

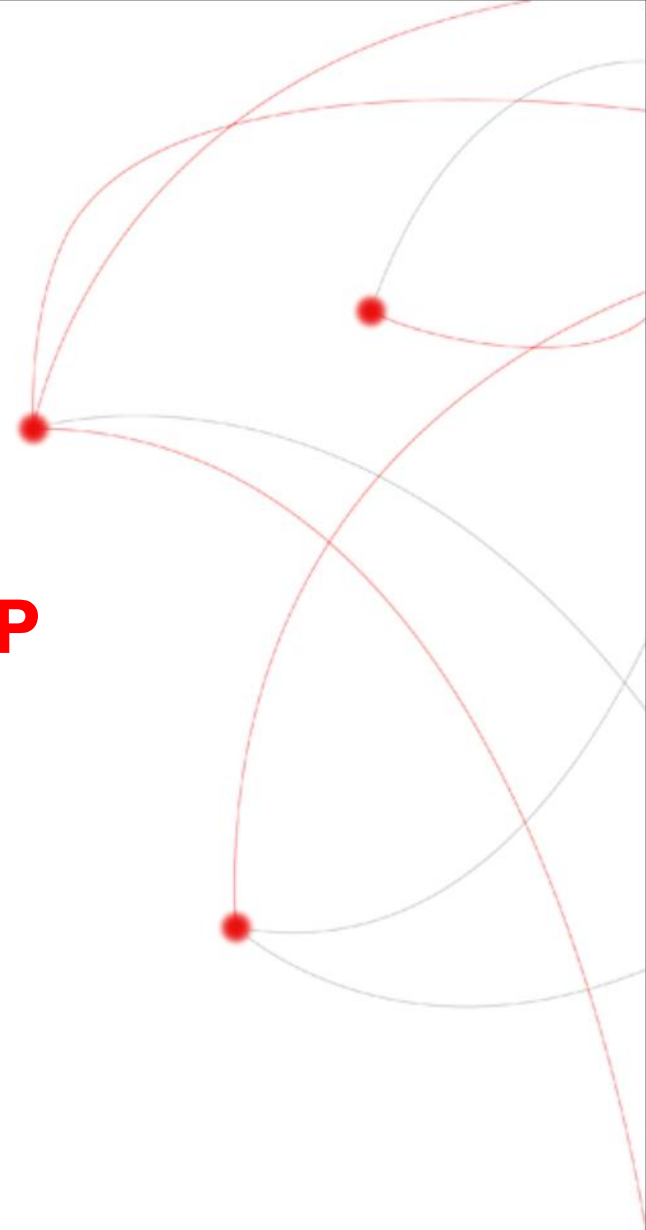
TELECOM ITALIA GROUP
Rome - May 22, 2009

TELECOM ITALIA GROUP

XII Italian Conference

UniCredit Group

MARCO PATUANO – TELECOM ITALIA GROUP CFO



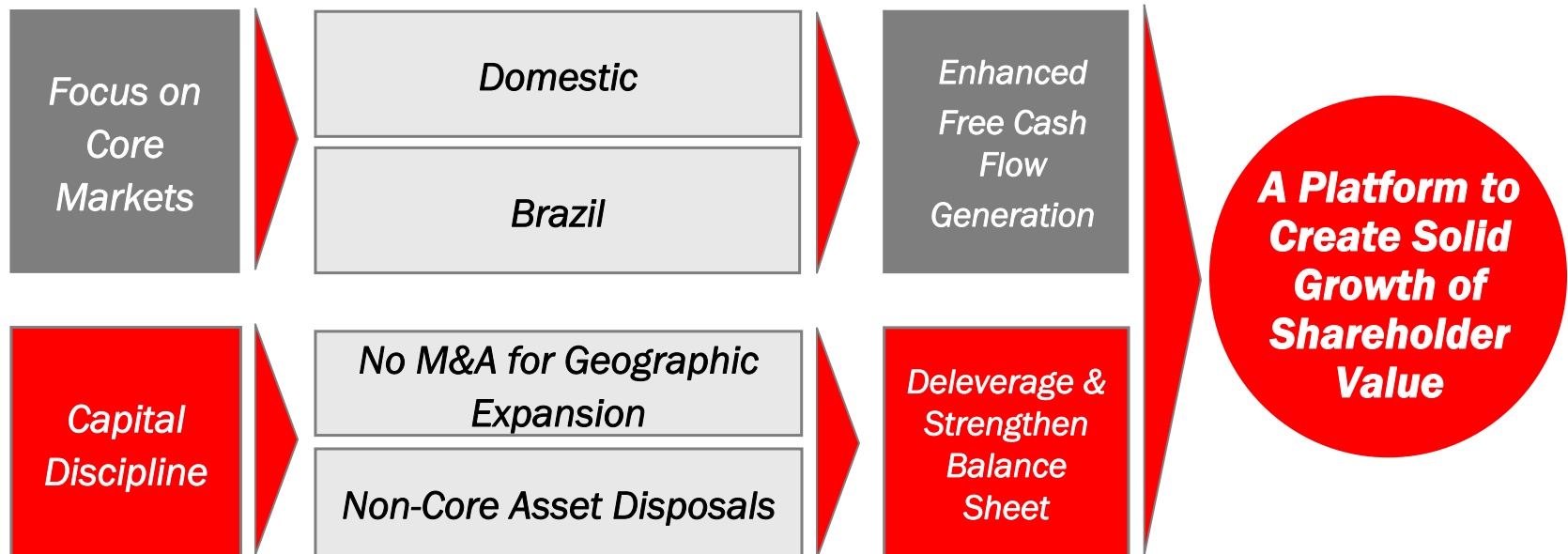
Safe Harbour

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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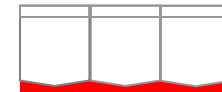
Key Objectives and Strategy's Levers



Key Objectives and Commitments – 2009-2011

<i>Group Operating Free Cash Flow</i>	<i>~€22.0 Bn cumulative '09 – '11</i>
<i>Domestic Cash Cost Efficiency Plan</i>	<i>~ - €2.0 Bn '11 vs. '08</i>
<i>Domestic Headcount Reduction</i>	<i>9,000 vs 2007 YE ⁽¹⁾</i>
<i>Non-Core Asset Disposals</i>	<i>Up to €3.0 Bn</i>
<i>Strong Focus on Deleveraging</i>	<i>Net Debt/Ebitda 2011 ~ 2.3X</i>

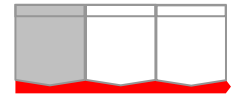
(1) Including 5,000 announced in June 08



TI Group 1Q09 – Priorities and Actions

Focus on Core Markets	Cash Cost Control	Financial Discipline
<ul style="list-style-type: none">▶ Customer centric organization: a new management team at work▶ Implementation of new sales distribution channel▶ 2Q09 offer portfolio reshaped to target specific needs of customer segments▶ Clear and strong commercial roadmap in Brazil▶ Intelig deal : complementary industrial and commercial assets	<ul style="list-style-type: none">▶ Cash Cost reduction program fully on track: 25% of FY09 program already achieved▶ Headcount reduction plan going forward (76% already completed)▶ Overall TI Group Cash Costs reduced by 7.5% vs 1Q08▶ Group Cash Cost on Revenues improved by 3p.p.▶ Domestic Cash Cost reduced by 6.9% vs 1Q08	<ul style="list-style-type: none">▶ Diversified and Hedged Debt (~70% Fixed rate; FX fully hedged)▶ Strong Liquidity position post dividend payments: Euro 4.6 bln▶ Euro 2.6 bln refinancing completed in Q1 (Euro 3.5 bln to date) keeping cost of debt around 6%▶ Disposal process started

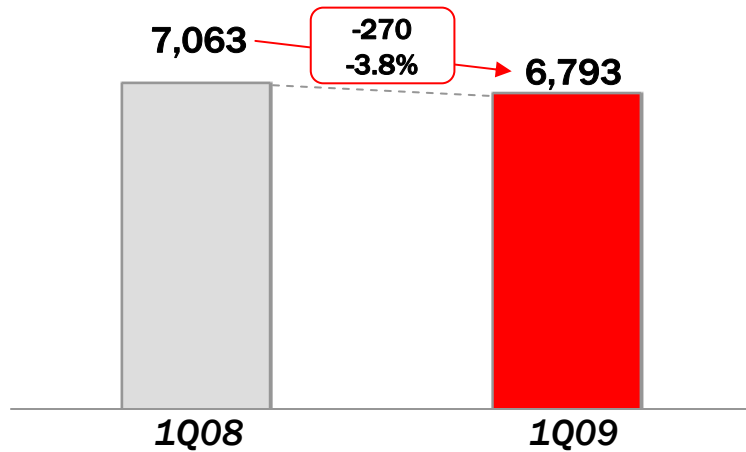
Strong Focus on Profitability and Cash Flow Generation



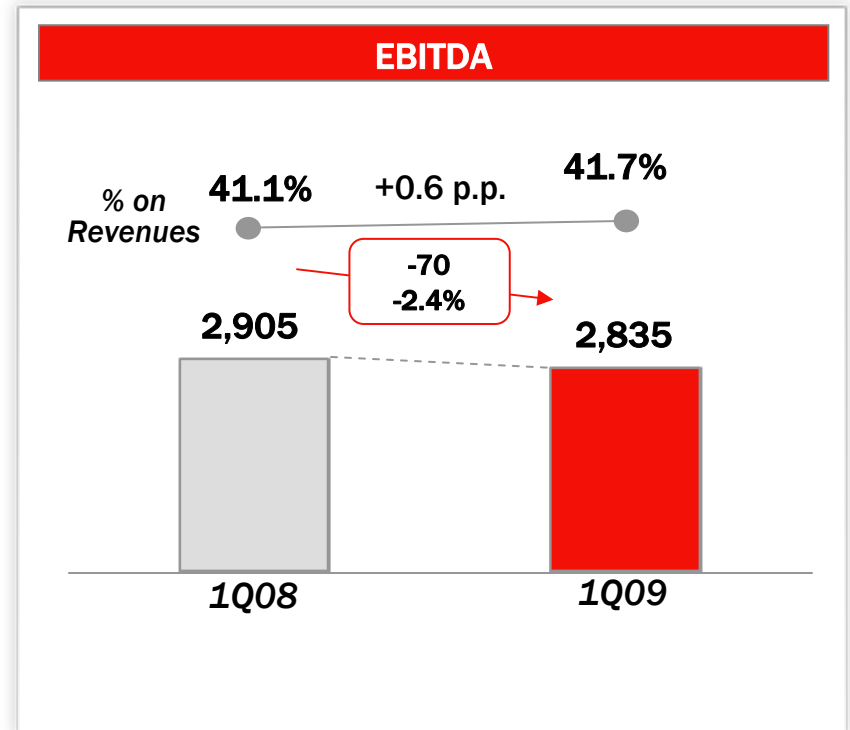
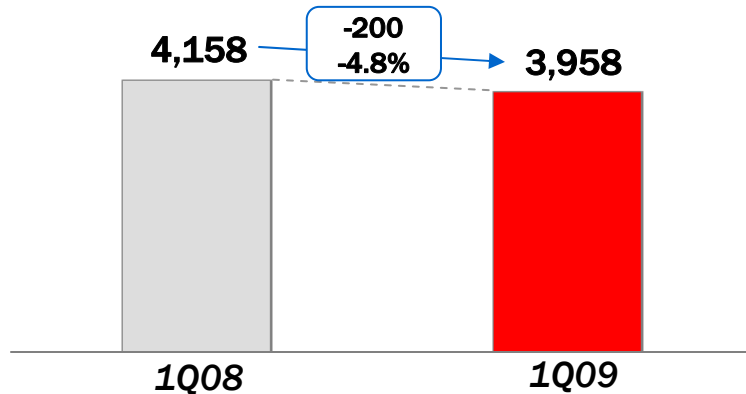
TI Group - Organic 1Q09 Results vs. 1Q08

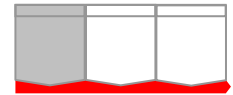
Euro mln, %

Revenues



Opex

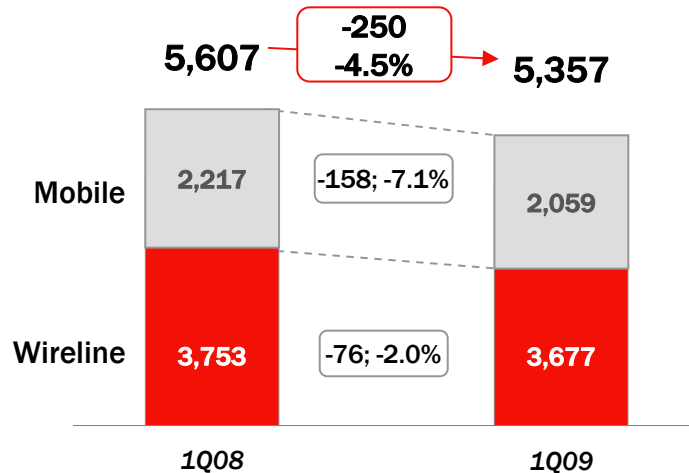




TI Group – Revenues Analysis

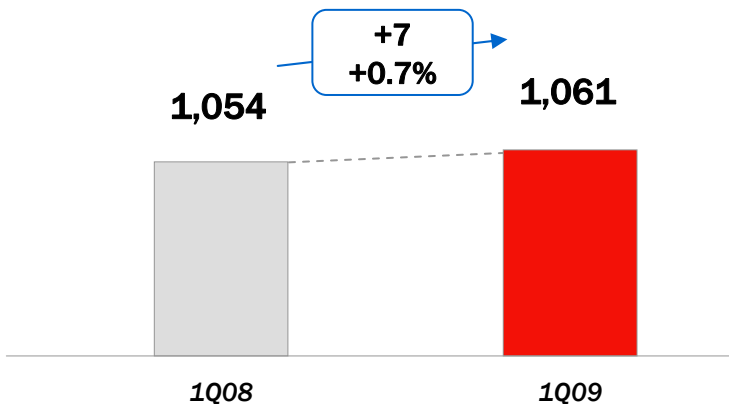
Euro mln, Organic data, %

Domestic Revenues

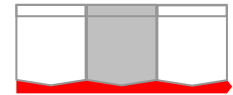


- ▶ Slowdown of domestic revenue performance as expected, mainly due to the short term impact of sales channel restructuring and calendar effect.
- ▶ Mobile performance (-7.1% YoY in 1Q09) reflects:
 - ▶ strong reduction of VAS content from the youth segment;
 - ▶ even stronger focus on high margin revenue stream reflected into significantly lower handsets sales vs 1Q08.
- ▶ Improving fixed revenue trend (-2.0% YoY in 1Q09) through the positive impact of regulated price increase, steady broadband growth boosted by Alice Casa and continuous uptake of ICT.

TIM Brasil Revenues



- ▶ Steady innovative VAS growth (~80% of total VAS) with TIM Web and TIM Fixo outperforming expectations in the mass market
- Handsets portfolio
 - ▶ ~1 mln handsets sold in recent dealer convention with massive mix improvement towards high end devices
- Price repositioning completed: gained flexibility for next quarters
 - ▶ Postpaid mix decline of -3.7 p.p.
 - ▶ Reduction in pre-paid MOU
 - ▶ Less incoming revenues -4%



Efficiency and Opex Control Offsetting Top Line Decline

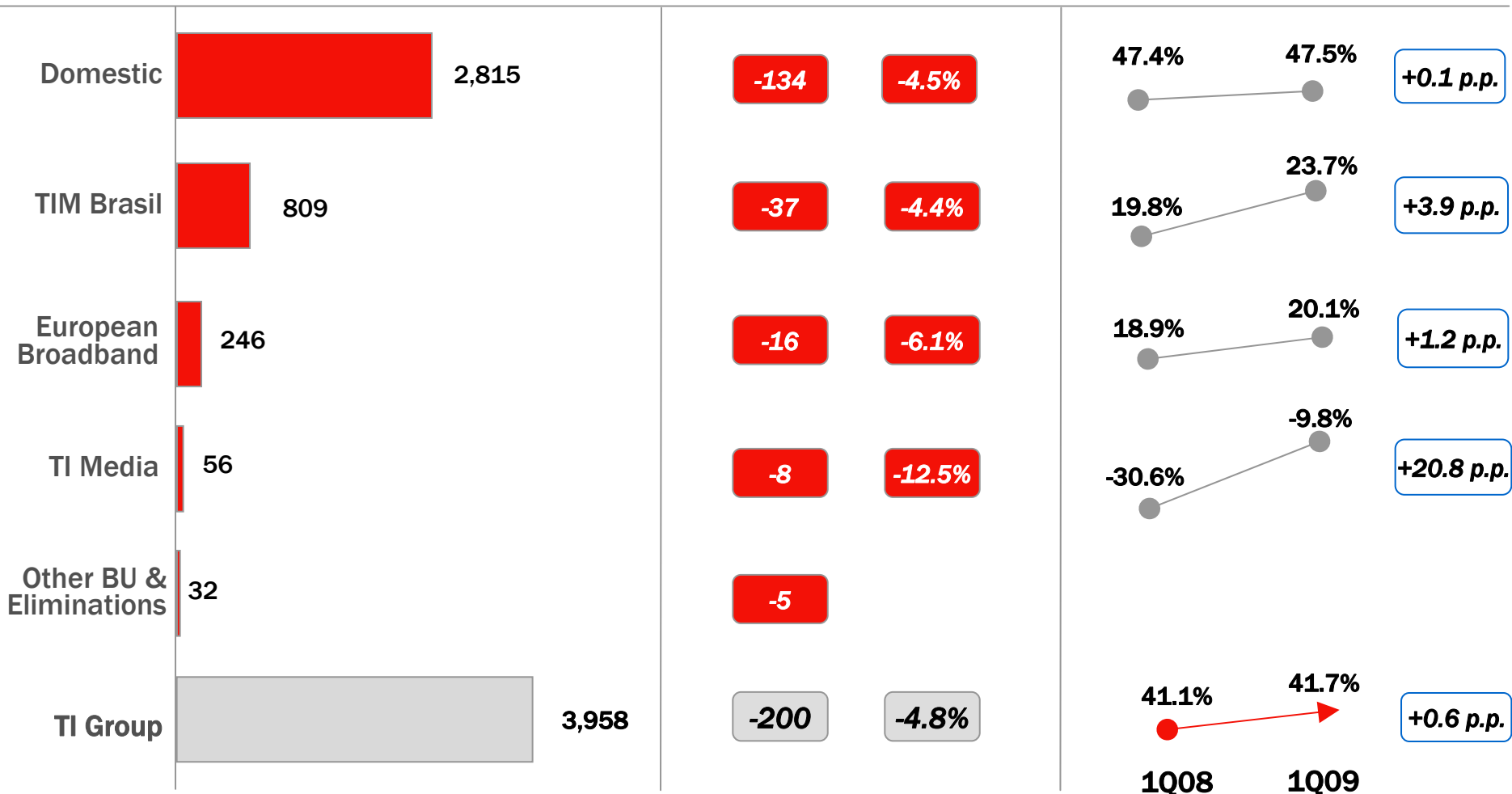
Euro mln, Organic data, %

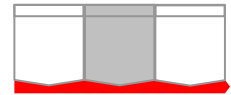
Organic OPEX 1Q09

Δ abs. vs.
1Q08

Δ % vs.
1Q08

EBITDA Margin

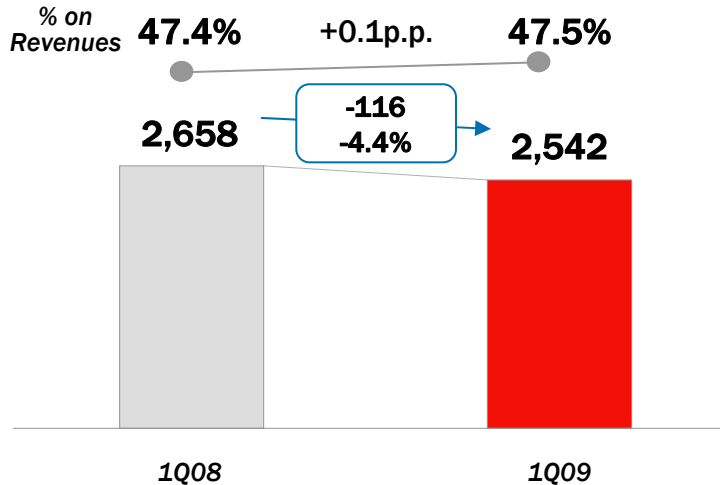




TI Group - EBITDA Analysis

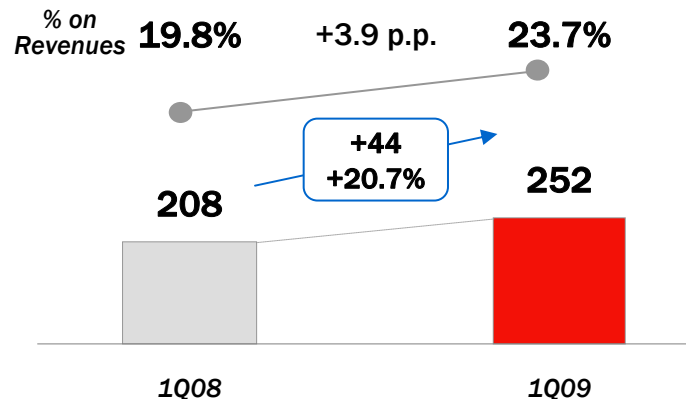
Euro mln, Organic data, %

Domestic EBITDA

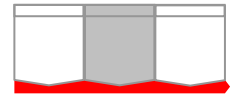


- ▶ Significant OPEX reduction (-134 mln euro YoY) through a selective approach and rigorous cost control.
- ▶ EBITDA margin up for the second consecutive quarter confirms TI as the industry benchmark for profitability.
- ▶ Fully on track to deliver 2009 cash-cost reduction despite the challenging economic scenario.

TIM Brasil EBITDA



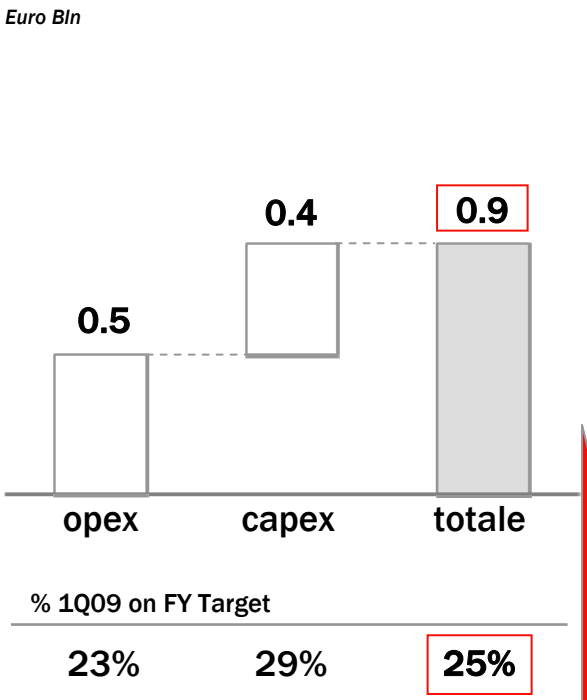
- ▶ Rigorous financial discipline on “non growth” related investments
- ▶ Efficiency on Discretionary Costs down 10% YoY . Interconnections & Network Costs optimization (-4% YOY)
- ▶ Bad Debt under control: 4.5% of service revenues in 1Q09 (vs 5.9% in 1Q08)



Domestic Efficiency on track

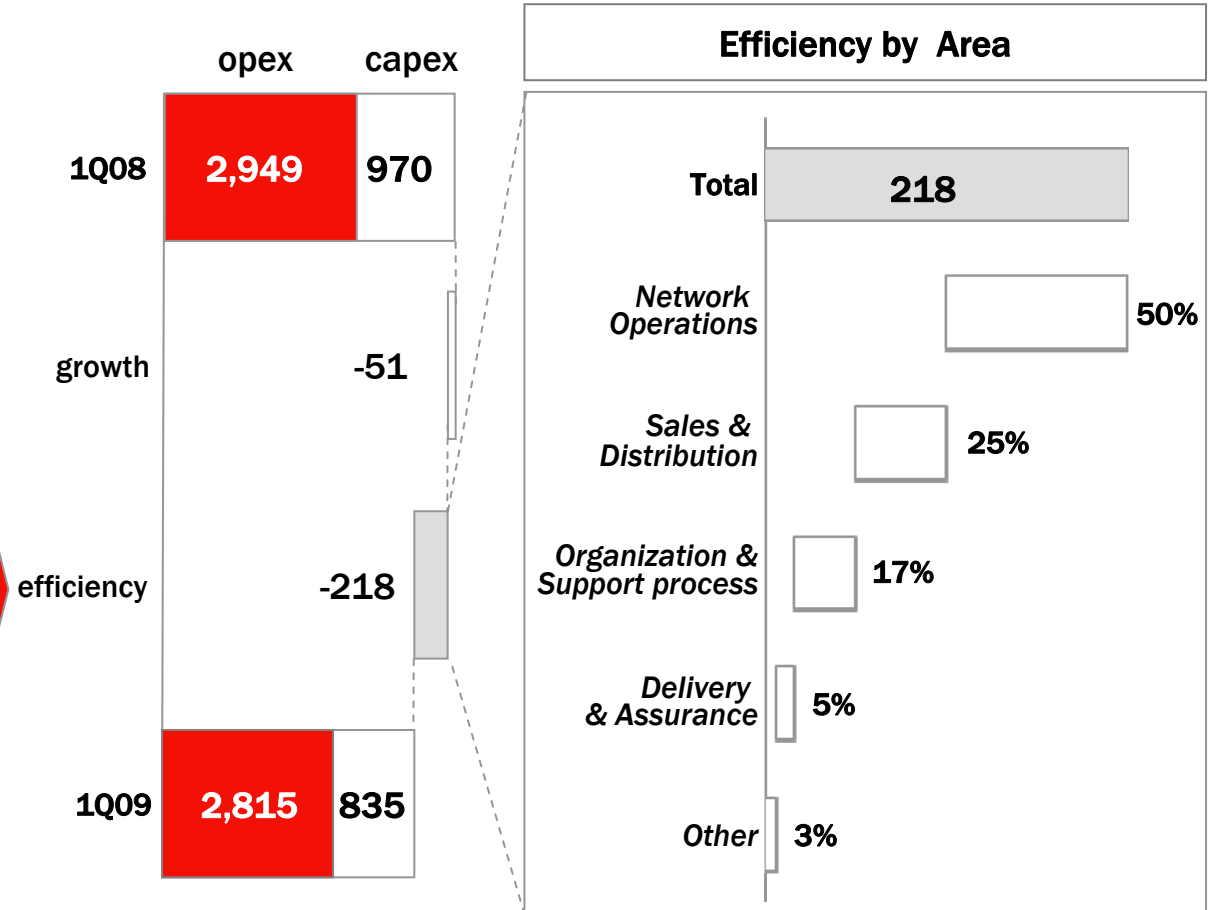
FY09 Efficiency Program

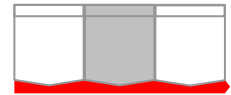
Euro Bln



Efficiency 1Q09

Euro Mln





Flexibility in Domestic Opex

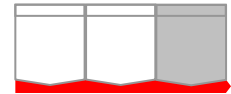
Euro mln. Organic Data

Main drivers of cost reduction:

Δ vs 1Q08

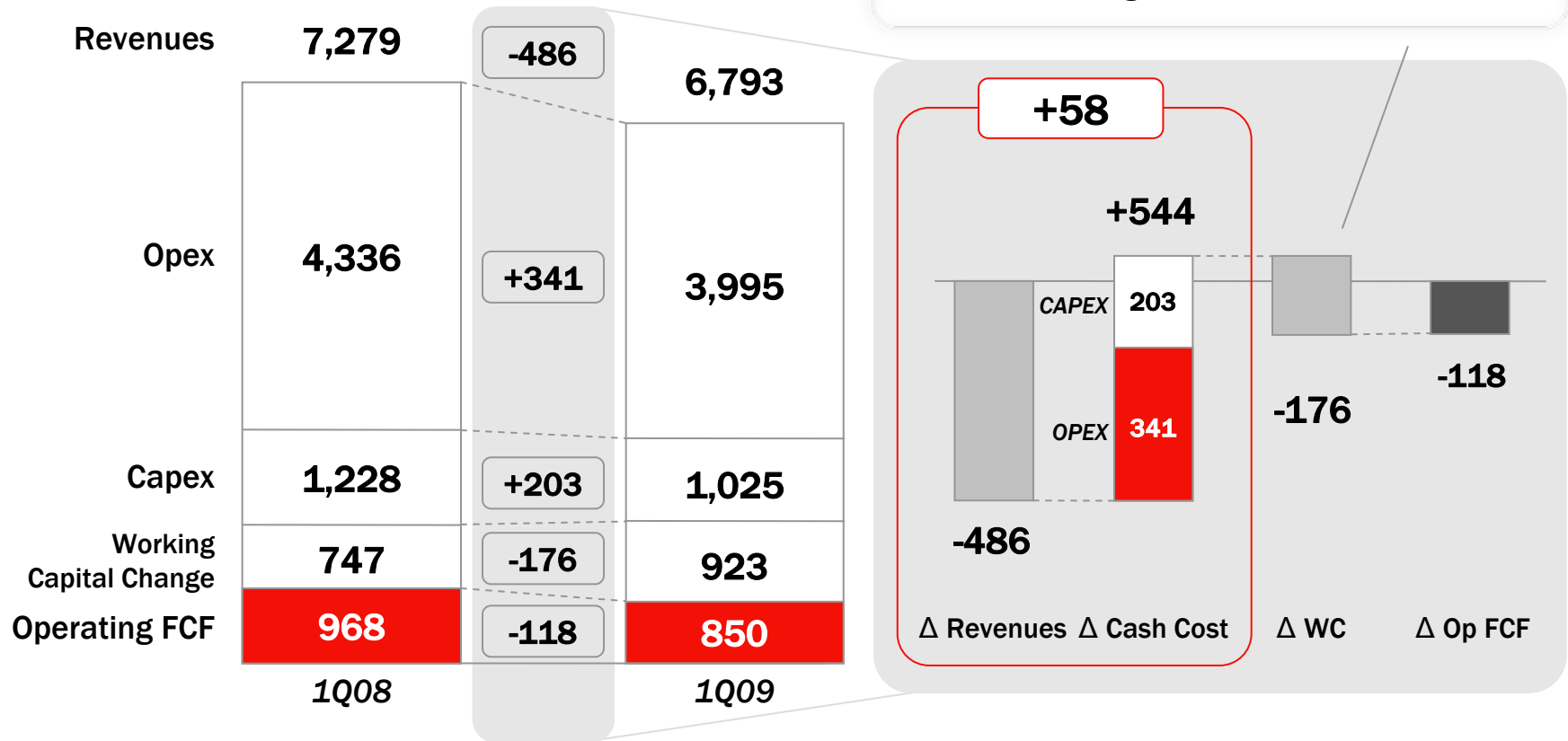
▶ Interconnection rate cut	Interconnection	803	-70
▶ Handsets sales reduction; commissioning policy revision (value vs volume)	Marketing & Sales	624	-93
▶ Headcount reduction partially offsets increase in minimum salary contract terms and in IAS adjustments	Personnel	863	+17
▶ Energy consumption and 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

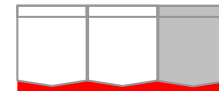
(*) Other operating income and expenses



Operating Cash Flow

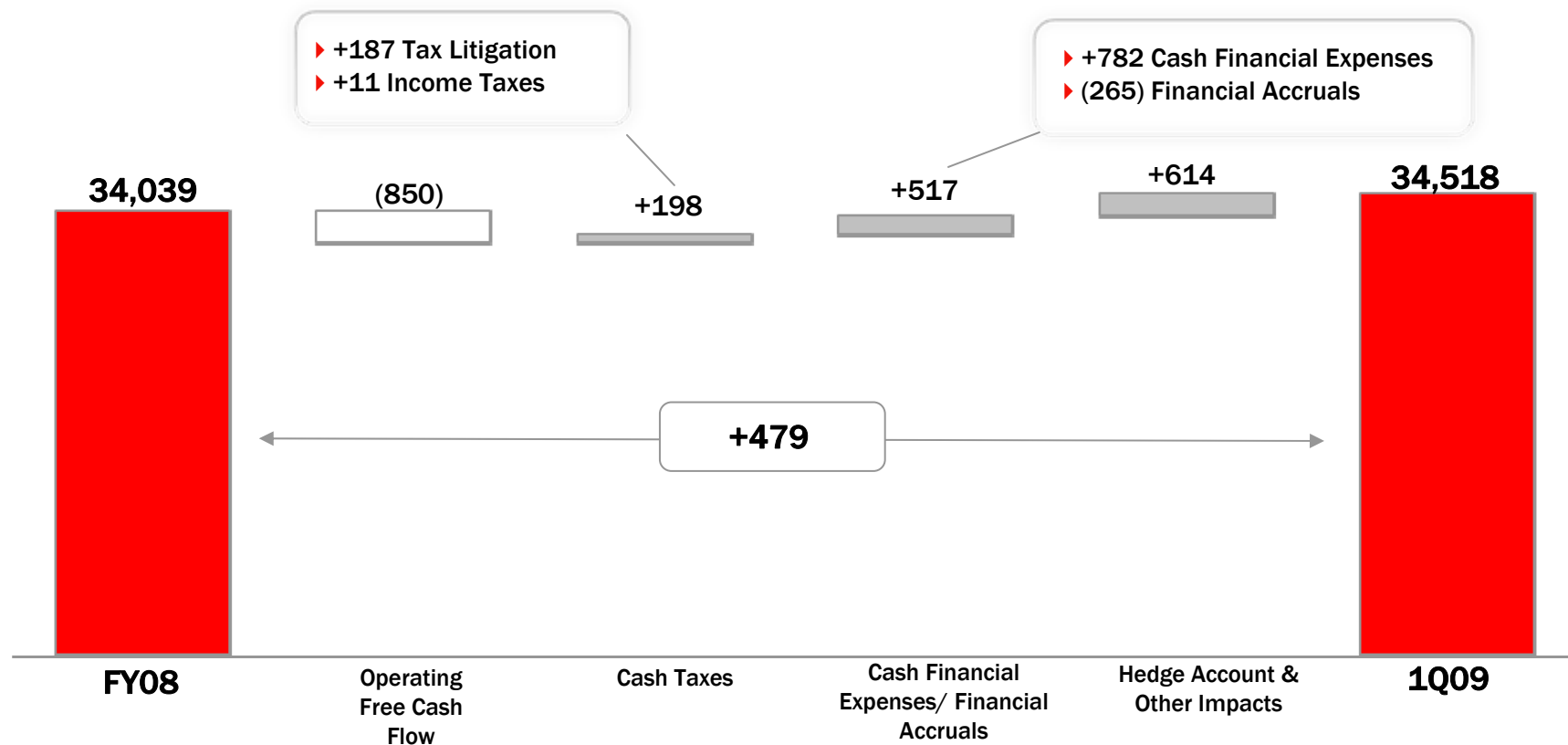
Euro mln, Reported data



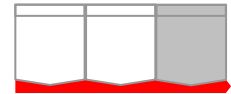


Net Debt Affected By Non-Monetary Adjustments

Euro mln




1Q08	FY07 : 35,701	(968)	+23	+505	+175	1Q08: 35,436
Δ		+118	+175	+12	+439	

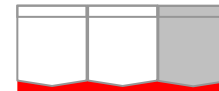


Refinancing On Track

- ▶ **GBP 750 mln issue:**
8 yr maturity, 7.375% coupon, 7.449% yield
 - ▶ Great response from investors
 - ▶ Increased issue amount and final pricing below initial guidance
- ▶ **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
- ▶ **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 3.5 bln refinancing
already done to date**

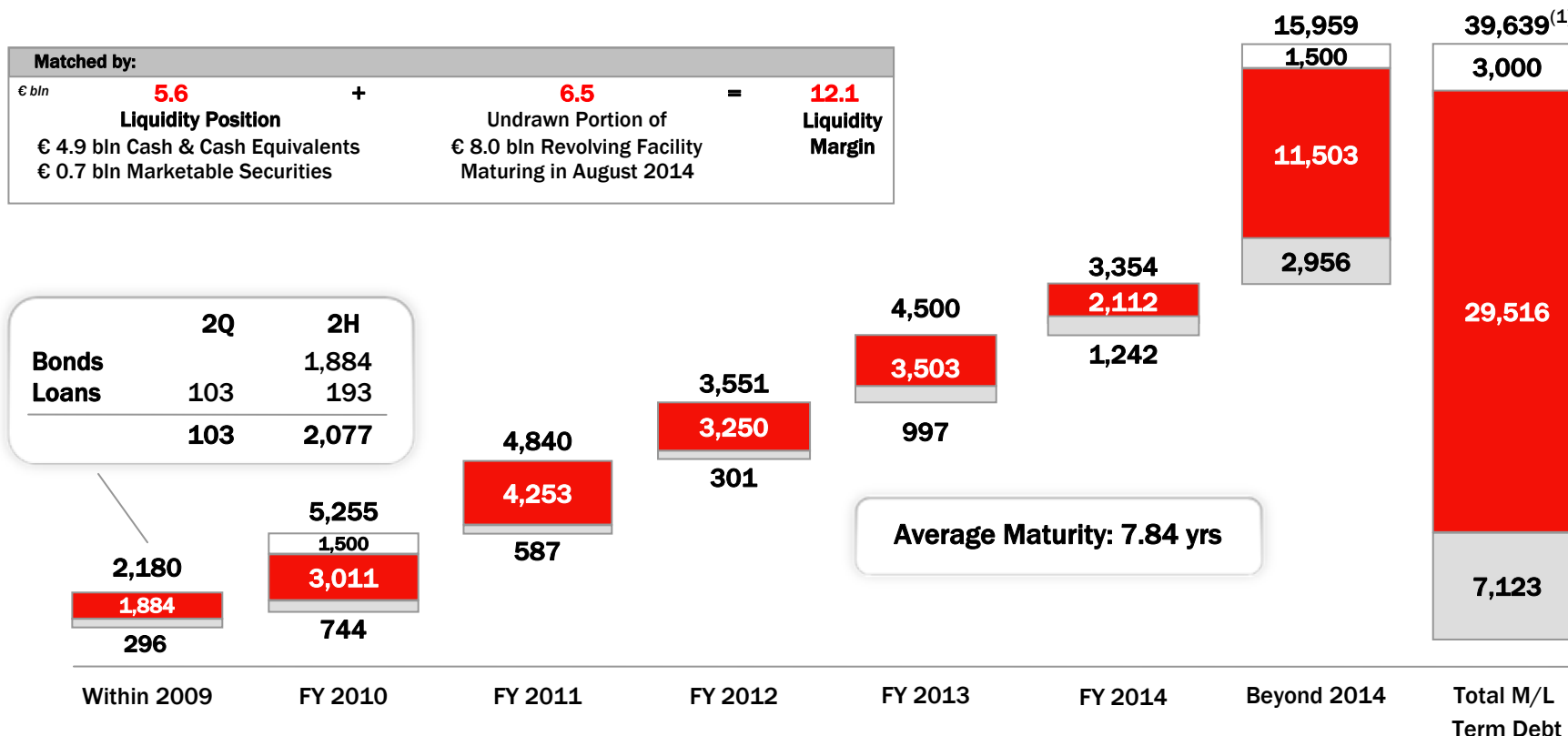


Even and Back-Loaded Maturities (as of March 31, 2009)

Euro mln

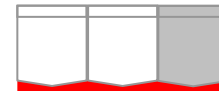
Bonds
 Loans (of which long-term rent, financial and operating lease payable € 1,935)
 Drawn bank facility

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



(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.

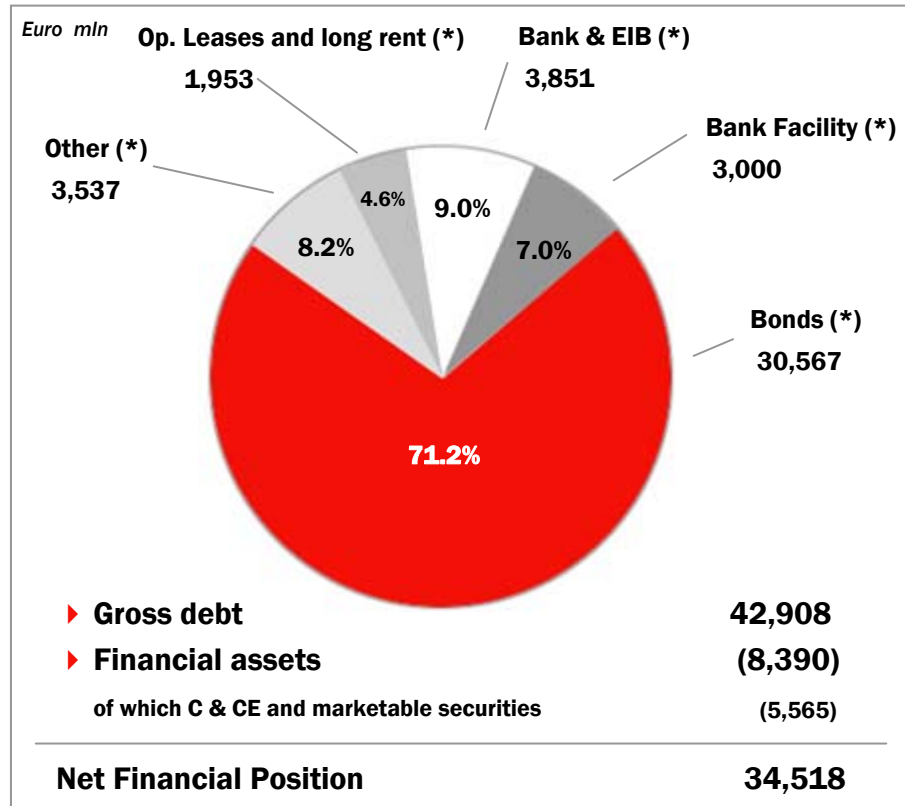
N.B. Debt maturities are net of repurchased own bonds of which: € 180 mln TI Spa € 850 mln 5.25 % Notes due 2055, € 77 mln TI Spa € 750 mln 4.75 % Notes due 2014, € 326 mln TIF € 2,210 mln 5.575 % Notes due 2009, € 17 mln TIF € 139 mln 4.629 % Notes due 2010 and € 35 mln TIF € 1,050 mln 7.75 % Notes due 2033.



Well Diversified and Hedged Debt

(as of March 31, 2009)

Total Gross Debt: Euro 42,908 mln



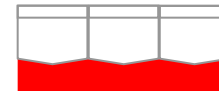
Maturities and Risk Management

- ▶ Average bond maturity: 8.36 years
- ▶ Fixed rate portion on gross debt approximately 68%
- ▶ Around 41% of outstanding bonds is denominated in USD, GBP and YEN and is fully hedged
- ▶ Cost of debt: approximately 6.0%

Liquidity Margin

€ bln				
	5.6	+	6.5	= 12.1
	4.6		Undrawn portion of € 8.0bln Revolving Committed Credit Facility maturing in August 2014	Liquidity Margin
	after dividends payment			

(*) 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)



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**Strong Focus on Profitability
and Cash Flow Generation**