2009-2011 Strategic Plan Update
Safe Harbour

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Operating Performance Boosts Value Creation

* Organic data, Group

2009 - 2011 Strategic Plan Update

Cumulative OFCF ~22 bn

2008 2009 2010 2011

EBITDA Margin

~38%

>39%

CAPEX On Revenues

16.3%*

13%-13.5%

on Revenues on EBITDA

~23%  ~60%

* Net of 3G licenses in Brazil
Group Revenues Trend: A Balanced Portfolio

- Organic data
- Int’l & Other
- Domestic

2008

- Group Revenues: > 2% CAGR
- TIM Brasil: Mobile Broadband Challenger

2011

- Reverse Revenues Trend

Growth Enabler
BRAZIL

Cash Generator
DOMESTIC
Reduce Domestic Cash Costs Through A Lean Organization

Network Evolution

- "ALL-IP" NETWORK
- The new Industrial Factory

Lean Company

- Infrastructures streamlining and rationalization
- E2E "customer centric" process reengineering
- Organization streamlining and rightsizing

Long Term Target ~65%

- Cash Cost/Sales >67%
- Opex(*)/Sales ~54%
- Capex/Sales >13%

Headcount TLC domestic ('000)
- '08E 64.1
- '11YE 55.1

* Organic data
Free Cash Flow Generation ’09 – ’11

Cumulative ’09-’11
€ Bn

- Operating FCF: ~22
- Tax Cash-Out & Financial Expenses: ~13
- Free Cash Flow *: ~9
- Non-Core Asset Disposals: ~2-3
- Free Cash Flow Including Disposals: ~11-12

* Before dividends

FCF generation: a key reference in managing our business
Cash Taxes Towards Normalization

Cash Taxes/P&L Taxes

Average Cash Taxes on '08-'11: ~1.6 bn

Average Group Tax Rate on '09-'11: ~38%

Group Tax Rate (P&L Tax Rate)

Last year of tax asset benefit on advance payment

~0.8

2008 2009 2010 2011

~2.5

~2X

~1X

~1X
Financial Expenses: No Major Worsening Foreseen

- Average cost of debt at YE 2008 is foreseen to be approximately 6%

- Fixed rate portion on gross debt ~72%*

- Given limited size of refinancing compared with total debt stock the impact of increased funding costs is limited. Net financial charges stabilized by deleveraging policy.

- Due to recent market evolution, the average cost of debt for 2009 – 2011 is expected to increase by approx. 50/75 bps

- TI will exploit its multi-markets and multi-products access in order to further diversify investor base

* As of September 30th, 2008
Debt Evolution and Liquidity Margin

Liquidity position will be managed during the plan through refinancing at market conditions and will grant debt maturities coverage together with cash flow generation and committed undrawn bank lines.

Of which:
EUR 6.5 bln Committed undrawn Bank Facility 2014

Of which:
~ € 22/23 bln
~ € 11 bln
~ € 11/12 bln

*Potential Cash Available 2009-2011
Cumulative ‘09-11
Matured Debt

Liquidity Margin*
Expected YE 08

Cumulative
‘09-11
Free Cash Flow

* Liquidity position Expected YE 08 + Unfunded Credit Facility
Continuous Deleveraging

- Deleveraging is a key priority on the 3 year plan
- Targeting:
  - Reduction of Net Debt of at least ~€5.0 Bn by 2011
  - Target of ~ 2.3x Net Debt/EBITDA in 2011