

GRUPPO TELECOM ITALIA

9M '08 Results

Milan, November 7th, 2008

Telecom Italia Group 9M '08 Financial Results

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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.

Analysts are cautioned not to place undue reliance on those forward looking statements, which speak only as of the date of this presentation. Telecom Italia Spa undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Telecom Italia Spa business or acquisition strategy or to reflect the occurrence of unanticipated events. Analysts and investors are encouraged to consult the Company's Annual Report on Form 20-F as well as periodic filings made on Form 6-K, which are on file with the United States Securities and Exchange Commission.

Improving Trend on Revenues and EBITDA

- ▶ Confirmed the improving trend on organic Revenues:
 - ▶ Mobile reverses the trend in retail revenues posting a positive performance yoy: +0.9% in September
 - ▶ Wireline: September -1.3% organic, 3Q -3.1% vs. -5.5% of 2Q08 and -5.9% of 1Q
- ▶ Organic EBITDA Margin in 3Q equal to 41.0%, broadly stable vs. 2007 (+0.2pp, trend reversed)
- ▶ Cost efficiency programs on the domestic side
- ▶ TIM Brazil achieved 24.7% of EBITDA Margin in 3Q, gaining 6.2pp vs 3Q 2007
- ▶ Reduction of the operating income and a more negative balance on net financial charges (above all the devaluation of the Sofora option) drive down Net Income
- ▶ Positive cash flow has been finalized to debt reduction
- ▶ Increased liquidity position from Euro 4.6 bln in June to Euro 5.8 bln in September
- ▶ Strong financial discipline, access to incentive financing and cautious liquidity management represent a significant insurance against the actual high volatility of capital markets

Solid 3Q Results: Resilient Business

€ Mln

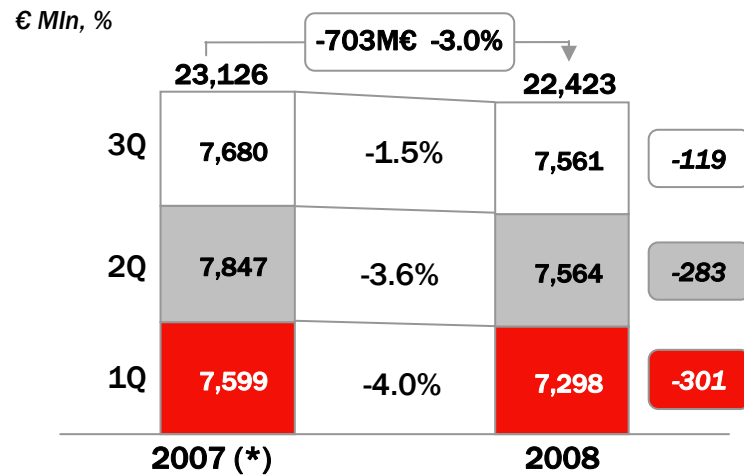
	9M '08 Reported	9M '07 Reported (*)	YoY Reported	YoY Organic (**)	3Q '08 Reported	YoY Reported	YoY Organic (**)
Revenues	22,399	23,004	-2.6%	-3.0%	7,561	-1.4%	-1.5%
Ebitda	8,622	9,484	-9.1%	-6.0%	3,087	-2.0%	-1.3%
<i>Ebitda margin</i>	38.5%	41.2%	-2.7pp	-1.3pp	40.8%	-0.3pp	+0.2pp
Ebit	4,204	5,287	-20.5%	-14.7%	1,596	-7.9%	-6.4%
<i>Ebit margin</i>	18.8%	23.0%	-4.2pp	-2.8pp	21.1%	-1.5pp	-1.1pp
Net Income post minorities	1,770	2,220	-20.3%		630		
Capex	3,967	3,595	+372		1,011	-172	
Net Debt	35,770	37,443	-1.7 € bln				

(*) Pro-forma figures (Liberty Surf Group considered as a Discontinued Operation).

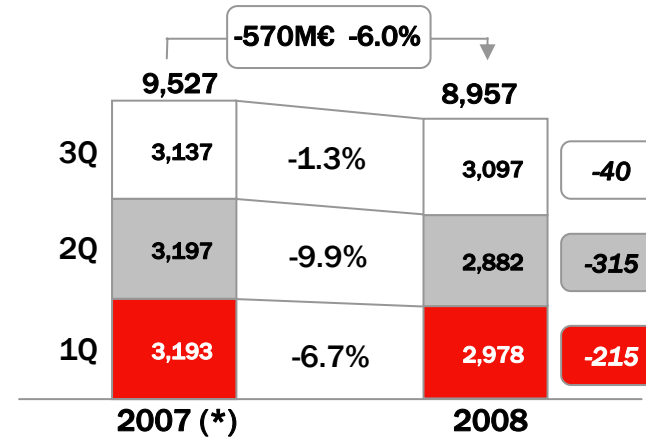
(**) Excluding changes in consolidation area, exchange rate impact and other non organic items.

Trend Improved on Organic Main Results

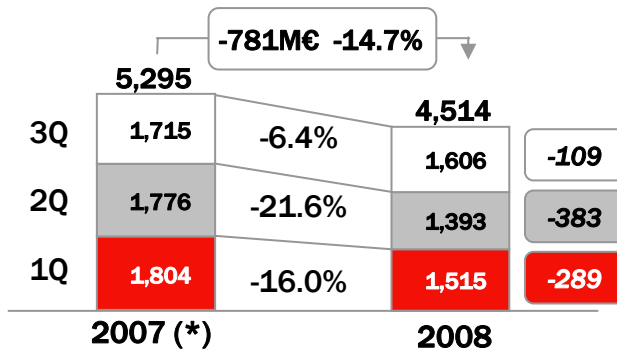
Revenues



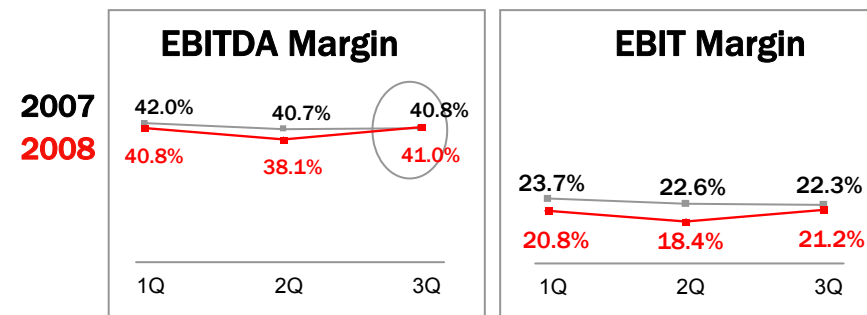
EBITDA



EBIT



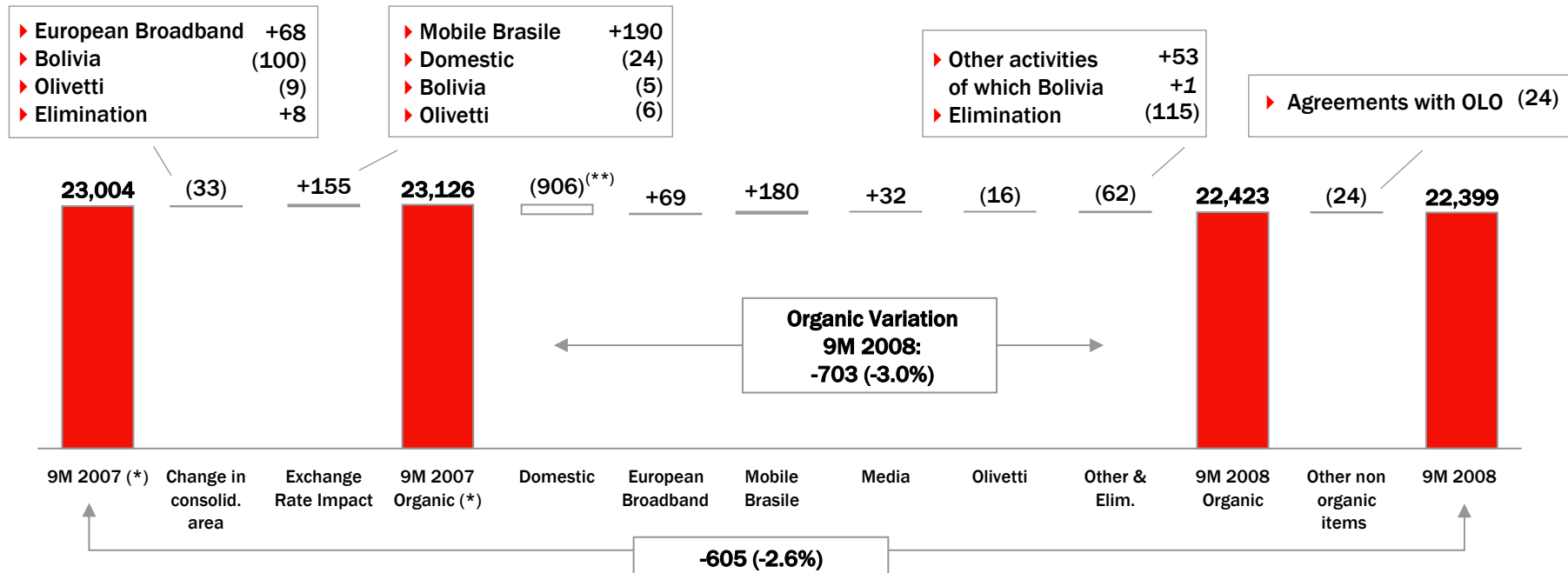
EBITDA Margin and EBIT Margin



(*) Pro-forma (Liberty Surf Group considered as a Discontinued Operation)

Revenues Evolution

€ Mln

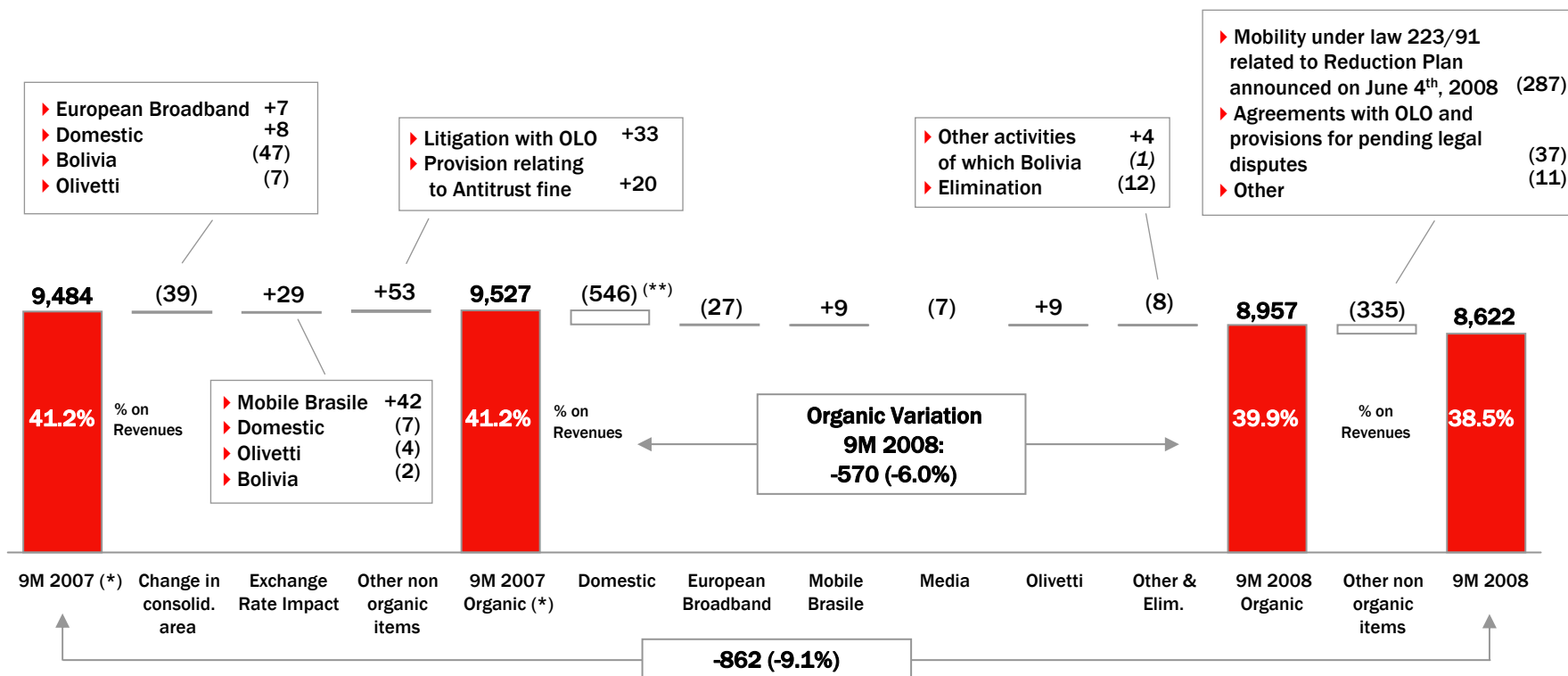


(*) Pro-forma figures (Liberty Surf Group considered as a discontinued operation).

(**) Discontinuities on Revenues -757M€: Bersani Decree -125M€ (net of elasticity effect), Termination F2M -190M€ (Wireline -75M€, Mobile -145M€, Intercompany +30M€), Int'l Roaming cut (Reding) -157M€, Repricing for NRA Obligation (Bitstream, Unbundling Local Loop, Shared Access) -71M€, Roaming Renegotiation with H3G -49M€, Carry forward of Int'l Wholesale -166M€.

EBITDA Evolution

€ Mln

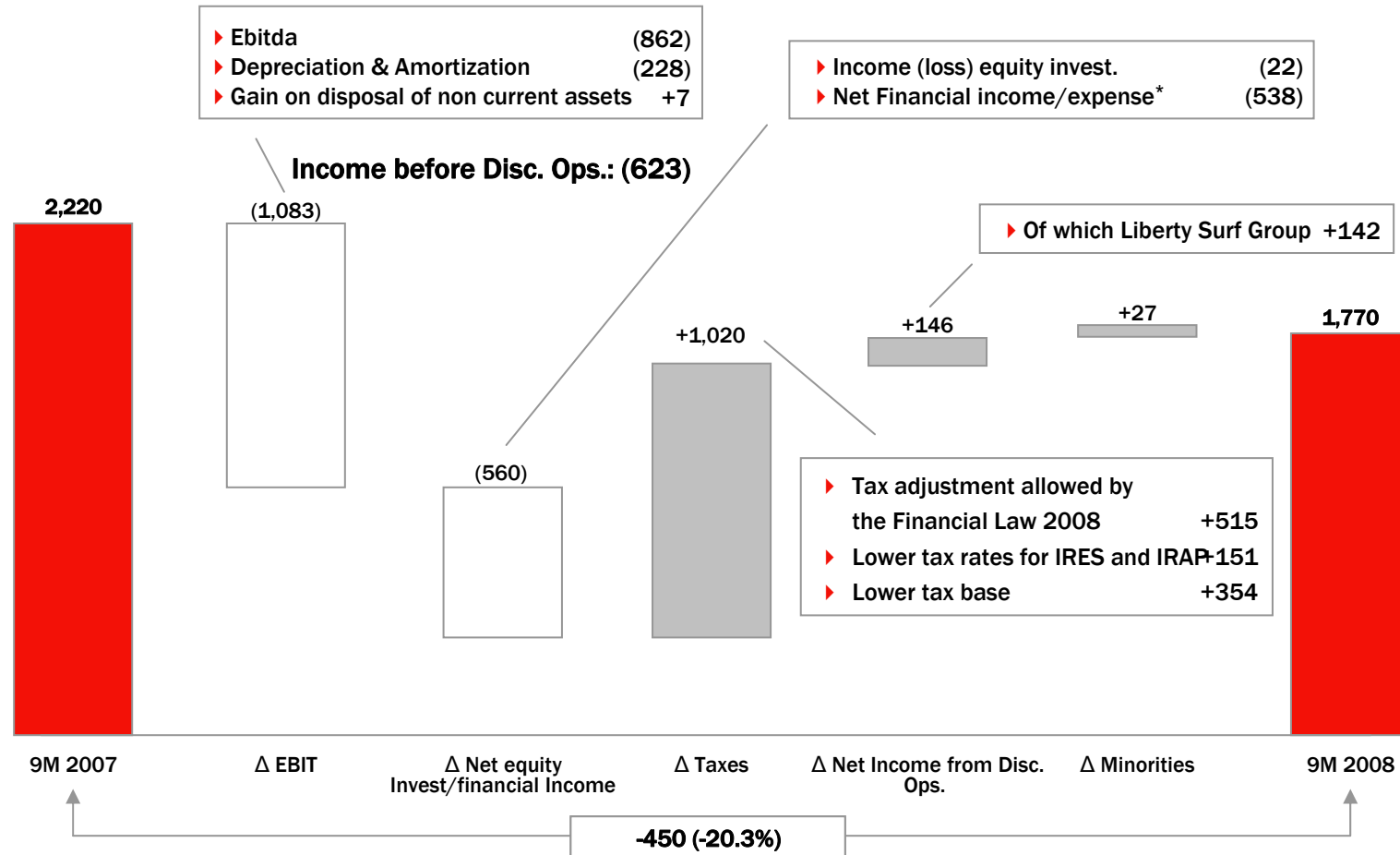


(*) Pro-forma figures (Liberty Surf Group considered as a discontinued operation).

(**) Discontinuities on EBITDA -436M€: Bersani Decree -125M€ (net of elasticity effect), Termination F2M -94M€ (Mobile), Int'l Roaming cut (Reding) -98M€, Repricing for NRA Obligation (Bitstream, Unbundling Local Loop, Shared Access) -71M€, Roaming Renegotiation with H3G -49M€.

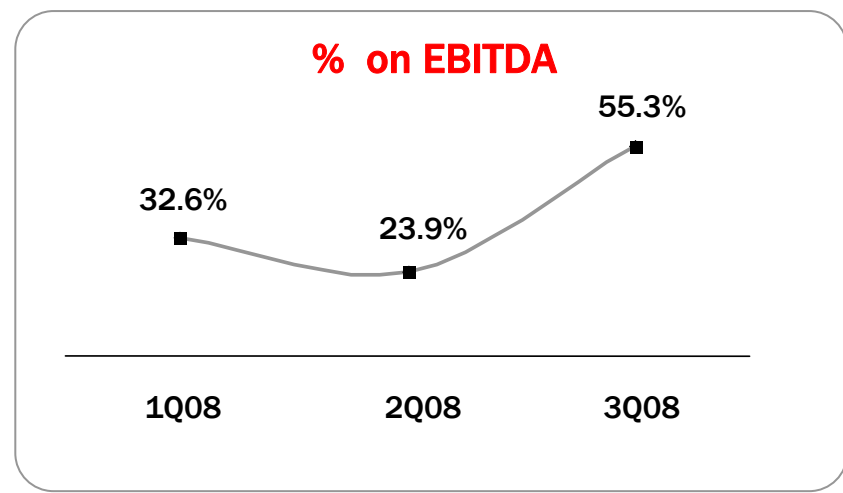
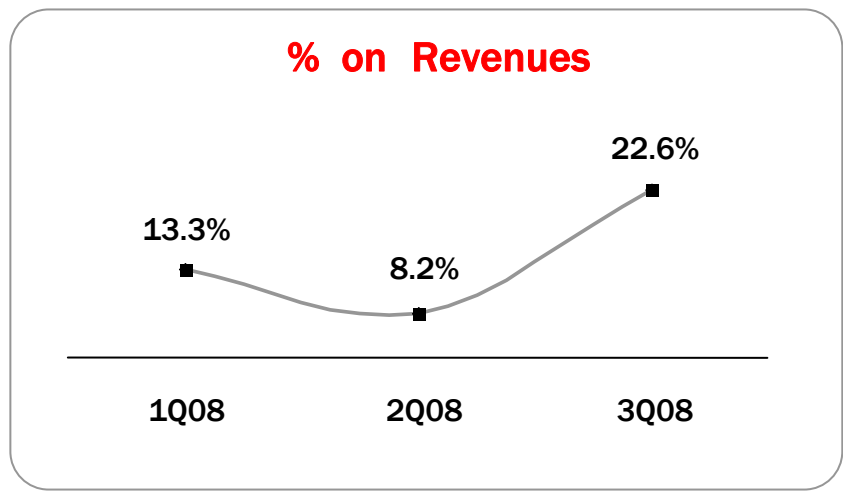
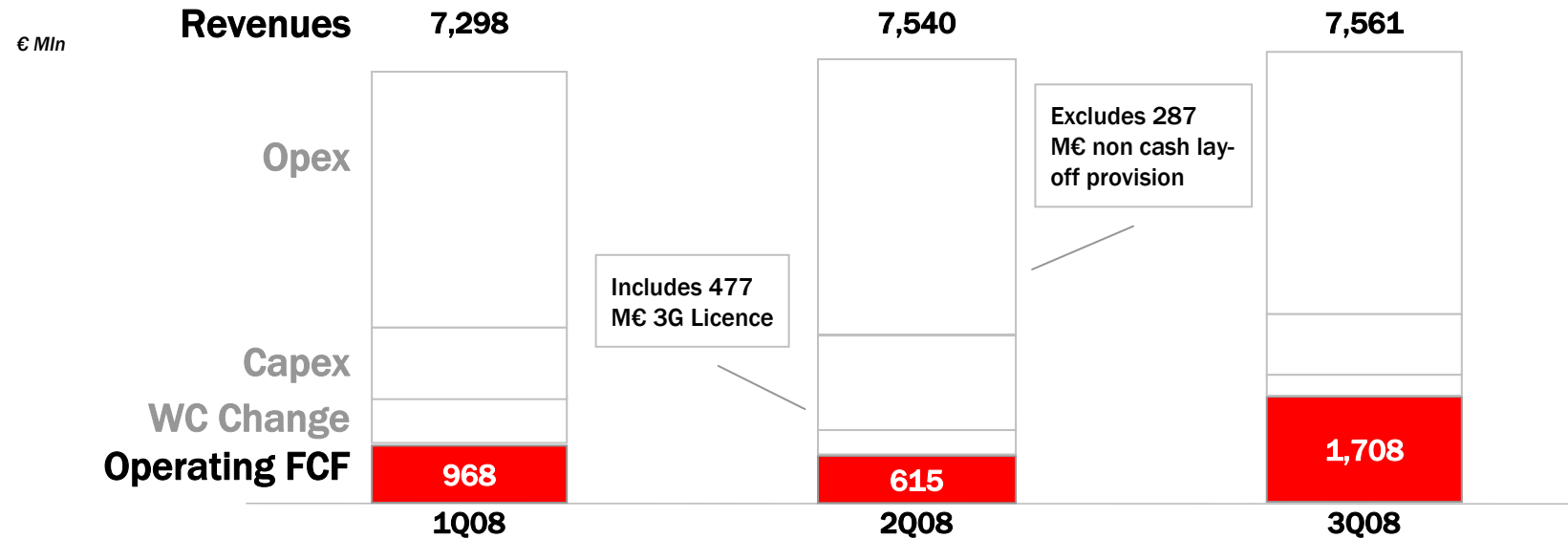
Net Income Evolution

€ Mln



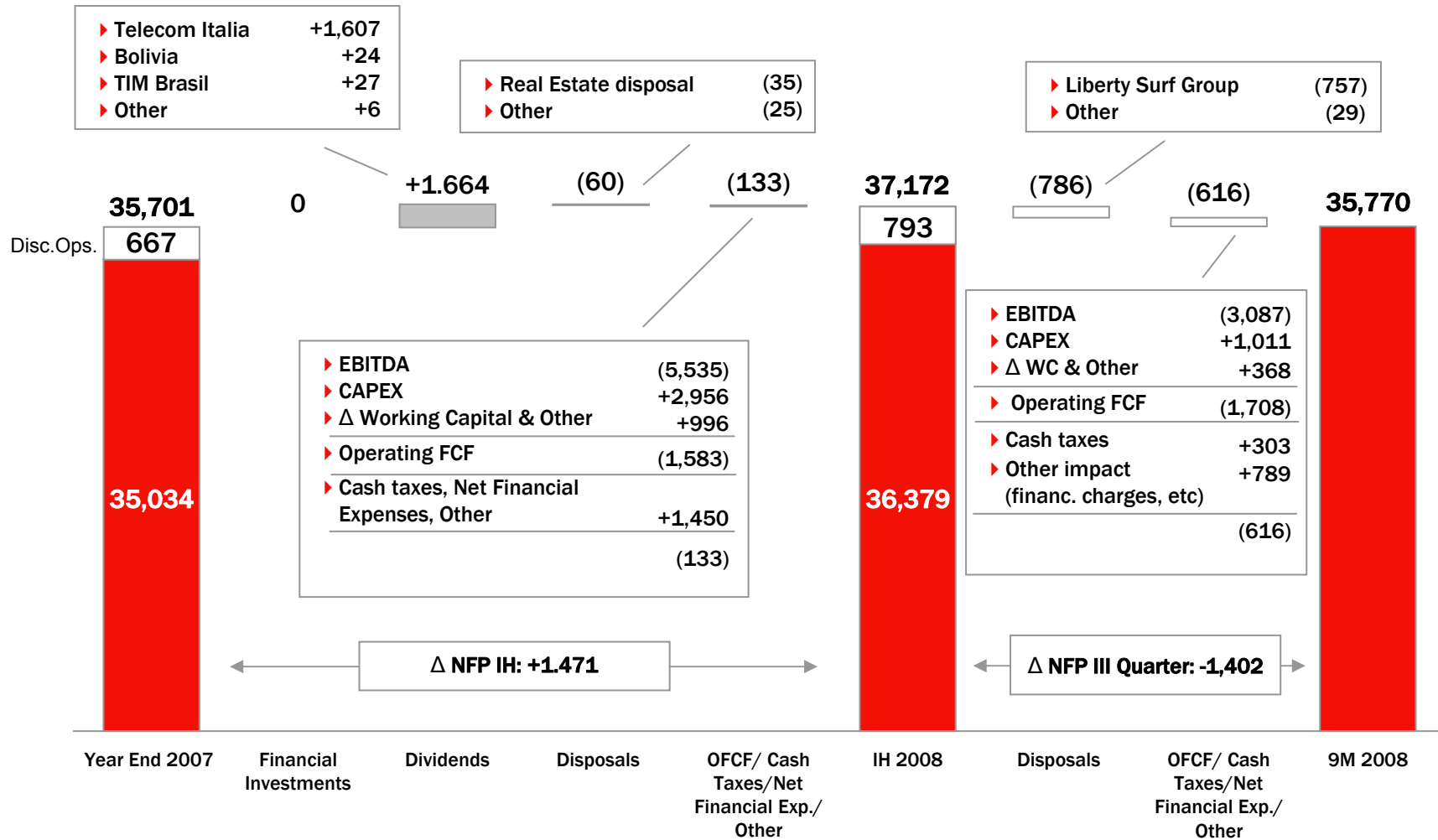
* of which : Call option Sofera Telecomunicaciones (-190 9M '08 vs. +93 9M '07) € -283 mln; Lehman Brothers credit write-off on derivatives' mark to market positions ('08) € -51 mln ; Gain on Disposals Oger, Capitalia, Mediobanca ('07) € -142 mln

Operating Free Cash Flow: Working on Fundamentals



Net Debt Evolution

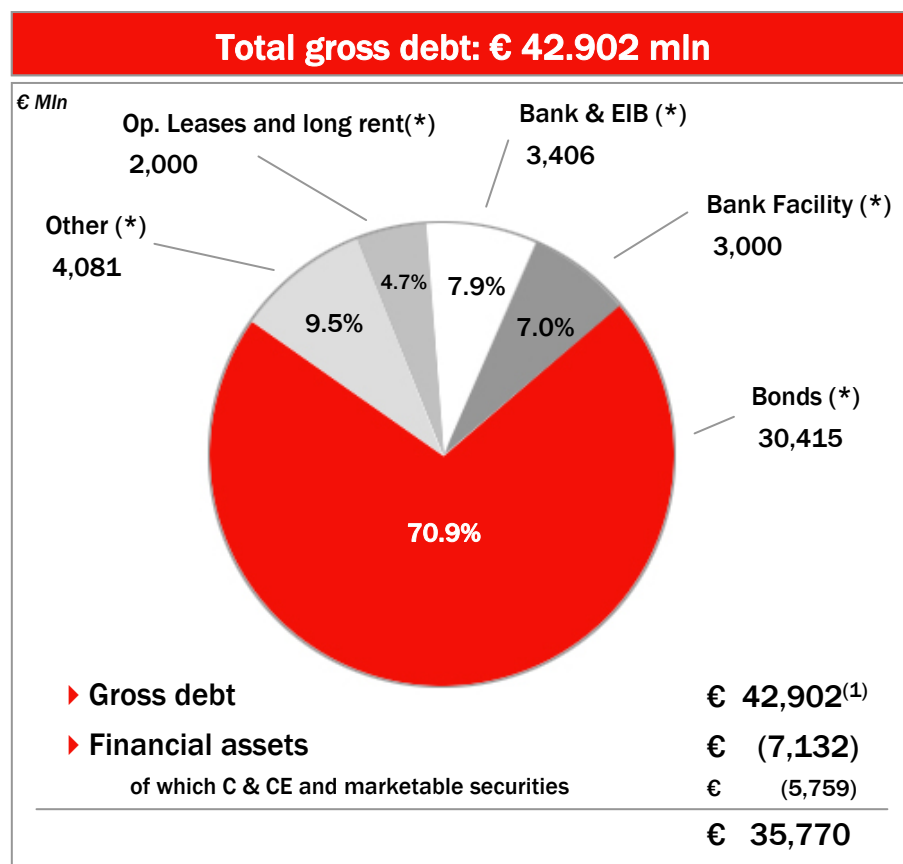
€ Mln



(-) = cash generated

(+) = cash absorbed

Well Diversified and Hedged Debt



Maturities and risk management
▶ Average bond maturity: 8.28 years
▶ Fixed rate portion on gross debt approximately 72%
▶ Around 42% of outstanding bonds is denominated in USD, GBP and YEN and is fully hedged
▶ Cost of debt: approximately 5.9%

Liquidity margin					
€ bln	5.8	+	6.5	=	12.3
	Out of € 7.1 bln Financial Assets		Undrawn portion of € 8,0 bln Revolving Committed Credit Facility maturing in August 2014		Liquidity margin

(1) of which non current liabilities € 11,151 mln and current liabilities € 1,336 mln

(*) Including the current portion of non current liabilities (maturing within 12 months) for € 6,334 mln (of which bonds € 5,193 mln and other € 1,141 mln)

Liquidity Margin: robust on both components

Liquidity position: € 5.8 bln

Group Liquidity – excluding Brazil– stands at € 5.3 bln out of which:

- ▶ € 4.8 bln is held through time deposits:
 - ▶ Placed with 24 banks of which 87% are rated AA or higher and the balance is rated A
 - ▶ Maximum size of a deposits is € 389 mln, average size is €200 mln
 - ▶ Maximum tenor is 3 months

- ▶ € 0.5 bln is held through current account, Euro Commercial Paper and other marketable securities issued by highly rated issuers

Brazilian Liquidity stands at € 0.5 bln and is held mainly through Certificate of Deposit with banks (82% of which have a AA or higher Brazilian rating).

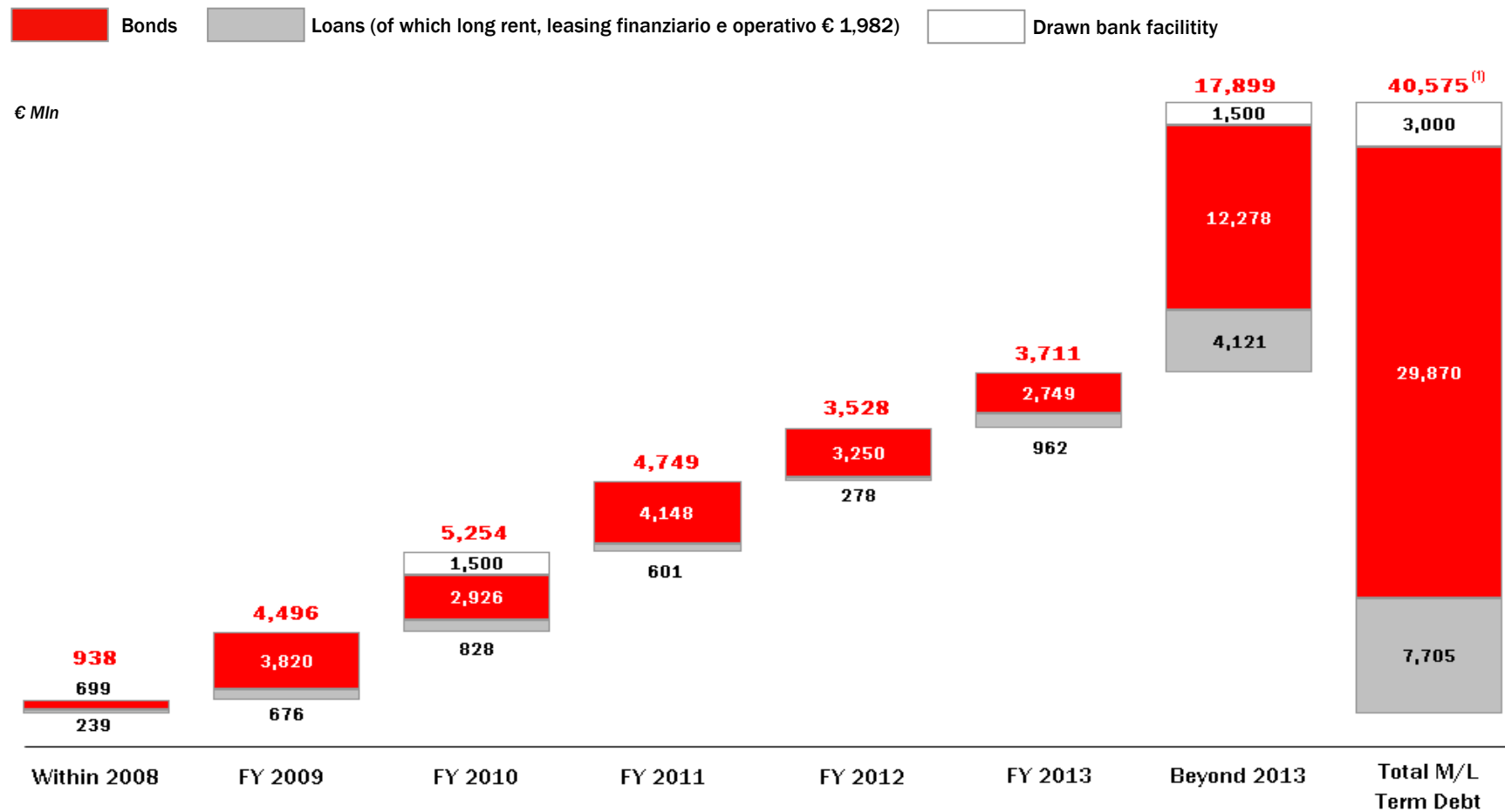
Starting from October 1st, 2008 a portion of time deposits has been turned into *repos* on Government bonds in order to further enhance liquidity profile

2014 Revolving Facility: € 8 bln (€ 6.5 bln undrawn)

- ▶ 33 international banks participate in the Facility
- ▶ Average commitment is € 242 mln
- ▶ 52% of banks participating in the facility have a AA rating or higher, banks with a A rating account for an additional 45%
- ▶ No Material Adverse Change or other clauses or covenants can prevent further drawings or cause withdrawal of the line

Notwithstanding current difficult environment TI continues funding in alternative, various tools preserving ample cash & bank lines cushion into 2009

Even and Back-Loaded Maturities

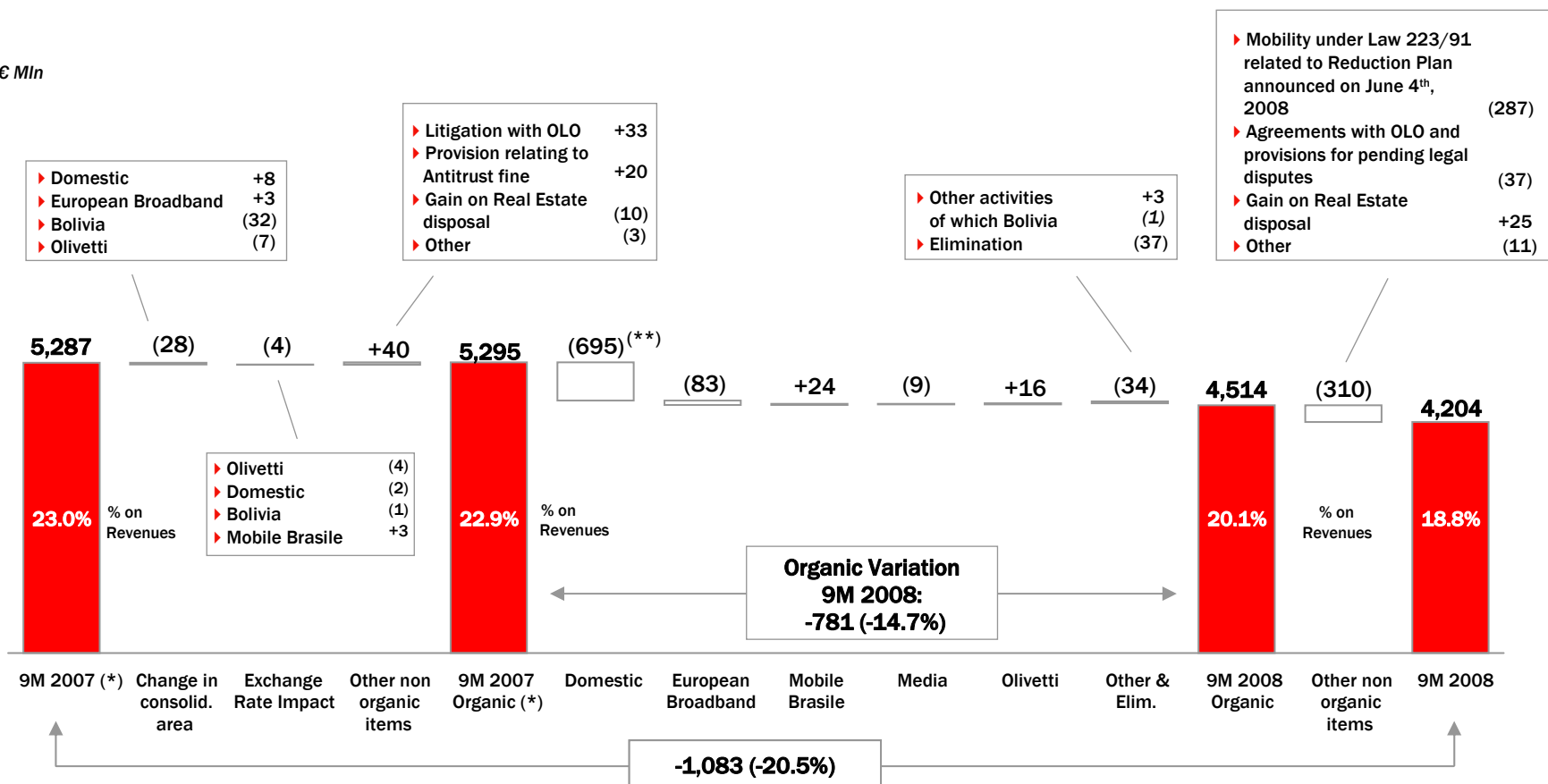


(1) € 40,575 mln is the nominal amount of outstanding medium-long term debt . By adding IAS adjustments (€ 992 mln) and current liabilities (€ 1,336) a gross debt figure of € 42,902 mln is reached.
 NB. Debt maturities are net of € 170 mln (face value) of repurchased own bonds (TI Spa € 850 mln 5.25% Notes due 2055) and € 26.2 mln (face value) of repurchased own bonds (TI Spa e 750 mln 4.75% Notes due 2014)

Appendix

EBIT Evolution

€ Mln

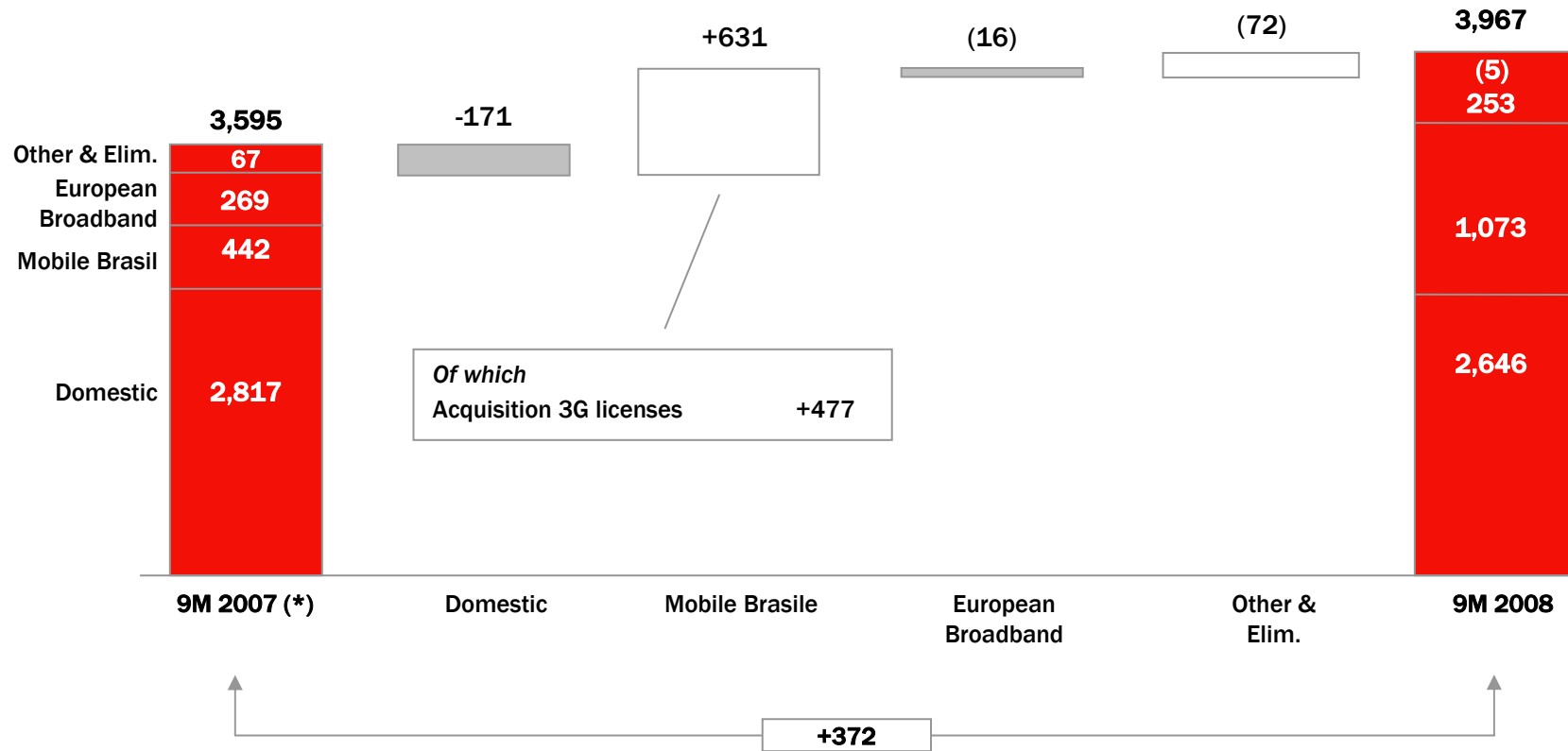


(*) Pro-forma figures (Liberty Surf Group considered as a discontinued operation).

(**) Discontinuities on EBIT -436M€: Bersani Decree -125M€ (net of elasticity effect), Termination F2M -94M€ (Mobile), Int'l Roaming cut (Reding) -98M€, Repricing for NRA Obligation (Bitstream, Unbundling Local Loop, Shared Access) -71M€, Roaming Renegotiation with H3G -49M€.

Capex Evolution

€ Mln



(*) Pro-forma figures (Liberty Surf Group considered as a discontinued operation).

TI Group – Profit and Loss

Euro Mln	I Quarter				II Quarter				III Quarter				9 Months			
	2008	2007 (*)	Δ Abs	Δ %	2008	2007 (*)	Δ Abs	Δ %	2008	2007 (*)	Δ Abs	Δ %	2008	2007 (*)	Δ Abs	Δ %
REVENUES	7.298	7.475	(177)	(2,4)	7.540	7.862	(322)	(4,1)	7.561	7.667	(106)	(1,4)	22.399	23.004	(605)	(2,6)
Other Operating Income	94	73	21	28,8	64	91	(27)	(29,7)	70	82	(12)	(14,6)	228	246	(18)	(7,3)
TOTAL REVENUES & OTHER INCOME	7.392	7.548	(156)	(2,1)	7.604	7.953	(349)	(4,4)	7.631	7.749	(118)	(1,5)	22.627	23.250	(623)	(2,7)
Total Purchases of materials and external services	(3.149)	(3.165)	16	(0,5)	(3.461)	(3.574)	113	(3,2)	(3.424)	(3.378)	(46)	(1,4)	(10.034)	(10.117)	83	0,8
Personnel	(991)	(997)	6	(0,6)	(1.283)	(896)	(387)	43,2	(895)	(886)	(9)	(1,0)	(3.169)	(2.779)	(390)	(14,0)
Other operating costs	(449)	(373)	(76)	20,4	(416)	(451)	35	(7,8)	(395)	(496)	101	20,4	(1.260)	(1.320)	60	4,5
Capitalized Cost and Others	163	165	(2)	(1,2)	125	125	0	0,0	170	160	10	6,3	458	450	8	1,8
EBITDA	2.966	3.178	(212)	(6,7)	2.569	3.157	(588)	(18,6)	3.087	3.149	(62)	(2,0)	8.622	9.484	(862)	(9,1)
% on Revenues	40,6%	42,5%			34,1%	40,2%			40,8%	41,1%			38,5%	41,2%		
Depreciation & Amortization	(1.463)	(1.373)	(90)	6,6	(1.489)	(1.420)	(69)	4,9	(1.485)	(1.416)	(69)	(4,9)	(4.437)	(4.209)	(228)	(5,4)
Writedowns and revaluations of non current assets	0	0	0	-	(1)	0	(1)	-	(5)	0	(5)	-	(6)	0	(6)	-
Gains/losses of non current assets realization	25	12	13	108,3	1	0	1	-	(1)	0	(1)	-	25	12	13	108,3
EBIT	1.528	1.817	(289)	(15,9)	1.080	1.737	(657)	(37,8)	1.596	1.733	(137)	(7,9)	4.204	5.287	(1.083)	(20,5)
% on Revenues	20,9%	24,3%			14,3%	22,1%			21,1%	22,6%			18,8%	23,0%		
Income (loss) equity invest. valued equity method	19	29	(10)		18	29	(11)		16	17	(1)		53	75	(22)	
Net Financial Income / (Expenses)	(598)	(450)	(148)		(618)	(519)	(99)		(747)	(456)	(291)		(1.963)	(1.425)	(538)	
Income before Taxes & Discontinued Op.	949	1.396	(447)		480	1.247	(767)		865	1.294	(429)		2.294	3.937	(1.643)	
% on Revenues	13,0%	18,7%			6,4%	15,9%			11,4%	16,9%			10,2%	17,1%		
Taxes	(392)	(561)	169		219	(457)	676		(362)	(537)	175		(535)	(1.555)	1.020	
Income before Discontinued Op.	557	835	(278)		699	790	(91)		503	757	(254)		1.759	2.382	(623)	
Net income (loss) of assets disposed	(75)	(60)	(15)		(73)	(63)	(10)		120	(51)	171		(28)	(174)	146	
Net Income (ante Minorities)	482	775	(293)		626	727	(101)		623	706	(83)		1.731	2.208	(477)	
% on Revenues	6,6%	10,4%			8,3%	9,2%			8,2%	9,2%			7,7%	9,6%		
Minorities	19	0	19		13	(2)	15		7	14	(7)		39	12	27	
Net Income (post Minorities)	501	775	(274)		639	725	(86)		630	720	(90)		1.770	2.220	(450)	
% on Revenues	6,9%	10,4%			8,5%	9,2%			8,3%	9,4%			7,9%	9,7%		

(*) Pro-forma figures (Liberty Surf Group considered as a discontinued operation).

TI Group – Balance Sheet

<i>Euro Mln</i>	9 Months	Full Year
	2008	2007 (*)
Intangible Assets	50.821	50.921
Tangible Assets	16.026	16.788
Financial Assets	760	921
Deferred Tax Assets	154	247
TOTAL NET ASSETS	67.761	68.877
Working Capital	(2.796)	(3.942)
Total net inventories	362	307
Total net trade accounts receivable	6.508	7.316
Trade accounts payable	(5.645)	(7.733)
Other current assets/liabilities	(3.229)	(3.170)
Total Reserves within 12 months	(792)	(662)
Severance Indemnities	(1.359)	(1.151)
Other Allowances	(1.093)	(1.601)
No fin. assets/liabilities of Disc. Ops.	9	503
NET INVESTED CAPITAL	62.522	62.686
Shareholders Equity	26.752	26.985
Net Financial Position	35.770	35.701
Net Financial Position of Disc. Ops.	0	667
Net Financial Position excluding Disc. Ops.	35.770	35.034
<i>Euro Mln</i>	2008	2007 (*)
INVESTMENTS		
Capital Expenditures	3.967	5.370
Financial Investments	1	635
TOTAL	3.968	6.005

(*) Pro-forma figures (Liberty Surf Group considered as a discontinued operation).

TI Group – Main Results by BU (Reported Figures)

<i>Euro mln</i>	I Quarter				II Quarter				III Quarter				9 Months			
	2008	2007 (*)	Δ Abs	Δ %	2008	2007 (*)	Δ Abs	Δ %	2008	2007 (*)	Δ Abs	Δ %	2008	2007 (*)	Δ Abs	Δ %
REVENUES																
Domestic	5.619	6.009	-390	(6,5)	5.801	6.173	-372	(6,0)	5.734	5.926	-192	(3,2)	17.154	18.108	-954	(5,3)
European broadband	323	216	107	49,5	319	296	23	7,8	319	312	7	2,2	961	824	137	16,6
Hansenet	303	198	105	53,0	298	278	20	7,2	298	291	7	2,4	899	767	132	17,2
Mobile Brasile	1.224	1.100	124	11,3	1.313	1.222	91	7,4	1.436	1.281	155	12,1	3.973	3.603	370	10,3
Media	74	58	16	27,6	74	67	7	10,4	62	53	9	17,0	210	178	32	18,0
Olivetti	83	83	0	0,0	97	109	-12	(11,0)	72	91	-19	(20,9)	252	283	-31	(11,0)
Other Activities	76	60	16	26,7	22	49	-27	(55,1)	16	57	-41	(71,9)	114	166	-52	(31,3)
Bolivia	52	56	-4	(7,1)	0	46	-46	(100,0)	0	54	-54	(100,0)	52	156	-104	(66,7)
Elim.	-101	-51	-50		-86	-54	-32		-78	-53	-25		-265	-158	-107	
TI Group	7.298	7.475	-177	(2,4)	7.540	7.862	-322	(4,1)	7.561	7.667	-106	(1,4)	22.399	23.004	-605	(2,6)
EBITDA																
Domestic	2.667	2.853	-186	(6,5)	2.264	2.766	-502	(18,1)	2.682	2.821	-139	(4,9)	7.613	8.440	-827	(9,8)
European broadband	61	54	7	13,0	58	74	-16	(21,6)	73	84	-11	(13,1)	192	212	-20	(9,4)
Hansenet	59	49	10	20,4	56	69	-13	(18,8)	70	79	-9	(11,4)	185	197	-12	(6,1)
Mobile Brasile	242	269	-27	(10,0)	279	316	-37	(11,7)	354	239	115	48,1	875	824	51	6,2
Media	-21	-11	-10	(90,9)	-14	-10	-4	(40,0)	-10	-17	7	41,2	-45	-38	-7	(18,4)
Olivetti	-7	-10	3	30,0	-5	-7	2	28,6	-11	-4	-7	(175,0)	-23	-21	-2	(9,5)
Other Activities	26	23	3	13,0	-3	18	-21	-	-2	25	-27	-	21	66	-45	(68,2)
Bolivia	24	27	-3	(11,1)	0	20	-20	(100,0)	0	27	-27	(100,0)	24	74	-50	(67,6)
Elim.	-2	0	-2		-10	0	-10		1	1	0		-11	1	-12	
TI Group	2.966	3.178	-212	(6,7)	2.569	3.157	-588	(18,6)	3.087	3.149	-62	(2,0)	8.622	9.484	-862	(9,1)
EBITDA MARGIN	40,6%	42,5%	-1,9 pp		34,1%	40,2%	-6,1 pp		40,8%	41,1%	-0,3 pp		38,5%	41,2%	-2,7 pp	
EBIT																
Domestic	1.566	1.790	-224	(12,5)	1.113	1.666	-553	(33,2)	1.548	1.728	-180	(10,4)	4.227	5.184	-957	(18,5)
European broadband	6	22	-16	(72,7)	-4	30	-34	-	7	37	-30	(81,1)	9	89	-80	(89,9)
Hansenet	10	21	-11	(52,4)	-1	31	-32	-	9	37	-28	(75,7)	18	89	-71	(79,8)
Mobile Brasile	-17	16	-33	-	15	53	-38	(71,7)	73	-25	98	-	71	44	27	61,4
Media	-37	-26	-11	(42,3)	-32	-26	-6	(23,1)	-24	-32	8	25,0	-93	-84	-9	(10,7)
Olivetti	-9	-14	5	35,7	-7	-10	3	30,0	-12	-8	-4	(50,0)	-28	-32	4	12,5
Other Activities	17	15	2	13,3	-3	10	-13	-	-2	17	-19	-	12	42	-30	(71,4)
Bolivia	17	19	-2	(10,5)	0	12	-12	(100,0)	0	20	-20	(100,0)	17	51	-34	(66,7)
Elim.	2	14	-12		-2	14	-16		6	16	-10		6	44	-38	
TI Group	1.528	1.817	-289	(15,9)	1.080	1.737	-657	(37,8)	1.596	1.733	-137	(7,9)	4.204	5.287	-1.083	(20,5)
EBIT MARGIN	20,9%	24,3%	-3,4 pp		14,3%	22,1%	-7,8 pp		21,1%	22,6%	-1,5 pp		18,8%	23,0%	-4,2 pp	

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Euro mln	I Quarter				II Quarter				III Quarter				9 Months			
	2008	2007 (*)	Δ Abs	Δ %	2008	2007 (*)	Δ Abs	Δ %	2008	2007 (*)	Δ Abs	Δ %	2008	2007 (*)	Δ Abs	Δ %
REVENUES																
Domestic	5.619	6.001	-382	(6,4)	5.825	6.161	-336	(5,5)	5.734	5.922	-188	(3,2)	17.178	18.084	-906	(5,0)
European broadband	323	284	39	13,7	319	296	23	7,8	319	312	7	2,2	961	892	69	7,7
Hansenet	303	266	37	13,9	298	278	20	7,2	298	291	7	2,4	899	835	64	7,7
Mobile Brasile	1.224	1.172	52	4,7	1.313	1.266	47	3,8	1.436	1.355	81	6,4	3.973	3.793	180	5,0
Media	74	58	16	27,6	74	67	7	10,4	62	53	9	17,0	210	178	32	18,0
Olivetti	83	78	5	6,4	97	103	-6	(5,8)	72	87	-15	(17,2)	252	268	-16	(6,0)
Other Activities	76	55	21	38,2	22	3	19	633,3	16	3	13	433,3	114	61	53	86,9
Bolivia	52	51	1	2,0	0	0	0	-	0	0	0	-	52	51	1	2,0
Elim.	-101	-49	-52		-86	-49	-37		-78	-52	-26		-265	-150	-115	
TI Group	7.298	7.599	-301	(4,0)	7.564	7.847	-283	(3,6)	7.561	7.680	-119	(1,5)	22.423	23.126	-703	(3,0)

Euro mln	I Quarter				II Quarter				III Quarter				9 Months			
	2008	2007 (*)	Δ Abs	Δ %	2008	2007 (*)	Δ Abs	Δ %	2008	2007 (*)	Δ Abs	Δ %	2008	2007 (*)	Δ Abs	Δ %
EBITDA																
Domestic	2.679	2.853	-174	(6,1)	2.577	2.821	-244	(8,6)	2.692	2.820	-128	(4,5)	7.948	8.494	-546	(6,4)
European broadband	61	61	0	0,0	58	74	-16	(21,6)	73	84	-11	(13,1)	192	219	-27	(12,3)
Hansenet	59	56	3	5,4	56	69	-13	(18,8)	70	79	-9	(11,4)	185	204	-19	(9,3)
Mobile Brasile	242	283	-41	(15,3)	279	326	-47	(14,9)	354	257	97	42,4	875	866	9	1,1
Media	-21	-11	-10	(90,9)	-14	-10	-4	(40,0)	-10	-17	7	41,2	-45	-38	-7	(18,4)
Olivetti	-7	-14	7	50,0	-5	-12	7	58,3	-11	-6	-5	(83,3)	-23	-32	9	28,1
Other Activities	26	21	5	23,8	-3	-2	-1	(50,0)	-2	-2	0	0,0	21	17	4	23,5
Bolivia	24	25	-1	(4,0)	0	0	0	-	0	0	0	-	24	25	-1	(4,0)
Elim.	-2	0	-2		-10	0	-10		1	1	0		-11	1	-12	
TI Group	2.978	3.193	-215	(6,7)	2.882	3.197	-315	(9,9)	3.097	3.137	-40	(1,3)	8.957	9.527	-570	(6,0)
EBITDA MARGIN	40,8%	42,0%	-1,2 pp		38,1%	40,7%	-2,6 pp		41,0%	40,8%	0,2 pp		39,9%	41,2%	-1,3 pp	

Euro mln	I Quarter				II Quarter				III Quarter				9 Months			
	2008	2007 (*)	Δ Abs	Δ %	2008	2007 (*)	Δ Abs	Δ %	2008	2007 (*)	Δ Abs	Δ %	2008	2007 (*)	Δ Abs	Δ %
EBIT																
Domestic	1.553	1.782	-229	(12,9)	1.426	1.720	-294	(17,1)	1.558	1.730	-172	(9,9)	4.537	5.232	-695	(13,3)
European broadband	6	23	-17	(73,9)	-4	32	-36	-	7	37	-30	(81,1)	9	92	-83	(90,2)
Hansenet	10	22	-12	(54,5)	-1	33	-34	-	9	37	-28	(75,7)	18	92	-74	(80,4)
Mobile Brasile	-17	15	-32	-	15	54	-39	(72,7)	73	-22	95	-	71	47	24	55,1
Media	-37	-26	-11	(42,3)	-32	-26	-6	(23,1)	-24	-32	8	25,0	-93	-84	-9	(10,7)
Olivetti	-9	-18	9	50,0	-7	-16	9	56,3	-12	-10	-2	(20,0)	-28	-44	16	36,4
Other Activities	17	14	3	21,4	-3	-2	-1	(50,0)	-2	-3	1	33,3	12	9	3	33,3
Bolivia	17	18	-1	(5,6)	0	0	0	-	0	0	0	-	17	18	-1	(5,6)
Elim.	2	14	-12		-2	14	-16		6	15	-9		6	43	-37	
TI Group	1.515	1.804	-289	(16,0)	1.393	1.776	-383	(21,6)	1.606	1.715	-109	(6,4)	4.514	5.295	-781	(14,7)
EBIT MARGIN	20,8%	23,7%	-2,9 pp		18,4%	22,6%	-4,2 pp		21,2%	22,3%	-1,1 pp		20,1%	22,9%	-2,8 pp	

(*) Pro-forma figures (Liberty Surf Group considered as a discontinued operation).