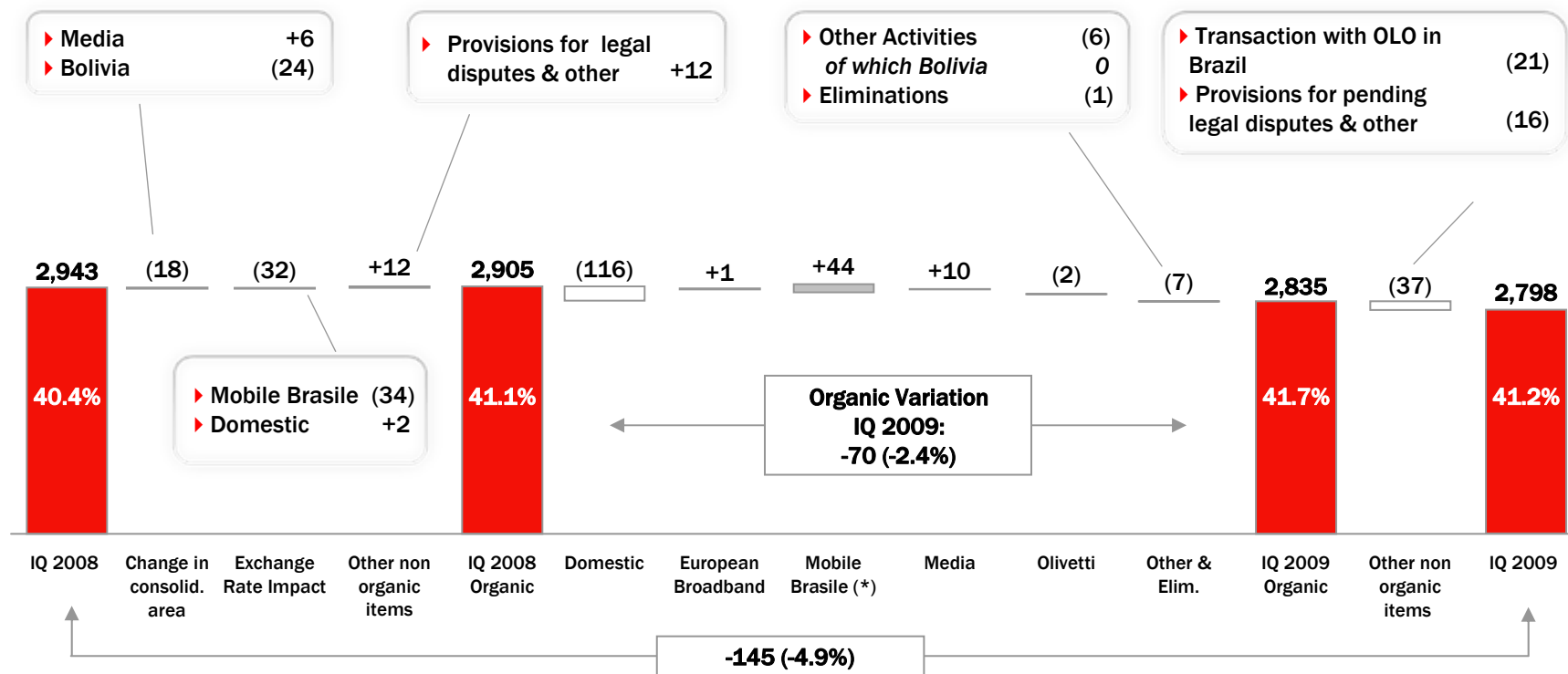
TI Group, Euro mln



(*) Exchange rate (Real/Euro): 3,02 in 2009, 2,60 in 2008.

EBITDA Evolution

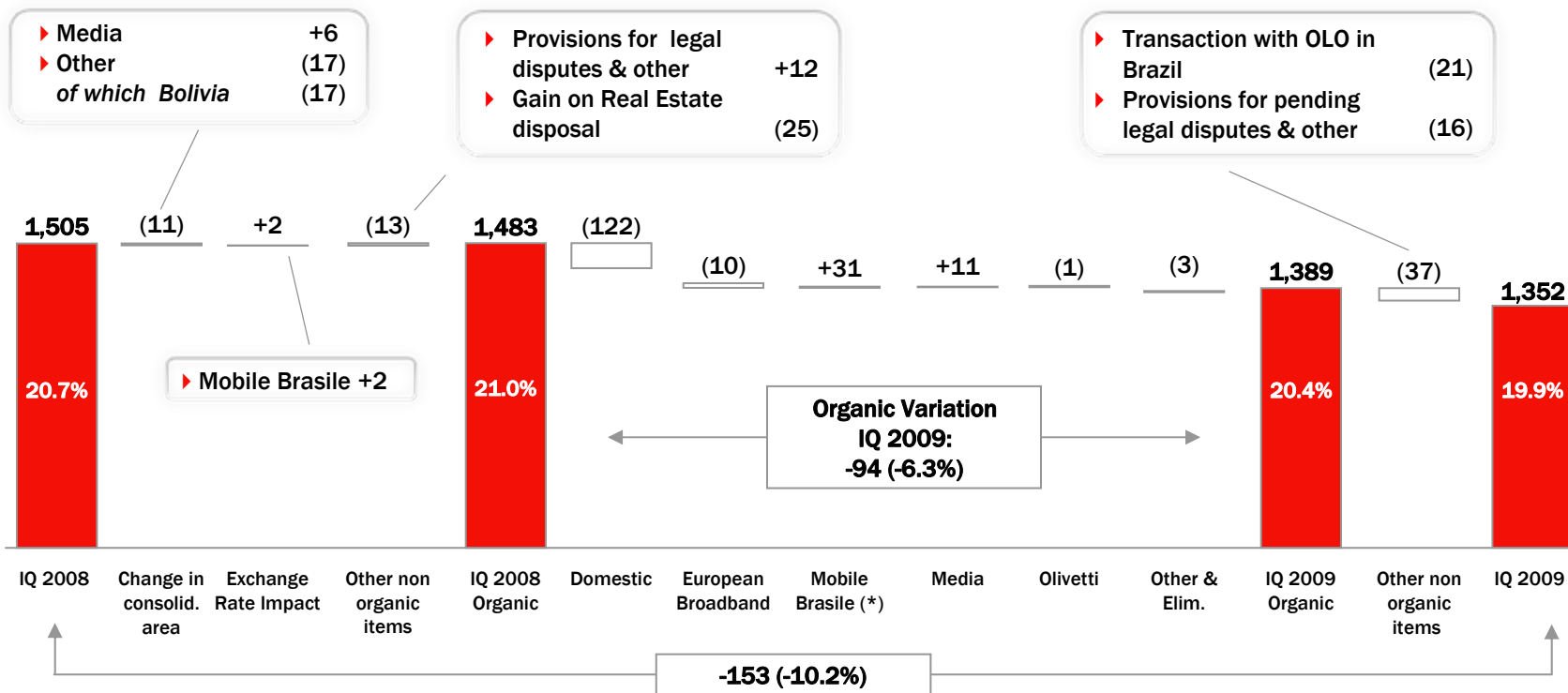
TI Group, Euro mln



(*) Exchange rate (Real/Euro): 3,02 in 2009, 2,60 in 2008.

EBIT Evolution

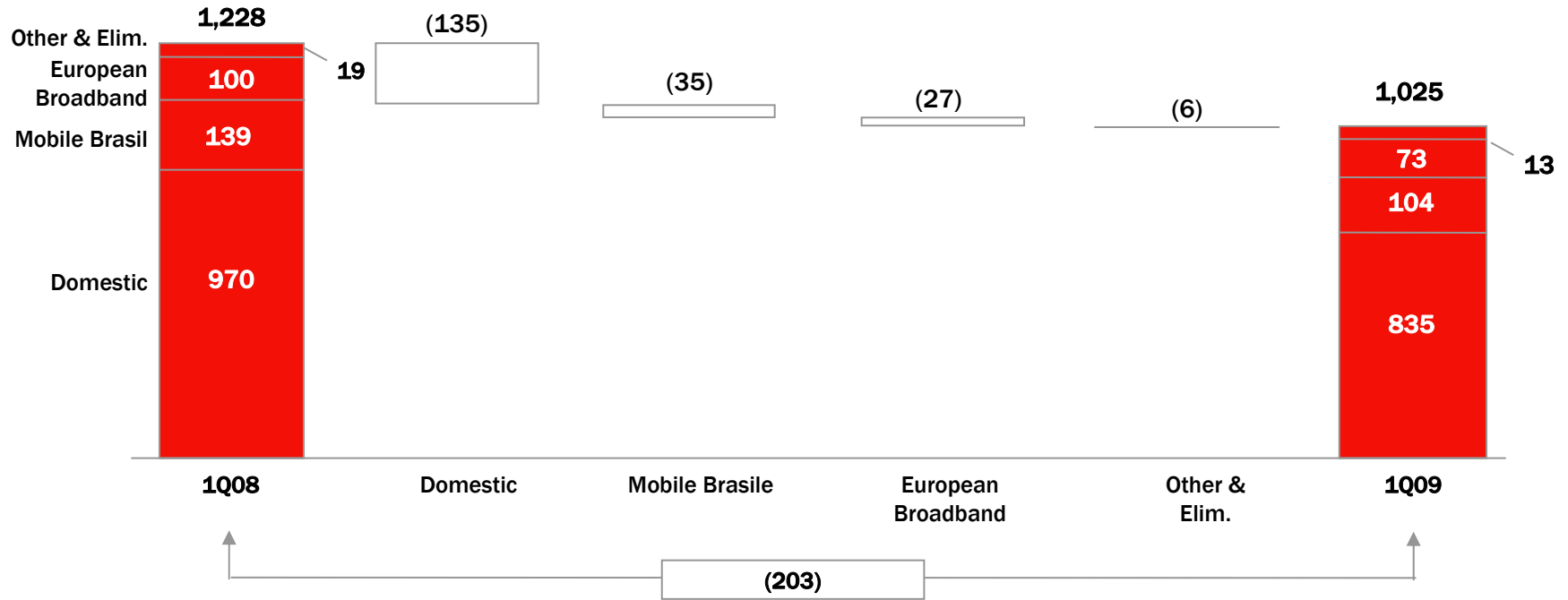
TI Group, Euro mln



(* Exchange rate (Real/Euro): 3,02 in 2009, 2,60 in 2008.

Capex Reduction

TI Group, Euro mln



TI Group – Profit and Loss

Euro mln

	I Quarter			
	2009	2008	Δ Abs.	Δ%
REVENUES	6.793	7.279	(486)	(6,7)
Other Operating Income	54	94	(40)	(42,6)
TOTAL REVENUES & OTHER INCOME	6.847	7.373	(526)	(7,1)
Total Purchases of materials and external services	(2.814)	(3.153)	339	(10,8)
Personnel	(992)	(991)	(1)	0,1
Other operating costs	(357)	(449)	92	(20,5)
Capitalized Cost and Others	114	163	(49)	(30,1)
EBITDA	2.798	2.943	(145)	(4,9)
% on Revenues	41,2%	40,4%		
Depreciation & Amortization	(1.447)	(1.463)	16	(1,1)
Writedowns and revaluations of non current assets	0	0	0	-
Gains/losses of non current assets realization	1	25	(24)	(96,0)
EBIT	1.352	1.505	(153)	(10,2)
% on Revenues	19,9%	20,7%		
Income (loss) equity invest. valued equity method	14	19	(5)	
Other income (expensive) from investments	5	0	5	
Net Financial Income / (Expenses)	(587)	(598)	11	
Income before Taxes & Disc. Ops.	784	926	(142)	
% on Revenues	11,5%	12,7%		
Taxes	(340)	(385)	45	
Income before Disc. Ops.	444	541	(97)	
Net income (loss) of assets disposed	0	(75)	75	
Net Income (ante Minorities)	444	466	(22)	
% on Revenues	6,5%	6,4%		
Minorities	19	19	0	
Net Income (post Minorities)	463	485	(22)	
% on Revenues	6,8%	6,7%		

TI Group – Main Results by BU (Reported Figures)

Euro mln

REVENUES	I Quarter			
	2009	2008	Δ Abs	Δ %
Domestic	5.357	5.600	-243	(4,3)
Wireline Domestic	3.677	3.746	-69	(1,8)
Tim Domestic	2.059	2.217	-158	(7,1)
European broadband	308	323	-15	(4,6)
Hansenet	286	303	-17	(5,6)
Mobile Brasile	1.061	1.224	-163	(13,3)
Media	51	74	-23	(31,1)
Olivetti	71	83	-12	(14,5)
Other Activities	17	76	-59	(77,6)
Bolivia	0	52	-52	(100,0)
Elim.	-72	-101	29	
TI Group	6.793	7.279	-486	(6,7)

EBITDA	I Quarter			
	2009	2008	Δ Abs	Δ %
Domestic	2.526	2.644	-118	(4,5)
European broadband	62	61	1	1,6
Hansenet	59	59	0	0,0
Mobile Brasile	231	242	-11	(4,5)
Media	-5	-21	16	76,2
Olivetti	-9	-7	-2	(28,6)
Other Activities	-4	26	-30	-
Bolivia	0	24	-24	(100,0)
Elim.	-3	-2	-1	
TI Group	2.798	2.943	-145	(4,9)
EBITDA MARGIN	41,2%	40,4%	0,8 pp	

EBIT	I Quarter			
	2009	2008	Δ Abs	Δ %
Domestic	1.392	1.543	-151	(9,8)
European broadband	-4	6	-10	-
Hansenet	-2	10	-12	-
Mobile Brasile	-5	-17	12	70,6
Media	-20	-37	17	45,9
Olivetti	-10	-9	-1	(11,1)
Other Activities	-4	17	-21	-
Bolivia	0	17	-17	(100,0)
Elim.	3	2	1	
TI Group	1352	1.505	-153	(10,2)
EBIT MARGIN	19,9%	20,7%	-0,8 pp	

TI Group – Main Results by BU (Organic Figures)

Euro mln

I Quarter

REVENUES	2009	2008	Δ Abs	Δ %
Domestic	5.357	5.607	-250	(4,5)
Wireline Domestic	3.677	3.753	-76	(2,0)
Tim Domestic	2.059	2.217	-158	(7,1)
European broadband	308	323	-15	(4,6)
Hansenet	286	303	-17	(5,6)
Mobile Brasile	1.061	1.054	7	0,7
Media	51	49	2	4,1
Olivetti	71	83	-12	(14,5)
Other Activities	17	24	-7	(29,2)
Bolivia	0	0	0	-
Elim.	-72	-77	5	
TI Group	6.793	7.063	-270	(3,8)

I Quarter

EBITDA	2009	2008	Δ Abs	Δ %
Domestic	2.542	2.658	-116	(4,4)
European broadband	62	61	1	1,6
Hansenet	59	59	0	0,0
Mobile Brasile	252	208	44	20,7
Media	-5	-15	10	66,7
Olivetti	-9	-7	-2	(28,6)
Other Activities	-4	2	-6	-
Bolivia	0	0	0	-
Elim.	-3	-2	-1	
TI Group	2835	2.905	-70	(2,4)
EBITDA MARGIN	41,7%	41,1%	0,6 pp	

I Quarter

EBIT	2009	2008	Δ Abs	Δ %
Domestic	1.408	1.530	-122	(8,0)
European broadband	-4	6	-10	-
Hansenet	-2	10	-12	-
Mobile Brasile	16	-15	31	-
Media	-20	-31	11	35,5
Olivetti	-10	-9	-1	(11,1)
Other Activities	-4	0	-4	-
Bolivia	0	0	0	-
Elim.	3	2	1	
TI Group	1389	1.483	-94	(6,3)
EBIT MARGIN	20,4%	21,0%	-0,6 pp	