

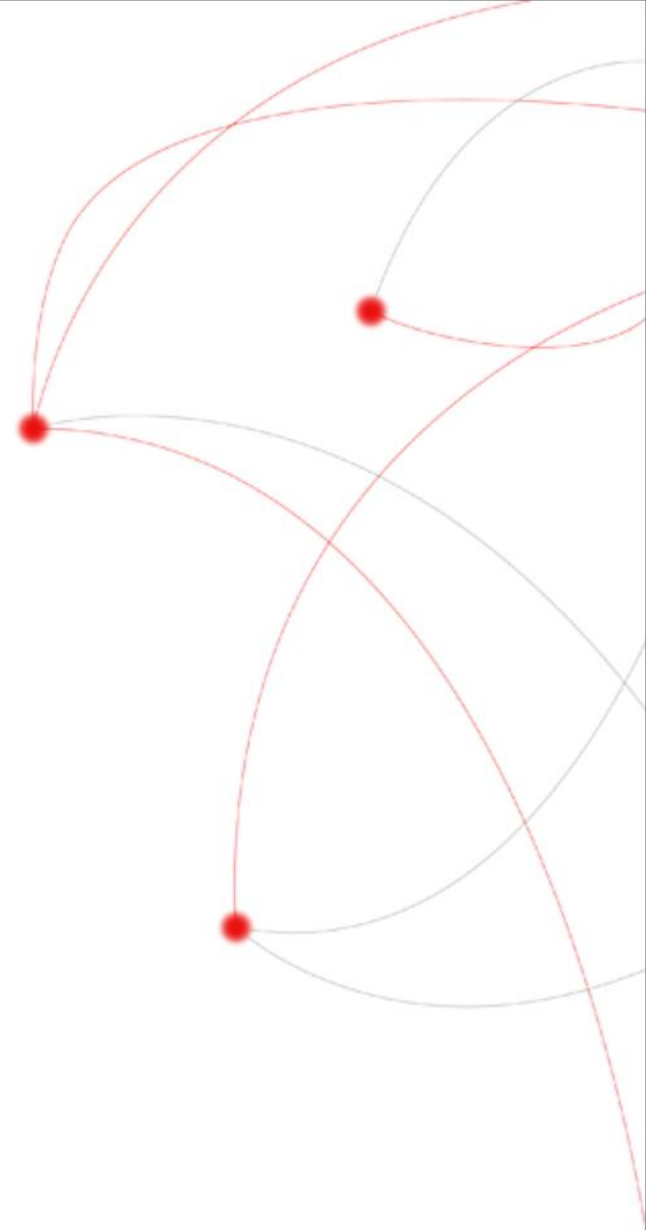
GRUPPO TELECOM ITALIA

2008 Full Year Results

Milan, February 27th, 2009

Telecom Italia 2008 Full Year Results

FRANCO BERNABÈ



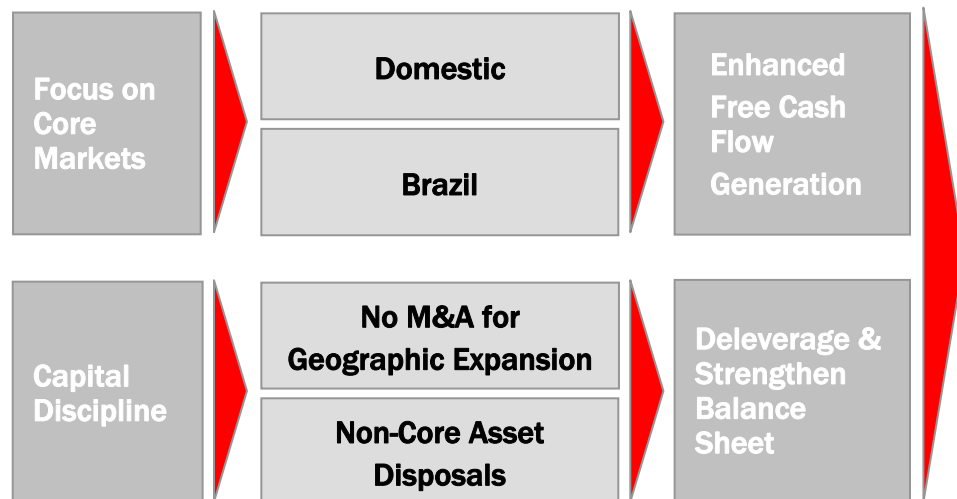
Safe Harbour

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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Key Objectives and Strategic Levers



KEY RESULTS		
	4Q'08	FY'08
Group Operating Free Cash Flow	€ 2.2 bln ~28% of Revenues	€ 5.5 bln ~18% of Revenues
Domestic Cash Cost Efficiency Plan	-5pp Cash cost/ Revenues YoY	-1pp Cash cost/ Revenues YoY
Domestic Headcount Reduction	2,500 layoffs in 2008	
Non-Core Asset Disposals	Creation of a new Disposals Dept Liberty Surf Group and PPV disposal	
Strong Focus on Deleveraging	Net Debt/EBITDA YE '08 2.99x	

Improved Regulatory Framework

4Q'08 Results

Transparency, monthly fees dynamics and innovative offers to customers

Expected regulatory framework

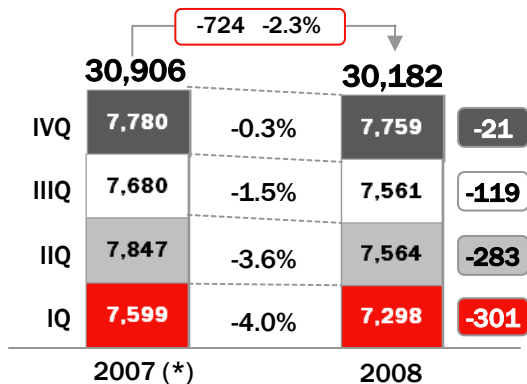
- **Monthly consumer access fee** from 12.14€/month to 13.40 €/month (starting February 1, 2009) approved by AGCOM.
- **Monthly fee LLU:** TI proposed a charge increase of 1.75 €/month (to 9.39 €/month). In December 2008, AGCOM launched a public consultation (Resolution 91/08/CIR) where a LLU monthly fee value of € 8.55 was proposed (+0.91 €/month vs. 2008).
- **Open Access final undertakings** approved by AGCOM in December 2008, aimed at completing and strengthening the directions indicated in the Equal Treatment Resolution (152/02/CONS).
- **New offering “Alice Casa”** approved by AGCOM: the innovative TI’s offer proposes broadband access for the first time not including the traditional PSTN monthly fee. Moreover, in December 2008, AGCOM closed a proceeding concerning an alleged abuse of dominant position in winback and retention activities, by accepting Telecom Italia's commitments.

“Glide path” for mobile termination rates symmetry approved by AGCOM: full symmetry by July 2012 for all Italian mobile operators.

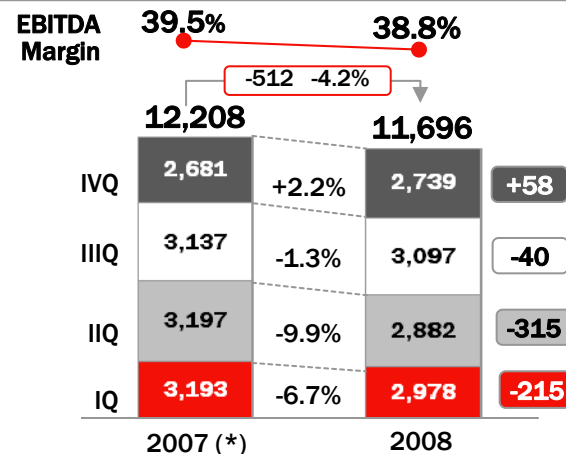
TI Group – Main Results - Organic Trend

Euro mln, %

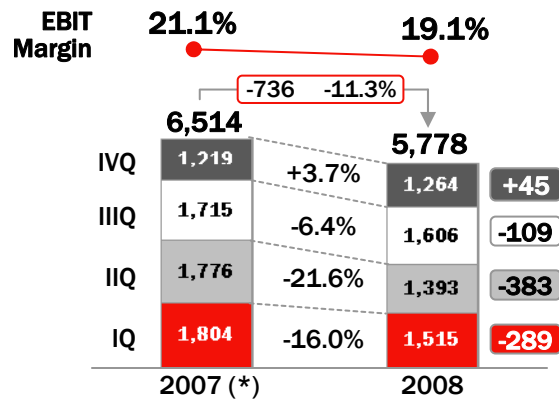
Revenues



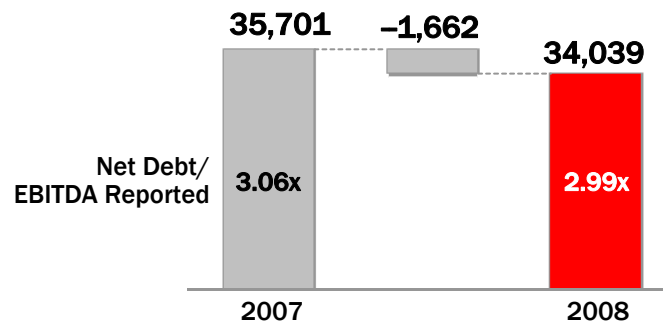
EBITDA



EBIT



Net Financial Position



(*) Pro-forma (Liberty Surf Group in Discontinued Operations)

TI Group – Target Full Year 2008

Bln Euro, %	2008 Actual	2008 Targets
	Organic (*)	Organic (*)
Revenues	30.2 ⁽¹⁾	30.4 – 30.5 ⁽¹⁾
EBITDA	11.7	
EBITDA Margin	38.8%	~38.0% (excluding 1998 Licence Fee for ~ 0.5 bln/€ and restr. Cost for ~ 0.3)
Net Financial Position	34.0	
NFP/ Ebitda	2.99x	< 3.0x
CAPEX	5.4	~5.4 (including 0.5 bln/€ 3G Licence in Brazil)

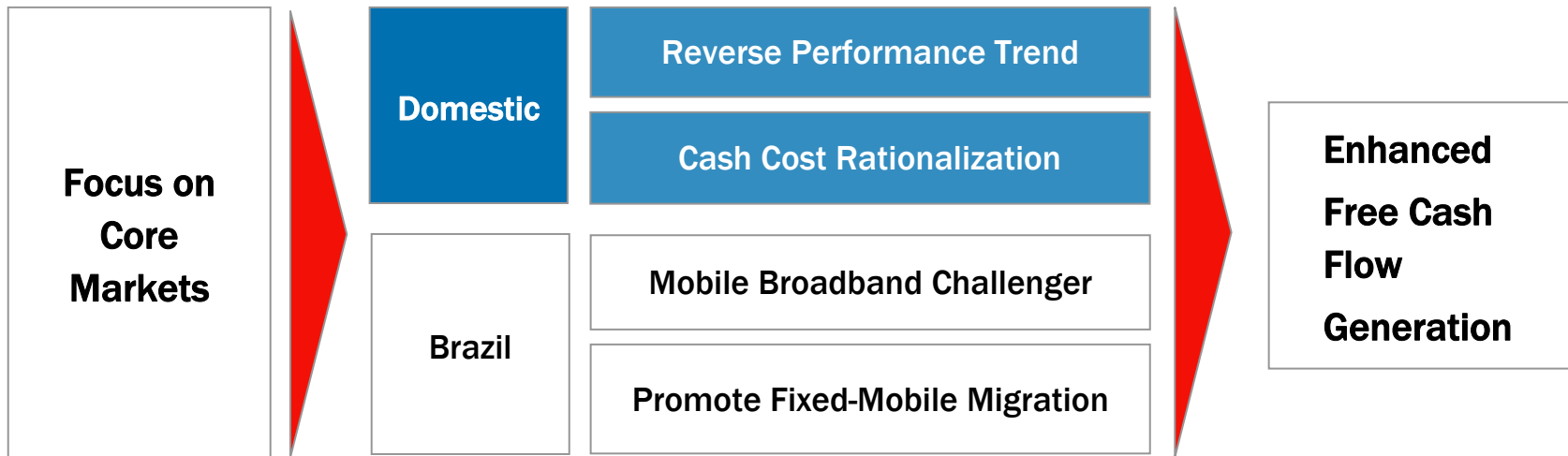
Key Highlights

- Domestic: over-performance through strong ICT/BB and wholesale contribution
- Brazil weak performance: 2H08 focus mainly on house cleaning and strict costs discipline
- Group EBITDA Margin significantly above company guidance
- Domestic: stronger top line growth and strict cost control lead to outperforming profitability
- Brazil in line with guidance: cost control offsetting top line performance
- Delivering a continuous deleverage through strong cash generation

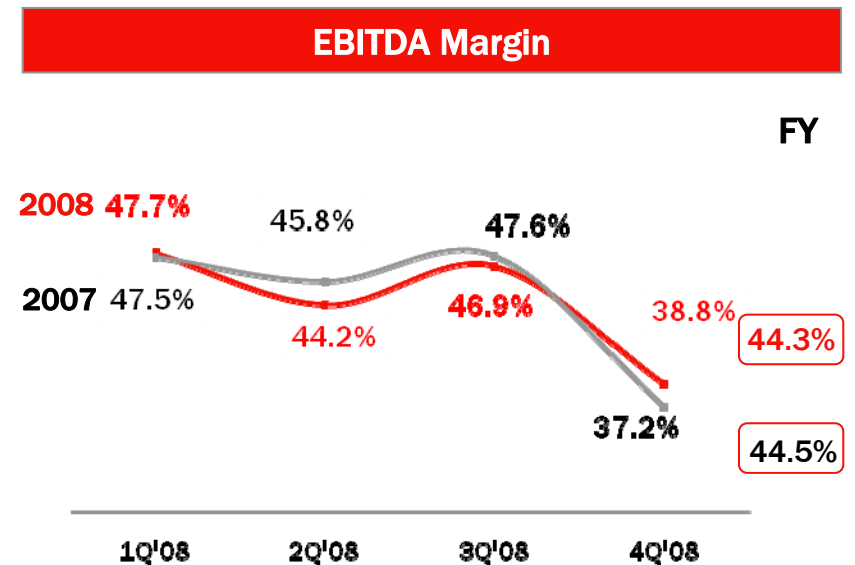
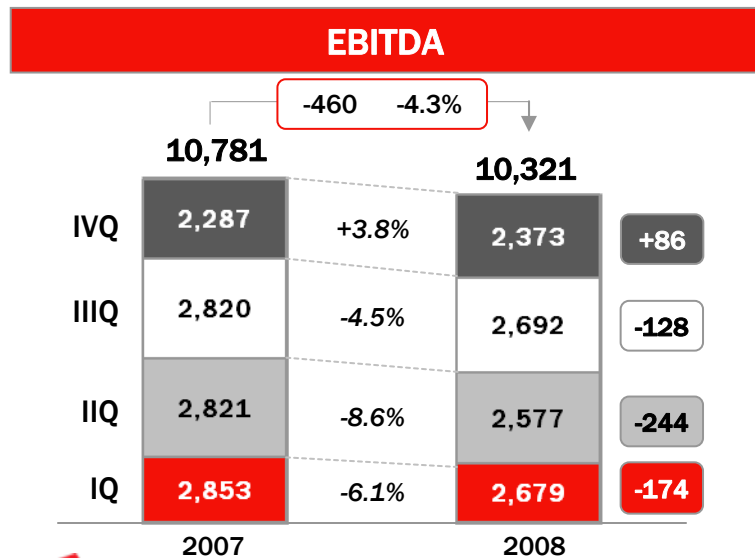
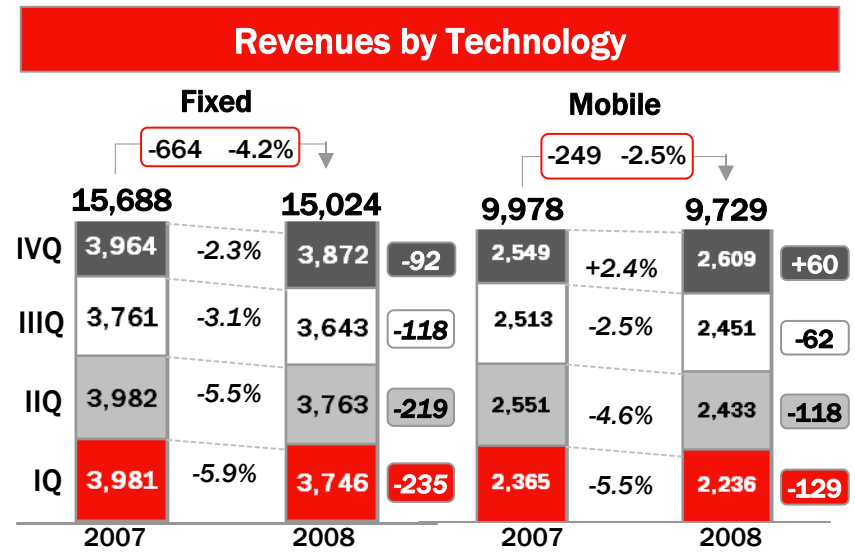
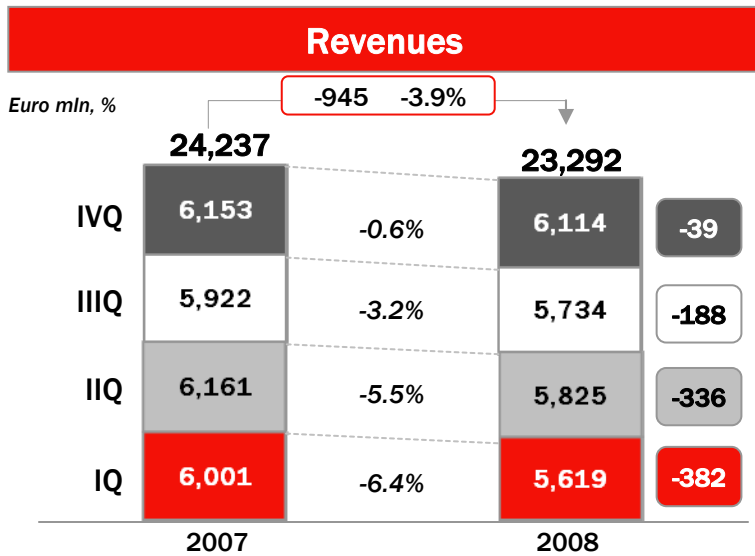
(*) Assuming perimeter excluding TI France (since 1.1) and Entel Bolivia (since 1.4) and excluding non recurring restructuring costs

⁽¹⁾ Exchange rate used for actual figures R\$ 2.68/1€ , for target figures R\$ 2.56/1€; FX negative effect equal to ~ -230 mln €

Key Objectives and Strategic Levers – Core Markets



Domestic – Reverse Operating Performance Trend



Domestic – Target Full Year 2008

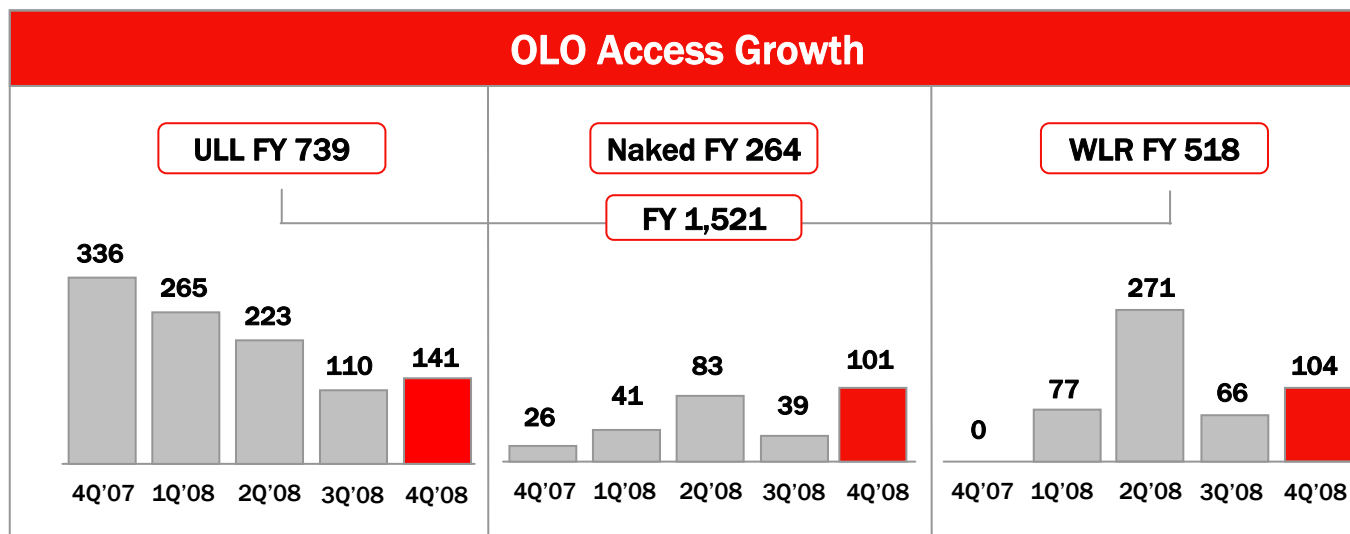
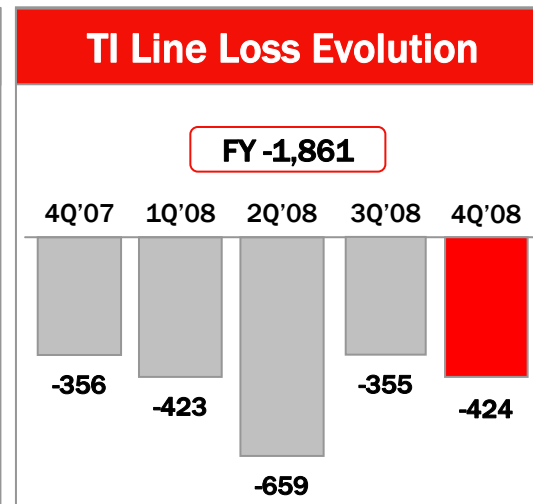
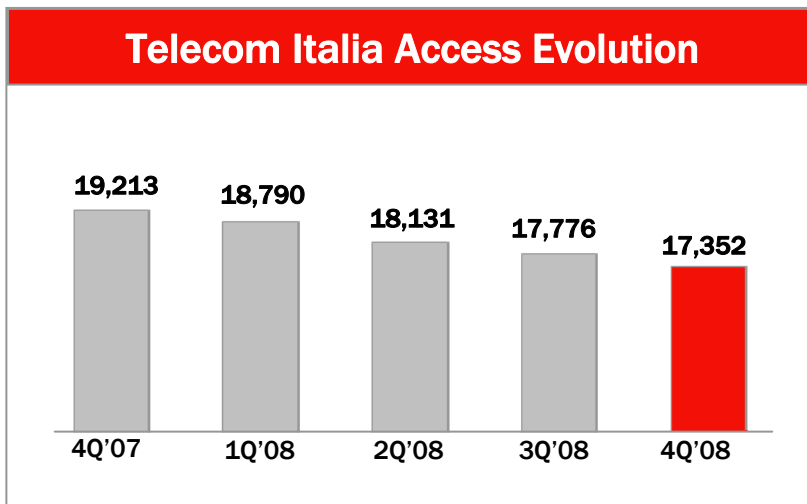
Bln Euro, %

	FY2008	2008 Targets	Key Highlights
	Organic (*)	Organic (*)	
Revenues	23.3	>23.0	<ul style="list-style-type: none"> ➤ Fixed ➤ Solid performance in Internet revenues driven by ARPU stabilization & renewed customer growth ➤ Significant uptake of ICT revenues (+18% YoY in 2008 FY) through new contracts in 2H08 ➤ Mobile ➤ Turning to positive service revenues in 4Q08 ➤ ARPU rebound in 4Q08 driven by successful mobile re-pricing & mobile BB
Fixed revenues	15.0	~15.0	
Mobile revenues	9.7	~ 9.8	
EBITDA	10.3		<ul style="list-style-type: none"> ➤ Cost-cutting program moving towards a lean organization ➤ Over delivering on headcount reduction
EBITDA margin %	44.3%	~44.0%	
CAPEX	<3.7	~3.5	<ul style="list-style-type: none"> ➤ Extra Capex for quality improvement ➤ IPTV coverage speed up ➤ Mobile Broadband overperformance

(*) Assuming 2008 exchange rates and excluding non recurring restructuring costs

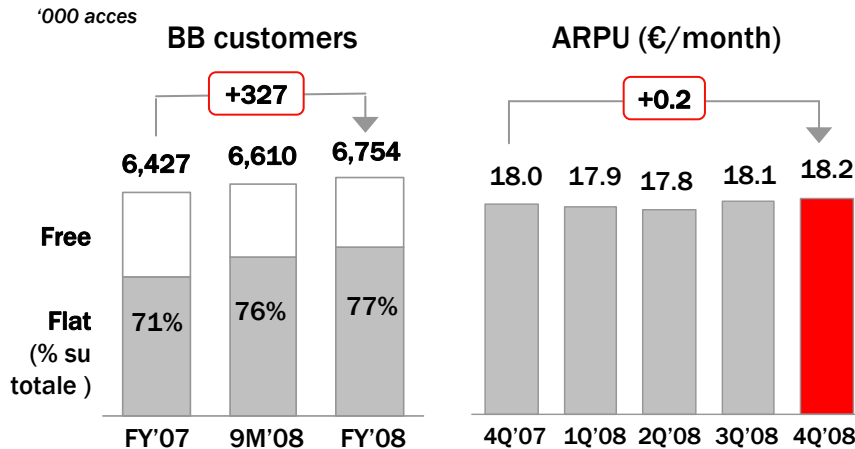
Domestic Fixed - TI Access Performance

'000 access lines

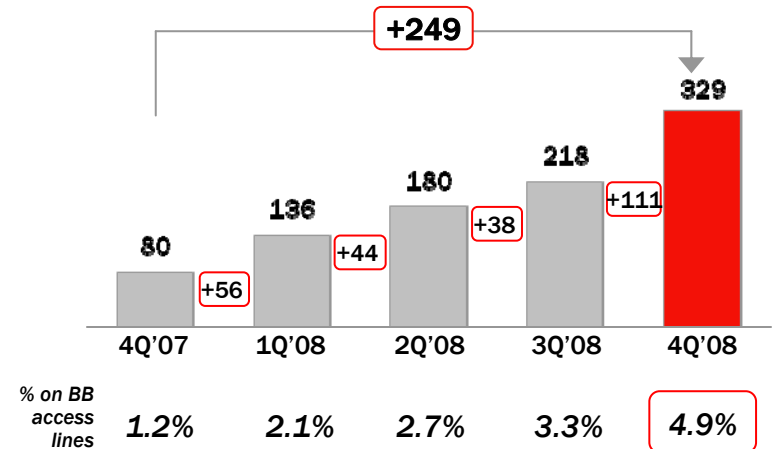


Domestic Fixed - Focus on BB and ICT

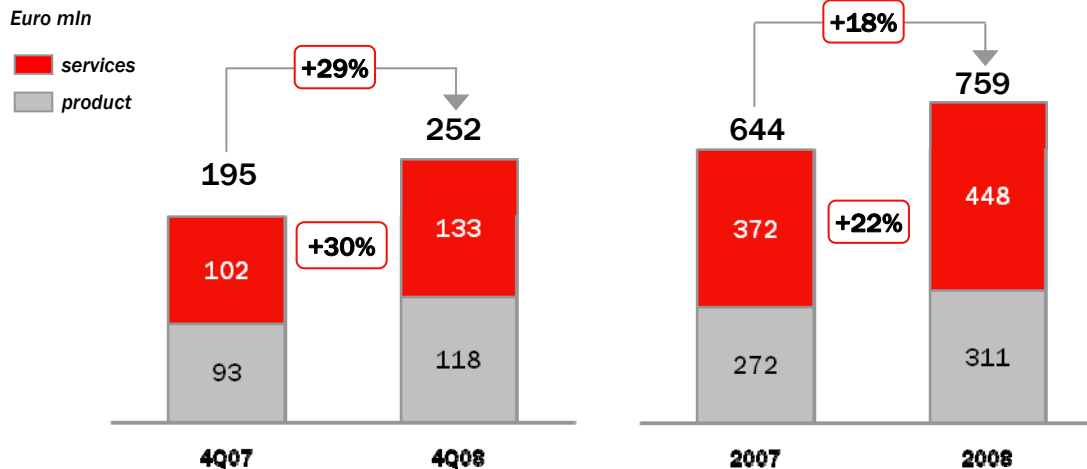
Broadband KPI



IPTV Performance



ICT Revenues

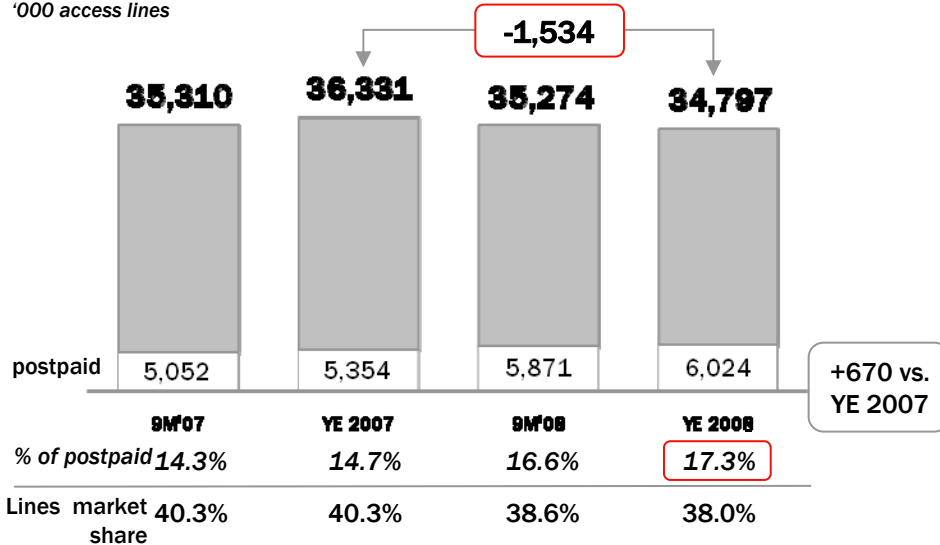


- FY targets (0.74 bln €) fully achieved with sustained growth in last 2 quarters
- Service revenues increase by +22% YoY accounting for 59% of revenues mix
- Strong awareness on Top Customers, significant increase from Corporate segment and new offers launch for SME

Domestic Mobile - Less Lines, More Valuable Customers

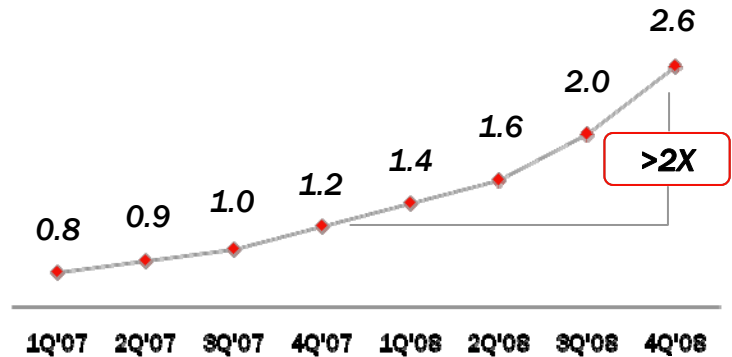
Customer Base

'000 access lines



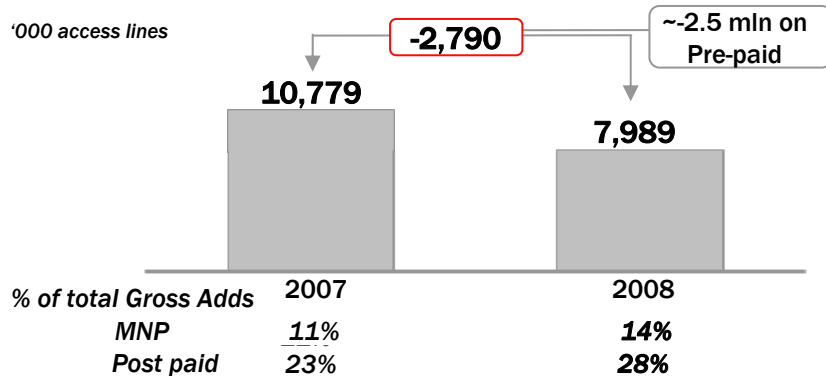
WEB Mobile BB Active Users

Mln access lines

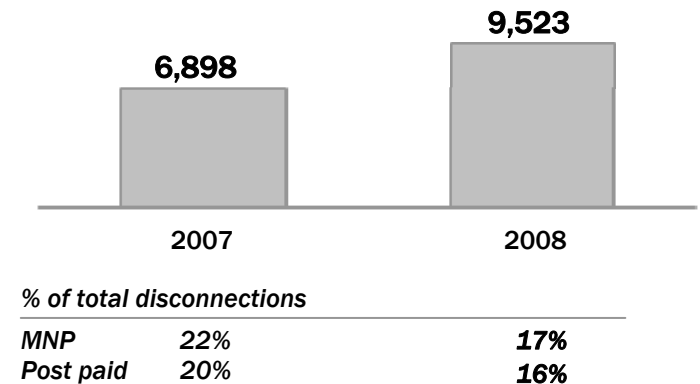


More Valuable Gross Adds

'000 access lines

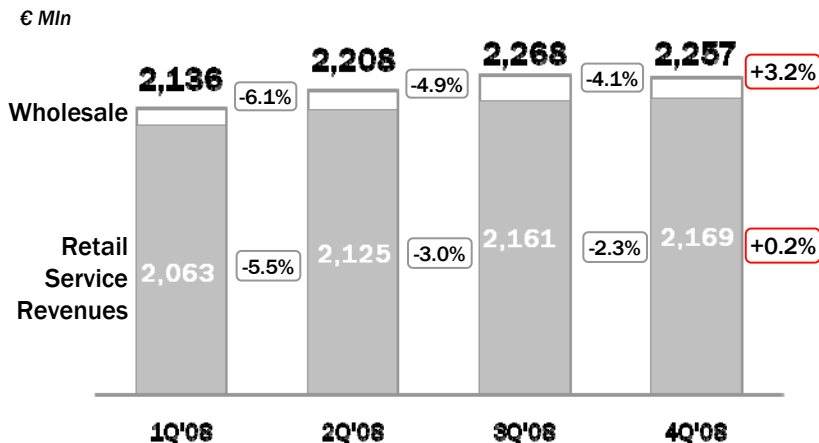


Churn (including clean-up)

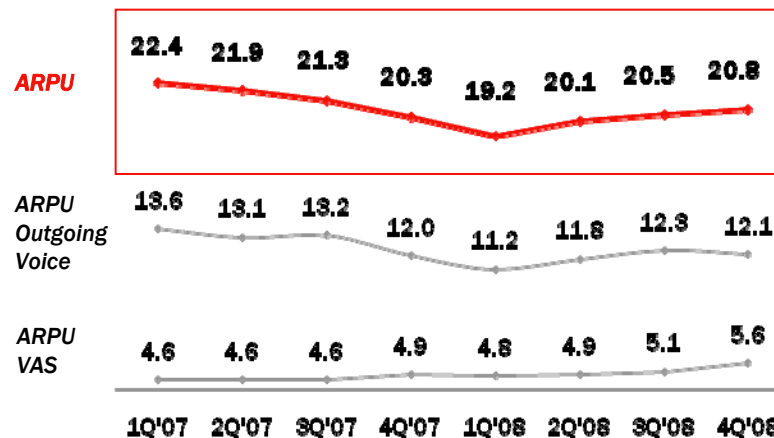


Domestic Mobile - Top Line Rebound

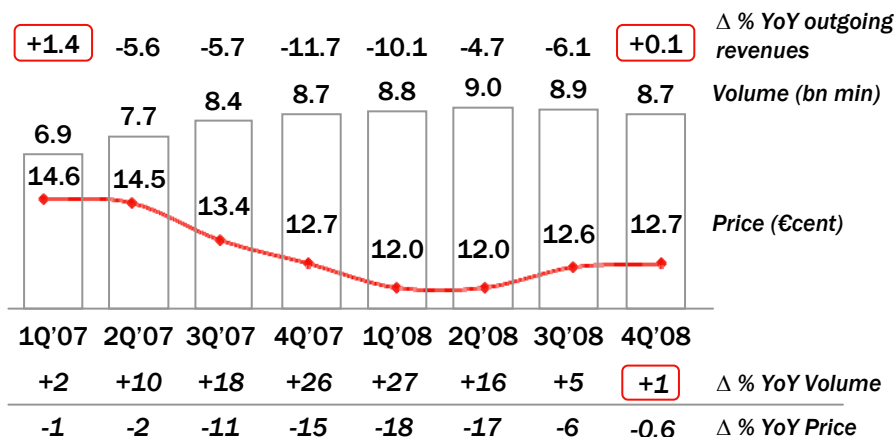
Service Revenues



Drivers of ARPU Rebound (€)



Focus on Outgoing

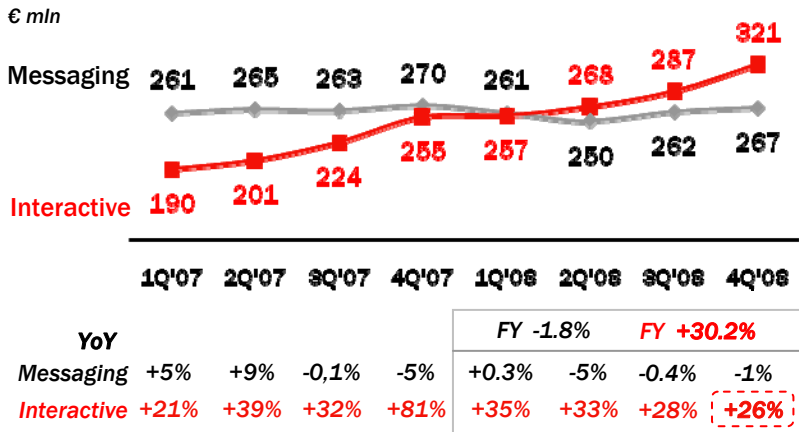


1st positive outgoing revenues performance since the introduction of Bersani Decree (1Q07) through:

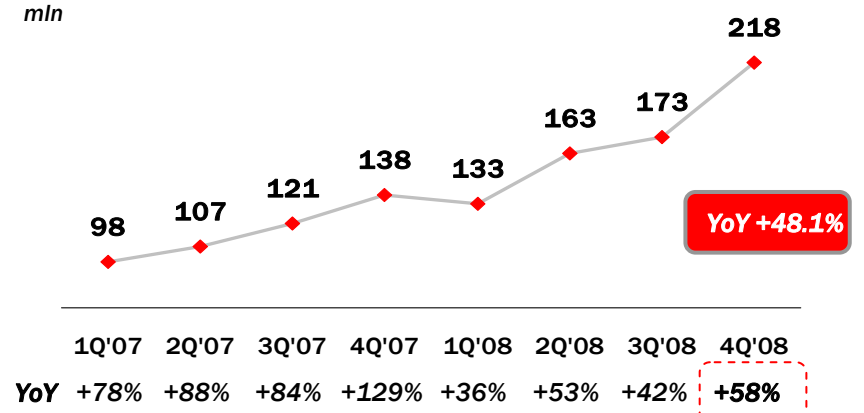
- Successful execution of re-pricing with prices back to 4Q07 level (+6% vs. minimum of '08)
- Volume stabilization vs Prices increase: capturing value from 2007-2008 volumes growth due to push on traffic promotions and Bersani elasticity impact

Domestic Mobile - VAS Driven by Mobile Internet

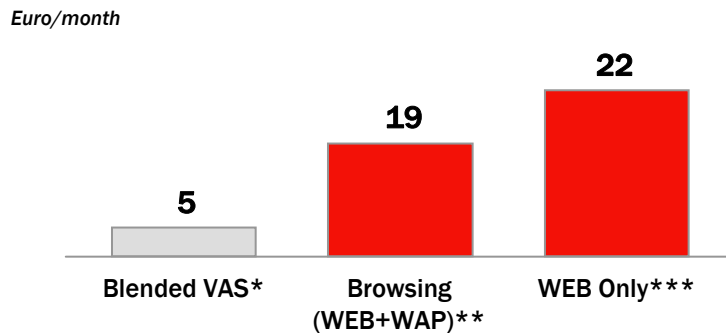
Confirmed Interactive VAS growth



Browsing Revenues



ARPU VAS FY08

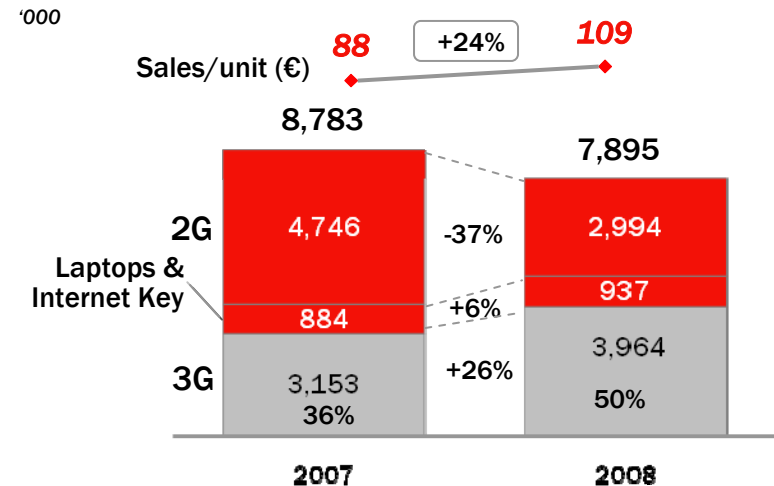


* Reported on Total lines

**Browsing revenues/mobile active Internet users (>50KB WAP; more than 3 WEB connections)

*** WEB Browsing revenues/web active users (more than 3 WEB connections)

From Handsets to Internet Devices



Domestic – Working On Efficiency

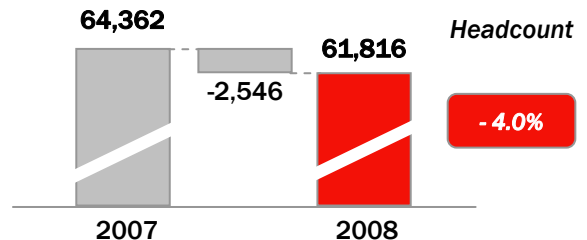
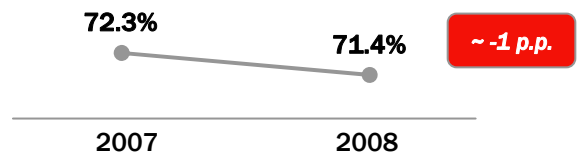
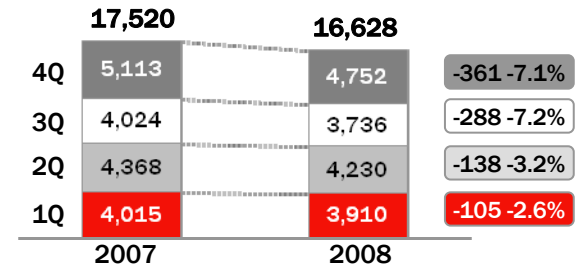
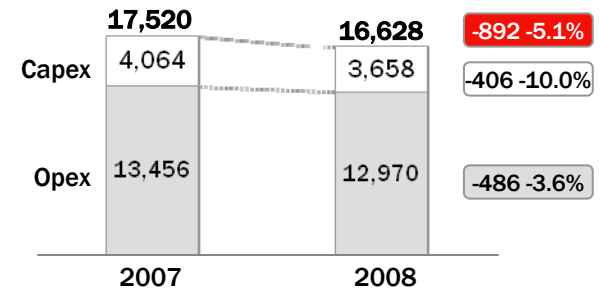
Euro mln, %, organic data, units

Strong cash cost-cutting program

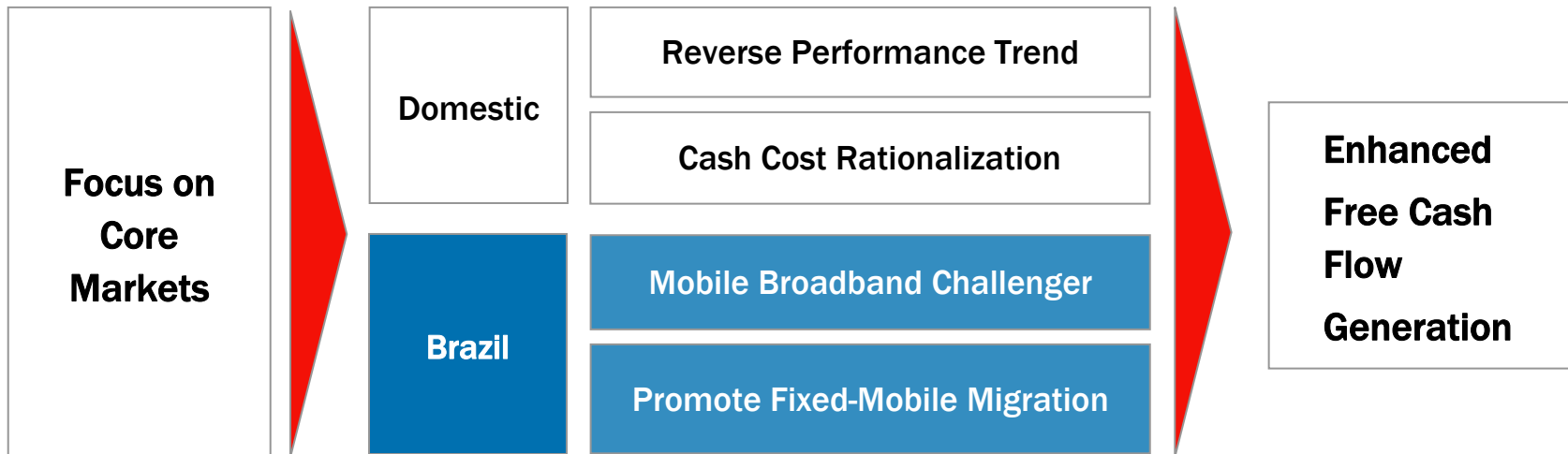
Improving efficiency by Quarter

Reducing Cash cost on Revenues

Moving towards a lean organization

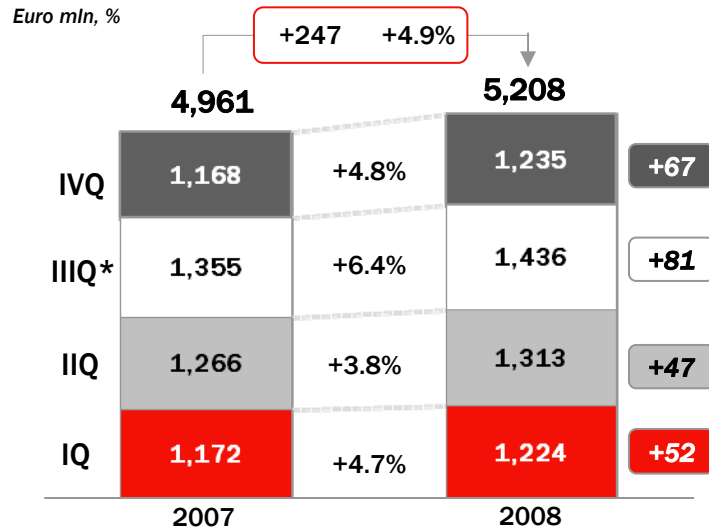


Key Objectives and Strategic Levers – Core Markets

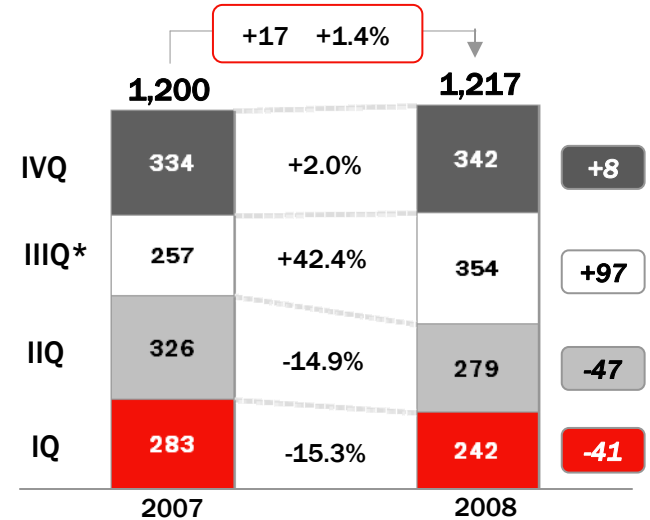


TIM Brasil – Main Results Organic Trend

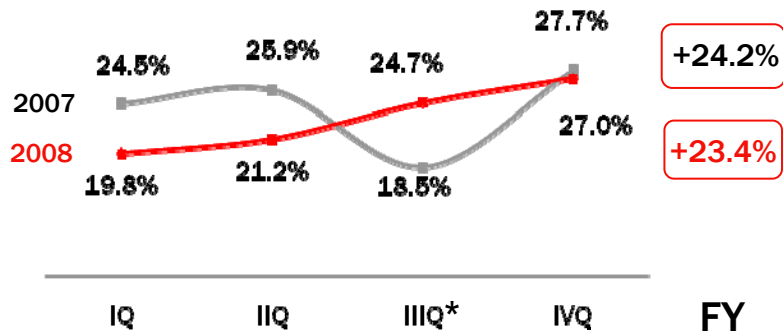
Revenues



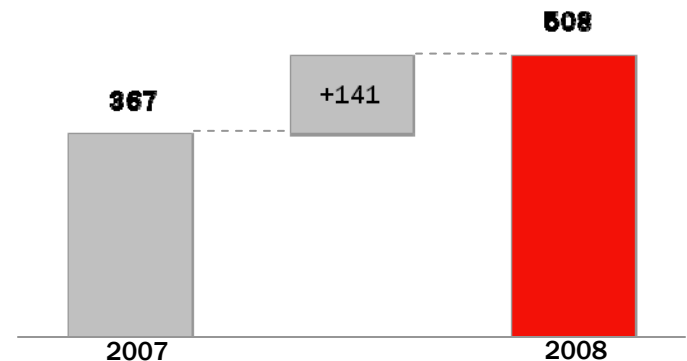
EBITDA



EBITDA Margin



NET DEBT



* "Parcelamento" impact (September 2007) included: -20 mln/€ on Revenues; -64 mln/€ on EBITDA and EBIT

TIM Brasil – Target Full Year 2008

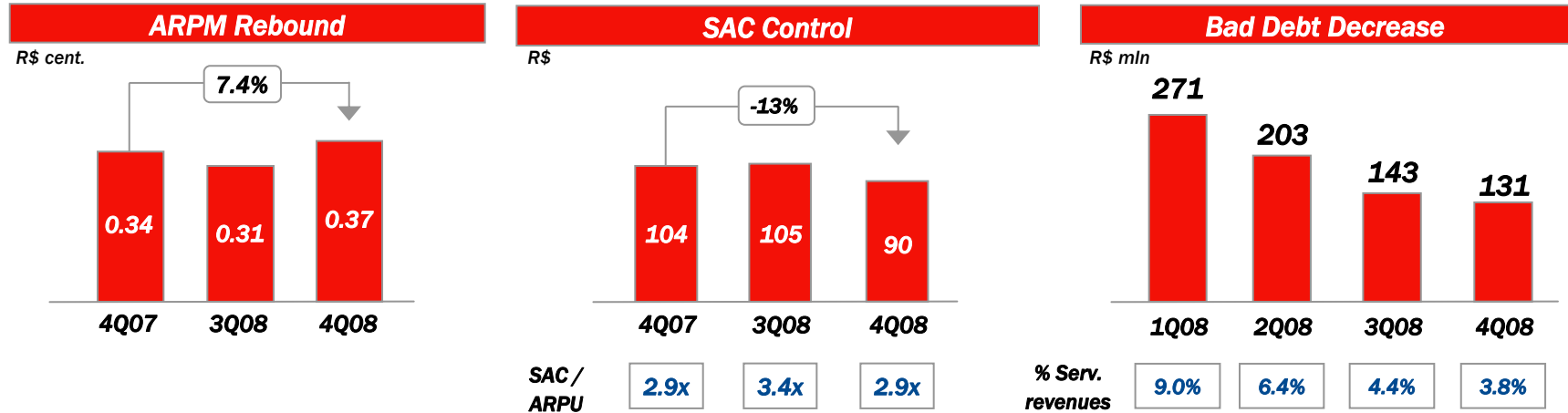
IAS

	2008 Actual	2008 Targets
Customer Portfolio (mln SIM)	36.4	~37
Market Share on SIM	24.2%	~26
Revenues growth - organic	4.9%	> 7%
EBITDA Margin - organic	23.4%	23 – 23.5%
CAPEX (bln €) 3G license excluded	<1.4	~1.5 ~1.0

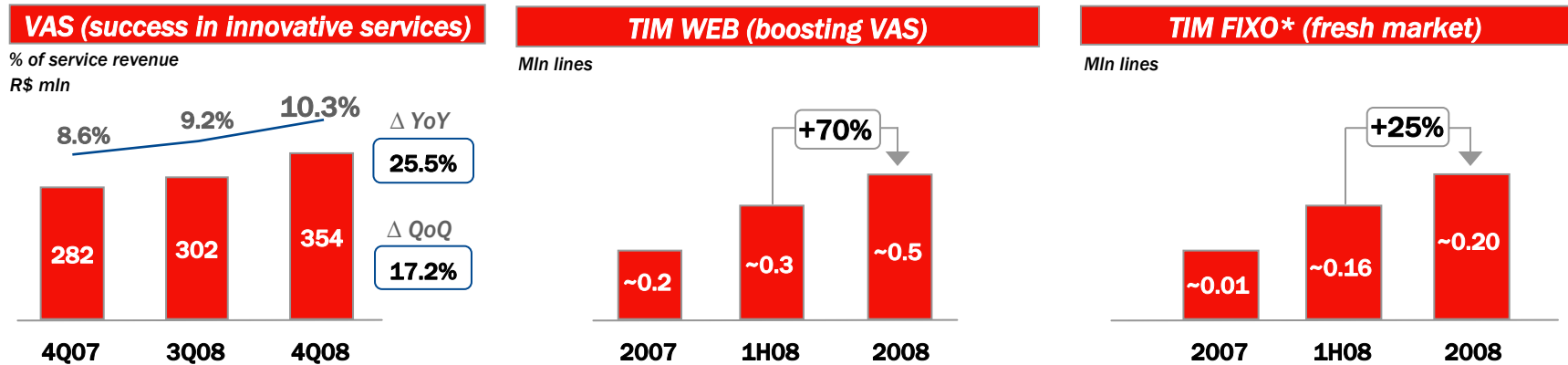
Key Highlights

- TIM Brasil maintained a cautious commercial approach in a fierce competitive environment with aggressive promotions
- Revenues performance impacted by spill-over effect of 4Q07 promotions, weakness on post-paid churn and strong focus on cost control
- Profitability in the high-end range of the guidance through:
 - complete re-modeling of promotions
 - tight cost control on subsidy and acquisition
- Lower commercial Capex
- Positive impact of FX

TIM Brasil - Rigorous Financial Discipline...

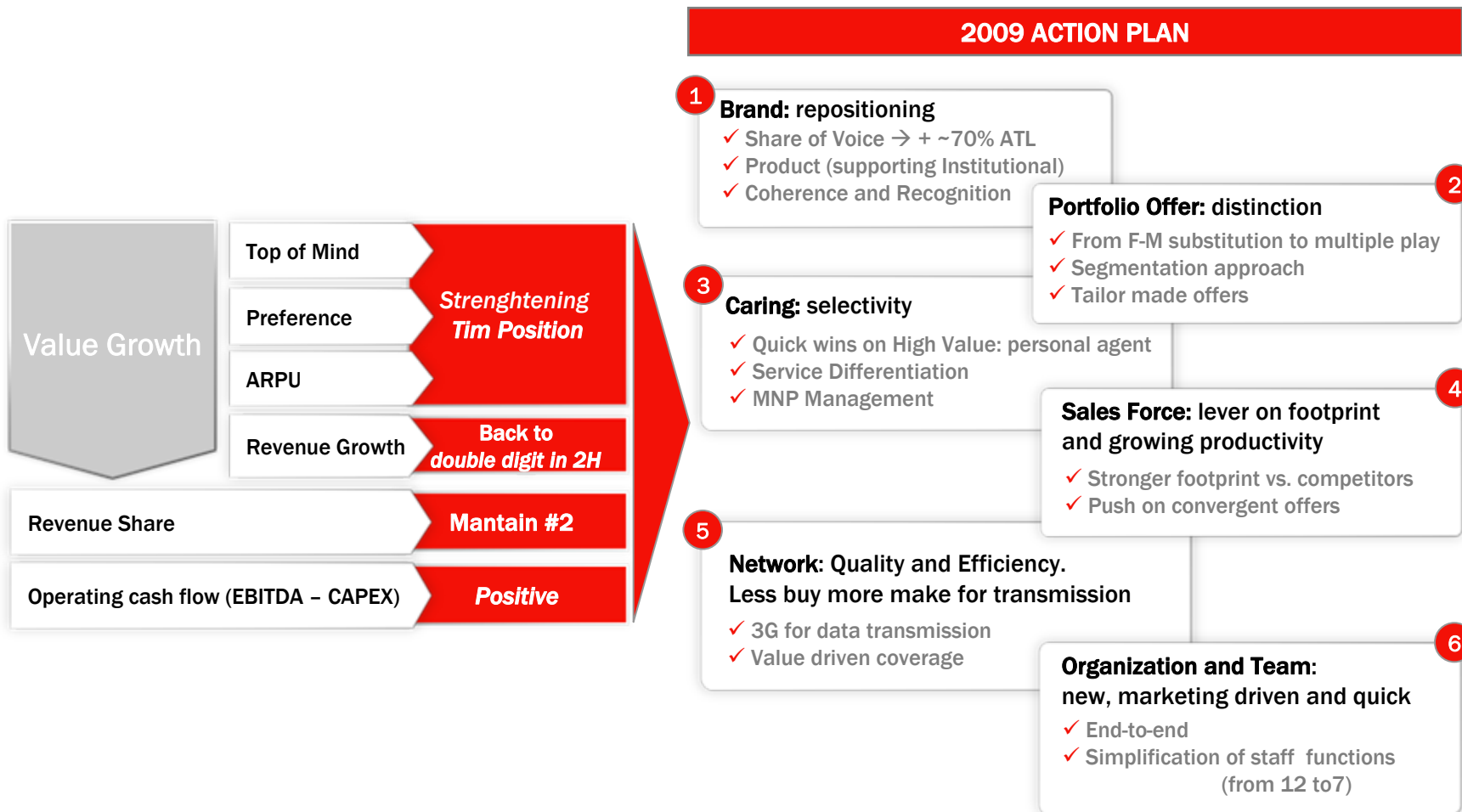


...& Promising KPI's



* Including TIM Casa Flex

TIM Brasil - Our Commitment for 2009



TI Group 2008 estimates and 2009-2011 targets

Organic Data*	2008 Actual	2008 E	Target	
			2009	Plan
Revenues	bln € 30.2 ⁽¹⁾	bln € 30.4-30.5 ⁽¹⁾	bln € Stable ⁽¹⁾	CAGR 2008-2011 >2%
EBITDA	% on revenues 38.8%	% on revenues ~38.0%	% on revenues Stable	% on revenues 2011 >39%
CAPEX	bln € 5.4	bln € ~5.4	bln € ~4.8	% on revenues 2011 13.0%~13.5%
Net Financial Position	NFP/EBITDA reported 2.99x	NFP/EBITDA reported <3.0X	NFP/EBITDA reported ~ 2.9X	NFP/EBITDA rep. 2011 ~ 2.3X

(*) Assuming perimeter excluding TI France (since 1.1) and Entel Bolivia (since 1.4) and excluding non-recurring restructuring costs

⁽¹⁾ Exchange rate used for actual figures R\$ 2.68/1€, for target figures R\$ 2.56/1€

TI Domestic 2008 estimates and 2009-2011 targets

Organic Data*	2008 E	Target	
		2009	Plan
Revenues	bln € >23	bln € 22.7- 22.8	CAGR 2008-2011 0.2%
EBITDA	% on revenues ~44%	bln € 9.9 - 10	% on revenues 2011 ~ 46%
CAPEX	bln € 3.5	bln € ~ 3.3	% on revenues 2011 13.0%-13.5%

Cash Cost
% on revenues 2011 ~67% - 68%

* Assuming perimeter as December 2008, 2008 exchange rates and excluding non-organic items impact

TIM Brasil 2008 estimates and 2009-2011 targets

Local Currency - Organic	2008 E	Target	
		2009	Plan
Revenues	>7%	bln Reais ~ 15.3	CAGR 2008-2011 ~ 8%
EBITDA	% on revenues 23 - 23.5%	bln Reais ~ 3.6	% on revenues 2011 ~ 27.5%
CAPEX	bln Reais ~3.7 (~ 1.5 € bn)	bln Reais ~2.8	% on revenues 2011 ~ 13.5%

* Assuming perimeter as December 2008 and excluding non-organic items impact