

TELECOM ITALIA S P A
Form 6-K
May 29, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15D-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934
FOR THE MONTH OF MAY 2009

Telecom Italia S.p.A.

(Translation of registrant's name into English)

Piazza degli Affari 2

20123 Milan, Italy

(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F: FORM 20-F FORM 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. YES NO

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____

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The present document has been translated from the document issued and filed in Italy, from the Italian into the English language solely for the convenience of international readers. Despite all the efforts devoted to this translation, certain errors, omissions or approximations may subsist. Telecom Italia, its representatives and employees decline all responsibility in this regard.

Cautionary Statement for Purposes of the Safe Harbor Provisions of the United States Private Securities Litigation Reform Act of 1995

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements, which reflect management's current views with respect to certain future events, trends and financial performance. Actual results may differ materially from those projected or implied in the forward-looking statements. Such forward-looking information is based on certain key assumptions which we believe to be reasonable but forward-looking information by its nature involves risks and uncertainties, which are outside of our control, that could significantly affect expected results of future events.

The following important factors could cause actual results to differ materially from those projected or implied in any forward-looking statements:

our ability to successfully implement our strategy over the 2009-2011 period;

our ability to successfully achieve our debt reduction targets;

the continuing impact of increased competition in a liberalized market, including competition from established domestic competitors and global and regional alliances formed by other telecommunications operators in our core Italian domestic fixed-line and wireless markets;

the impact of the global recession in the principal markets in which we operate;

our ability to utilize our relationship with Telefónica to attain synergies primarily in areas such as network, IT, purchasing and international mobile roaming;

our ability to introduce new services to stimulate increased usage of our fixed and wireless networks to offset declines in the traditional fixed-line voice business due to the continuing impact of regulatory required price reductions, market share loss, pricing pressures generally and shifts in usage patterns;

our ability to successfully implement our internet and BroadBand strategy both in Italy and abroad;

the impact of regulatory decisions and changes in the regulatory environment in Italy and other countries in which we operate;

the impact of economic development generally on our international business and on our foreign investments and capital expenditures;

our services are technology-intensive and the development of new technologies could render such services non-competitive;

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the impact of political developments in Italy and other countries in which we operate;

the impact of fluctuations in currency exchange and interest rates;

our ability to build up our business in adjacent markets and in international markets (particularly in Brazil), due to our specialist and technical resources;

our ability to achieve the expected return on the investments and capital expenditures we have made and continue to make (such as those in Brazil);

the amount and timing of any future impairment charges for our licenses, goodwill or other assets; and

the outcome of litigation, disputes and investigations in which we are involved or may become involved.

The foregoing factors should not be construed as exhaustive. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. We undertake no obligation to release publicly the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof, including, without limitation, changes in our business or acquisition strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events.

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QUARTERLY REPORT

AT MARCH 31, 2009

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Selected Operating and Financial Data

Telecom Italia Group

First Quarter 2009 highlights

Cash cost and financial discipline: during the first quarter of 2009, programs aimed at efficiency and control over expenses to contain cash cost (Acquisitions of goods and services and capital expenditures) continued and the Group maintained a rigorous financial discipline.

Customer centric organization: the new organization which was set up in 2008 became operational in January 2009 and is divided into three macro customer segments: consumer, business and top. The customer centric approach has the goal of favoring both the natural convergence of technology and rate plans and also the selective use of operating and competitive levers. The organization particularly offers:

a better capacity to respond to customers' needs partly by designing rate plan that more closely meet their specific expectations;

the re-engineering of the processes aimed at the dedicated management of the customer segments (customer care, sales channels and IT systems).

The effects of the new organization will become more evident from the second quarter of the year onward thanks to new rate plans aimed at the consumer, business and top segments.

The performance of the main financial and operating indicators in the first quarter of 2009 can be summarized as follows:

Consolidated **Revenues:** are 6,793 million of euro . The organic change⁽¹⁾ is -3.8% compared to the same period of the prior year. In particular:

the organic reduction of **Domestic Revenues** was 4.5%. The fixed telecommunications segment continued the upward trend begun in the second half of 2008, with a reduction in organic Revenues of 2.0%. The mobile telecommunications segments, however, were more deeply influenced by the calendar differences between the first quarter of 2008 and 2009, the announced restructuring of the sales network and the effects of sales policies focused on those segments of the clientele (low-spending consumers and business customers) who paid more attention to keeping the cost of certain types of telecommunications services under control in response to the challenging economic situation. Revenues were also impacted by the reduction in mobile network termination prices which led to a contraction in revenues from incoming telephony . The overall reduction in mobile segment revenues was 7.1% compared to the first quarter of 2008.

the organic growth of **Revenues in Brazil** was +0.7%. In a quarter in transition, in which reorganization measures were completed and the first steps in the commercial relaunch plan were taken, VAS Revenues grew (+28%) as did handset sales.

Consolidated organic **EBITDA:** is 2,835 million of euro. The organic change is -2.4% compared to the first quarter of 2008, with a consolidated organic **EBITDA margin** for the first quarter of 2009 at 41.7%, up 0.6 percentage points compared to the corresponding period of the prior year. This important result was achieved thanks to efficiency and control actions over all variable costs according to the cost cutting plan for operating expenses announced with the Group's 2009-2011 Plan.

(1) *The organic change in Revenues, EBITDA and EBIT is calculated by excluding the effects of the change in the scope of consolidation, exchange differences and non-organic components constituted by non-recurring items and other non-organic income/expenses.*

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Consolidated organic **EBIT**: is 1,389 million of euro. The organic change is -6.3% compared to the first quarter of 2008. Consolidated organic **EBIT margin**: in the first quarter of 2009 is 20.4%, with a reduction of 0.6 percentage points compared to the same period of the prior year.

Finance income (expenses) and income tax expense: with the finance component basically in line with that of the first quarter of 2008 (587 million of euro of net finance expenses in the first quarter of 2009, 11 million of euro lower than the corresponding period of the prior year), the reduction of 45 million of euro in income tax expense equal to 340 million of euro in the first quarter of 2009 is largely due to a lower taxable base.

Profit for the period attributable to owners of the Parent: is 463 million of euro, lower by 22 million of euro compared to the first quarter of 2008.

Cash flows from operating activities: are 850 million of euro. Despite a contraction in revenues, as a consequence of actions to control costs and to monitor and select capital expenditure projects (capital expenditures decreased by 203 million of euro compared to the first quarter of 2008), cash flows from operating activities decreased by only 118 million of euro compared to the same period of 2008.

Consolidated **net financial debt**: at March 31, 2009 is 34,518 million of euro, with an increase of 479 million of euro compared to December 31, 2008 (34,039 million of euro). The increase is due to the payment of taxes, including 187 million of euro for tax disputes already provided for in prior years financial statements, as well as the negative fair value change in hedging derivatives in the first quarter of 2009. Excluding this non-monetary component, net financial debt would have been lower than at December 31, 2008.

Liquidity margin: remains at high levels at March 31, 2009 and amounts to 5.6 billion of euro, in addition to 6.5 billion of euro of available irrevocable long-term credit lines (expiring in 2014), not subject to events which limit its utilization. In the present situation of financial market uncertainty, the Telecom Italia Group keeps a high level of financial coverage, having a sufficient treasury margin to meet debt repayment obligations over the next 18 to 24 months.

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	1 st Quarter 2009	1 st Quarter 2008	Change
Consolidated Operating and Financial Data (millions of euro)			
Revenues	6,793	7,279	-6.7%
EBITDA ⁽¹⁾	2,798	2,943	-4.9%
EBIT ⁽¹⁾	1,352	1,505	-10.2%
Profit before tax from continuing operations	784	926	-15.3%
Profit from continuing operations	444	541	-17.9%
Loss from Discontinued operations/Non-current assets held for sale		(75)	
Profit for the period	444	466	-4.7%
Profit for the period attributable to Owners of the Parent	463	485	-4.5%
Investments:			
Industrial	1,025	1,228	-16.5%
Financial	1		°
	3/31/2009	12/31/2008	Change
Consolidated Financial Position Data (millions of euro)			
Total assets	84,571	85,650	-1,079
Total equity	27,049	26,825	224
- attributable to Owners of the Parent	26,304	26,095	209
- attributable to Minority Interest	745	730	15
Total liabilities	57,522	58,825	-1,303
Total equity and liabilities	84,571	85,650	-1,079
Share capital	10,585	10,591	-6
Net financial debt	34,518	34,039	479
Net invested capital ⁽²⁾	61,567	60,864	703
Debt ratio (Net financial debt / Net invested capital)	56.1%	55.9%	+0.2pp
Headcount, number in the Group at period-end ⁽³⁾			
Headcount (excluding headcount of Discontinued operations/Non-current assets held for sale)	77,499	77,825	-326
Headcount of Discontinued operations/Non-current assets held for sale			
	1 st Quarter 2009	1 st Quarter 2008	Change
Headcount, average equivalent number in the Group ⁽³⁾			
Headcount (excluding headcount of Discontinued operations/Non-current assets held for sale)	73,779	77,374	-3,595
Headcount of Discontinued operations/Non-current assets held for sale		1,349	-1,349
Consolidated Profit Ratios			
EBITDA ⁽¹⁾ / Revenues	41.2%	40.4%	+0.8pp
EBIT ⁽¹⁾ / Revenues (ROS)	19.9%	20.7%	-0.8pp
Revenues/ Headcount (average number in the Group, thousands of)	92.1	94.1	-2.0
EBITDA ⁽¹⁾ / Headcount (average number in the Group, thousands of)	37.9	38.0	-0.1
	3/31/2009	12/31/2008	Change
Operating data			
Fixed-line network connections in Italy at period-end (thousands)	19,582	20,031	-449
Physical accesses at period-end (Consumer + Business) (thousands)	16,972	17,352	-380
Mobile lines in Italy at period-end (thousands)	34,163	34,797	-634
Mobile lines in Brazil at period-end (thousands)	36,096	36,402	-306
Broadband connections in Italy at period-end (thousands)	8,329	8,134	195
<i>of which retail broadband connections (thousands)</i>	6,843	6,754	89
Broadband connections in Europe at period-end (thousands)	2,484	2,510	-26

(1) Details are provided in the section Alternative Performance Measures .

(2) Net invested capital = Total equity + Net financial debt.

(3) The number includes people with temp work contracts.

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The Telecom Italia Group Quarterly Report at March 31, 2009 has been prepared in accordance with art. 154-ter (Financial Reports) of Legislative Decree 58/1998 (Consolidated Law on Finance – TUF) and subsequent amendments and additions as well as Consob Communication DEM/8041082 dated April 30, 2008 (Quarterly Corporate Reports issued by Companies whose Shares are Listed in Italy as the Original Member State).

The Quarterly Report is unaudited and has been prepared in accordance with International Accounting Standards issued by the International Accounting Standards Board and endorsed by the European Union.

It should be noted that during the first quarter of 2009 there were no events or circumstances such as to indicate that the recoverable amount of goodwill, which was tested for impairment at the December 31, 2008 reporting date, may be impaired.

As described in the consolidated financial statements of the Telecom Italia Group at December 31, 2008, certain new standards and interpretations came into effect beginning January 1, 2009 and have therefore been applied. In particular, following the retrospective application of IFRIC 13 (Customer Loyalty Programmes), the comparative data of the corresponding periods of the year 2008 has been appropriately restated.

The Telecom Italia Group, in addition to the conventional financial performance measures established by IFRS, uses certain alternative performance measures in order to present a better understanding of the trend of operations and financial condition. Specifically, the organic change in Revenues, EBITDA and EBIT is calculated by excluding the effects of the change in the scope of consolidation, exchange differences and non-organic components constituted by non-recurring items and other non-organic income/expenses.

Additional details on such measures are presented under *Alternative performance measures*.

Furthermore, particularly the part entitled *Business Outlook for the Year 2009* contains forward-looking statements. The quarterly report is based on the Group's intentions, beliefs or current expectations regarding financial performance and other aspects of the Group's operations and strategies. Readers are reminded not to place undue reliance on forward-looking statements; actual results may differ significantly from forecasts owing to numerous factors, the majority of which is beyond the scope of the Group's control.

EFFECTS OF THE APPLICATION OF IFRIC 13 (CUSTOMER LOYALTY PROGRAMMES) ON SELECTED OPERATING AND FINANCIAL DATA OF THE TELECOM ITALIA GROUP

IFRIC 13 (Customer Loyalty Programmes) has been applied retrospectively and led to the restatement of the separate income statement and the statement of cash flows for the first quarter of 2008 in addition to the balance sheet at January 1 and December 31, 2008. Such restatement only regarded the Domestic Business Unit.

The application of this Interpretation led to: a decrease in Revenues mainly in reference to the deferral of the component relating to customer award credits granted and an increase in Acquisition of goods and services correlated to the redemption of awards and a consequent reduction in the tax charge.

In the balance sheet, this Interpretation led to the recognition of higher Current liabilities, mainly correlated to the deferral of Revenues, the recognition of Deferred tax assets and a consequent reduction in Equity.

In detail:

(millions of euro)	1 st Quarter 2008		
	Historical	Impact IFRIC 13	Restated
Revenues	7,298	(19)	7,279
Acquisition of goods and services	(3,149)	(4)	(3,153)
EBITDA	2,966	(23)	2,943
EBIT	1,528	(23)	1,505
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	949	(23)	926
Income tax expense	(392)	7	(385)

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PROFIT FROM CONTINUING OPERATIONS	557	(16)	541
PROFIT FOR THE PERIOD	482	(16)	466
Attributable to:			
* Owners of the Parent	501	(16)	485
* Minority interest	(19)		(19)

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(millions of euro)	1/1/2008			12/31/2008		
	Historical	Impact IFRIC 13	Restated	Historical	Impact IFRIC 13	Restated
Deferred tax assets	247	3	250	987	15	1,002
TOTAL NON-CURRENT ASSETS	70,688	3	70,691	70,942	15	70,957
TOTAL ASSETS	87,425	3	87,428	85,635	15	85,650
EQUITY						
Other reserves and retained earnings (accumulated losses), including profit for the year	13,628	(4)	13,624	13,846	(31)	13,815
Equity attributable to Owners of the Parent	25,922	(4)	25,918	26,126	(31)	26,095
Equity attributable to Minority Interest	1,063		1,063	730		730
TOTAL EQUITY	26,985	(4)	26,981	26,856	(31)	26,825
Trade and miscellaneous payables and other current liabilities	12,380	7	12,387	10,896	46	10,942
TOTAL CURRENT LIABILITIES	19,162	7	19,169	18,423	46	18,469
TOTAL LIABILITIES	60,440	7	60,447	58,779	46	58,825
TOTAL EQUITY AND LIABILITIES	87,425	3	87,428	85,635	15	85,650

MAJOR CHANGES IN THE SCOPE OF CONSOLIDATION

In the first three months of 2009, there were no significant changes in the scope of consolidation.

In 2008, the following major changes had occurred:

exclusion of Entel Bolivia beginning in the second quarter of 2008 after the Bolivian government issued a decree on May 1, 2008 calling for its nationalization. The investment is now recorded in Current assets;

exclusion of the Pay-per-View business segment from December 1, 2008 following its sale by Telecom Italia Media S.p.A.

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Corporate Boards at March 31, 2009

Board of Directors

The board of directors of Telecom Italia was elected by the shareholders meeting held on April 14, 2008 for a three-year term of office up to the approval of the 2010 financial statements.

At March 31, 2009, the board of directors of the Company is composed as follows:

Chairman	Gabriele Galateri di Genola
Chief Executive Officer	Franco Bernabè
Directors	César Alierta Izuel Paolo Baratta (independent) Tarak Ben Ammar Roland Berger (independent) Elio Cosimo Catania (independent) Stefano Cao (*) Jean Paul Fitoussi (independent) Berardino Libonati Julio Linares López Gaetano Micciché Aldo Minucci Renato Pagliaro Luigi Zingales (independent)
Secretary	Antonino Cusimano

(*) Co-opted by the board of directors on February 27, 2009 to replace Gianni Mion who resigned and subsequently appointed director by the shareholders meeting held on April 8, 2009 up to the expiry of the term of office of the board of directors (the approval of the December 31, 2010 financial statements).

The board of directors formed the following internal committees:

Executive Committee, composed of: Gabriele Galateri di Genola (Chairman), Franco Bernabè, Roland Berger, Elio Cosimo Catania, Julio Linares López, Aldo Minucci, Gianni Mion (resigned on February 27, 2009) and Renato Pagliaro;

Committee for Internal Control and Corporate Governance, composed of: Paolo Baratta (Chairman), Roland Berger, Jean Paul Fitoussi and Aldo Minucci;

Nomination and Remuneration Committee, composed of: Elio Cosimo Catania (Chairman), Berardino Libonati and Luigi Zingales.

Board of Statutory Auditors

The composition of the board of statutory auditors at March 31, 2009 is as follows:

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Chairman

Paolo Golia

Acting Auditors

Enrico Maria Bignami
Salvatore Spiniello
Ferdinando Superti Furga
Gianfranco Zanda

Alternate Auditors

Luigi Gaspari
Enrico Laghi

Afterward, the shareholders meeting of April 8, 2009 renewed the composition of the board of statutory auditors of Telecom Italia which will remain in office until the approval of the 2011 financial statements.

The composition of the new board of statutory auditors is as follows:

Chairman

Enrico Maria Bignami

Acting Auditors

Gianluca Ponzellini
Lorenzo Pozza
Salvatore Spiniello
Ferdinando Superti Furga

Alternate Auditors

Silvano Corbella
Maurizio Lauri
Vittorio Giacomo Mariani
Ugo Rock

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Independent Auditors

Reconta Ernst & Young S.p.A. up to the audit of the 2009 financial statements.

Manager responsible for preparing the corporate financial reports

Marco Patuano (Head of the Group Administration, Finance and Control Function) is the manager responsible for preparing the corporate financial reports of Telecom Italia.

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Macro-organization Chart at March 31, 2009

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Table of Contents**Information for Investors****Telecom Italia S.p.A. share capital at March 31, 2009**

Share capital	10,673,803,873.70 euro
Number of ordinary shares (par value 0.55 each)	13,380,795,473
Number of savings shares (par value 0.55 each)	6,026,120,661
Number of Telecom Italia ordinary treasury shares ⁽¹⁾	37,672,014
Number of Telecom Italia ordinary shares held by Telecom Italia Finance S.A.	124,544,373
Percentage of treasury shares held by the Group to share capital	0.84%
Market capitalization (based on March 2009 average prices)	16,152 million of euro

Shareholders**Composition of Telecom Italia S.p.A. shareholders according to the Shareholders Book at March 31, 2009, supplemented by communications received and other sources of information** (ordinary shares)**Major holdings in share capital**

At March 31, 2009, taking into account the results in the Shareholders Book, communications sent to CONSOB and the Company pursuant to Legislative Decree 58 dated February 24, 1998, art. 120, and other sources of information, the principal shareholders of Telecom Italia S.p.A. ordinary share capital are as follows:

Holder	Type of ownership	% stake in ordinary share capital
Telco S.p.A.	Direct	24.50%
Findim Group S.A.	Direct	5.01%

Furthermore, the following companies, as investment advisory firms, notified Consob that they are in possession of Telecom Italia S.p.A. ordinary shares:

Brandes Investment Partners LP: on July 23, 2008, for a quantity of ordinary shares equal to 4.024% of total Telecom Italia S.p.A. ordinary shares

Alliance Bernstein LP: on November 14, 2008, for a quantity of ordinary shares equal to 2.069% of total Telecom Italia S.p.A. ordinary shares;

Barclays Global Investors UK Holdings Ltd.: on March 27, 2009, for a quantity of ordinary shares equal to 2.033% of total Telecom Italia S.p.A. ordinary shares.

⁽¹⁾ The value expressed includes 11,400,000 treasury shares purchased by Telecom Italia in March 2009 to service the stock option plan for top management of Telecom Italia S.p.A. approved by the shareholders meeting held on April 14, 2008. Furthermore, of those shares, 3,650,000 purchased between March 27, and March 31, 2009 were paid for in the first few days of April 2009.

⁽²⁾ Percentage calculated excluded the 3,650,000 treasury shares referred to in the previous note.

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Common representatives

Carlo Pasteris is the common representative of the savings shareholders for the years 2007 - 2009.

Francesco Pensato is the common representative of the bondholders for the following bonds:

Telecom Italia 1.5% 2001-2010 convertible bonds with a repayment premium;

Telecom Italia 2002-2022 bonds at floating rates, open special series, reserved for subscription by employees of the Telecom Italia Group, in service or retired;

Telecom Italia S.p.A. Euro 750,000,000 4.50 per cent. Notes due 2011;

Telecom Italia S.p.A. Euro 1,250,000,000 5.375 per cent. Notes due 2019.

Performance of the stocks of the major companies in the Telecom Italia Group

Relative performance Telecom Italia S.p.A.

1/1/2009 - 3/31/2009 vs. MIBTEL and DJ Stoxx Indexes

(*) Stock market prices Source: Reuters.
Relative performance Telecom Italia Media S.p.A.

1/1/2009 - 3/31/2009 vs. MIBTEL and DJ Stoxx MEDIA Indexes

(*) Stock market prices Source: Reuters.

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Relative performance Tim Participações S.A.

1/1/2009 3/31/2009 vs. BOVESPA and ITEL Indexes (in Brazilian reals)

(*) Stock market prices Source: Bloomberg.

The ordinary and savings shares of Telecom Italia S.p.A. and the preferred shares of Tim Participações S.A., are listed on the New York Stock Exchange (NYSE). Telecom Italia shares are listed with ordinary and savings American Depositary Shares (ADS) representing, respectively, 10 ordinary shares and 10 savings shares.

Rating at March 31, 2009

	RATING	OUTLOOK
STANDARD & POOR S	BBB	Stable
MOODY S	Baa2	Stable
FITCH RATINGS	BBB	Stable
Standard & Poor s, on March 3, 2009, confirmed its BBB rating of Telecom Italia with a stable outlook.		
Moody s, on December 8, 2008, confirmed its Baa2 rating of Telecom Italia with a stable outlook.		
Fitch Ratings, on December 11, 2008, changed its rating from BBB+ to BBB with a stable outlook.		

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Table of Contents**Review of Operating and Financial Performance Telecom Italia Group****First Quarter 2009 operating performance**

The main profit indicators in the first quarter of 2009 compared to those in the first quarter of 2008 are as follows:

(millions of euro)	1 st Quarter 2009	1 st Quarter 2008	Change		
			amount	%	% organic
REVENUES	6,793	7,279	(486)	(6,7)	(3,8)
EBITDA	2,798	2,943	(145)	(4,9)	(2,4)
<i>EBITDA MARGIN</i>	<i>41.2%</i>	<i>40.4%</i>	<i>0,8pp</i>		
<i>ORGANIC EBITDA MARGIN</i>	<i>41.7%</i>	<i>41.1%</i>	<i>0,6pp</i>		
EBIT	1,352	1,505	(153)	(10,2)	(6,3)
<i>EBIT MARGIN</i>	<i>19.9%</i>	<i>20.7%</i>	<i>(0,8)pp</i>		
<i>ORGANIC EBIT MARGIN</i>	<i>20.4%</i>	<i>21.0%</i>	<i>(0,6)pp</i>		
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	784	926	(142)	(15,3)	
PROFIT FROM CONTINUING OPERATIONS	444	541	(97)	(17,9)	
LOSS FROM DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE		(75)	75		
PROFIT FOR THE PERIOD	444	466	(22)	(4,7)	
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	463	485	(22)	(4,5)	

The following chart summarizes the main line items which had an impact on the profit attributable to owners of the Parent in the first quarter of 2009:

Table of Contents**Revenues**

Revenues amount to 6,793 million of euro in the first quarter of 2009 with a reduction of 6.7% compared to 7,279 million of euro in the same period of 2008 (- 486 million of euro). In terms of the organic change, the reduction in consolidated revenues is -3.8% (- 270 million of euro).

In detail, the organic change in revenues is calculated by:

excluding the effect of the change in the scope of consolidation (- 53 million of euro, mainly for the exclusion of Entel Bolivia from the second quarter of 2008);

excluding the effect of exchange differences (- 163 million of euro, from the balance of negative exchange differences of the Brazil Business Unit⁽¹⁾, equal to 170 million of euro, and the exchange differences of the other Business Units, equal to + 7 million of euro). The breakdown of revenues by operating segment is the following:

(millions of euro)	1 st Quarter 2009		1 st Quarter 2008		Change		
	amount	% of total	amount	% of total	amount	%	% organic
Domestic	5,357	78.9	5,600	76.9	(243)	(4.3)	(4.5)
Brazil	1,061	15.6	1,224	16.8	(163)	(13.3)	0.7
European BroadBand	308	4.5	323	4.4	(15)	(4.6)	(4.6)
Media, Olivetti and Other Operations	139	2.1	233	3.2	(94)	(40.3)	
<i>Adjustments and Eliminations</i>	(72)	(1.1)	(101)	(1.3)	29	28.7	
Total consolidated revenues	6,793	100.0	7,279	100.0	(486)	(6.7)	(3.8)

The following chart summarizes the changes in revenues in the periods under comparison:

As far as the Domestic Business Unit is concerned, the improving trend begun in 2008 in fixed telephony and the overall contraction in revenues observed in mobile telephony continues.

In particular, the change in Domestic revenues during the first quarter of 2009 reflects the following:

in fixed telephony: the continual expansion of the Broadband access portfolio, partly due to the growth of IPTV services and the success of the double and triple play (Alice Casa) offerings, the increase of revenues from ICT services for businesses and the growth of national wholesale services compensate in part the reduction in the revenues from retail voice due to the ongoing contraction of the customer base and traffic volumes;

⁽¹⁾ The average exchange rate used to translate the Brazilian real to euro (expressed in terms of units of local currency per euro 1), for the first quarter of 2009 is equal to 3.02044 and, for the first quarter of 2008, 2.60143. The effect of the change in the exchange rates is calculated applying, to the period under comparison, the foreign currency translation rates used for the current period.

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in mobile telephony: the reduction in revenues is not only attributable to the calendar differences between the first quarters of 2008 and 2009 but also to the overall decrease in consumption caused by the economic situation and the reduction in the mobile network termination prices which resulted in a significant contraction in incoming telephony revenues.

As to the growth of the Brazil Business Unit revenues, note should be taken of the positive contribution of VAS revenues (+28.6%) in addition to product revenues (+19.9%).

For an in-depth analysis of the revenue trends of the individual Business Units, please refer to the section The Business Units of the Telecom Italia Group .

EBITDA

EBITDA is equal to 2,798 million of euro, down by 145 million of euro (-4.9%) compared to the same period of 2008. The organic change in EBITDA is negative for 70 million of euro (-2.4%).

The EBITDA margin went from 40.4% in the first quarter of 2008 to 41.2% in the first quarter of 2009; at the organic level, the organic EBITDA margin is 41.7% in the first quarter of 2009 (41.1% in the same period of the prior year).

Details of EBITDA and the EBITDA margin, by operating segment, is the following:

(millions of euro)	1st Quarter 2009		1st Quarter 2008		Change		
	amount	% of total	amount	% of total	amount	%	% organic
Domestic	2,526	90.3	2,644	89.9	(118)	(4.5)	(4.4)
<i>EBITDA margin</i>	47.2		47.2		0.0pp		
Brazil	231	8.2	242	8.2	(11)	(4.5)	20.7
<i>EBITDA margin</i>	21.7		19.8		1.9pp		
European BroadBand	62	2.2	61	2.1	1	1.6	1.6
<i>EBITDA margin</i>	20.1		18.9		1.2pp		
Media, Olivetti and Other Operations	(18)	(0.6)	(2)	(0.1)	(16)	°	
<i>Adjustments and Eliminations</i>	(3)	(0.1)	(2)	(0.1)	(1)	(50.0)	
Total consolidated EBITDA	2,798	100.0	2,943	100.0	(145)	(4.9)	(2.4)
<i>EBITDA margin</i>	41.2		40.4		0.8pp		

The following chart summarizes the changes in **EBITDA**:

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Non-organic income and expenses excluded from the calculation of organic EBITDA are the following:

(millions of euro)	1 st Quarter 2009	1 st Quarter 2008	Change
Disputes and settlements	12	9	3
Costs for services of the Brazil Business Unit associated with the resolution of a dispute	21		21
Other expenses, net	4	3	1
Total non-organic (income) expenses	37	12	25

EBITDA was particularly impacted by the performance of the following line items, analyzed below.

Acquisition of goods and services

Acquisition of goods and services amount to 2,814 million of euro, with a reduction of 339 million of euro (-10.8%) compared to the first quarter of 2008 (3,153 million of euro) connected in part with the exchange rate effect, particularly of the Brazil Business Unit (- 94 million of euro). In any case, the reduction covered all areas of expenses, particularly the portion of revenues to be paid to other operators and purchases of commercial goods and services of the Domestic and European BroadBand Business Units.

In detail:

(millions of euro)	1 st Quarter 2009	1 st Quarter 2008	Change
Purchases of goods	331	417	(86)
Portion of revenues to paid to other operators and interconnection costs	1,226	1,377	(151)
Commercial and advertising costs	427	467	(40)
Power, maintenance and outsourced services	305	311	(6)
Rent and leases	151	153	(2)
Other service expenses	374	428	(54)
Total acquisition of goods and services	2,814	3,153	(339)
<i>% of revenues</i>	<i>41.4</i>	<i>43.3</i>	<i>(1.9)pp</i>

Employee benefits expenses

Details are as follows:

(millions of euro)	1 st Quarter 2009	1 st Quarter 2008	Change
Employee benefits expenses Italy	900	887	13
Employee benefits expenses Foreign	92	104	(12)
Total employee benefits expenses	992	991	1
<i>% of revenues</i>	<i>14.6</i>	<i>13.6</i>	<i>1.0pp</i>

In the Italian component of employee benefits expenses, the decrease resulting from the reduction in the average number of the salaried workforce (-1,874 compared to the first quarter of 2008, at the same scope of consolidation) is offset, mainly, by the effect of the June 2008 increase in minimum salaries established in the TLC collective national labor contract and the effect of estimated TLC labor contract expenses

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for the current year.

In the foreign component of employee benefits expenses, the effect of the decrease of 12 million of euro is due to the exclusion from the scope of consolidation of Entel Bolivia (- 4 million of euro) as well as the exchange rate effect of the Brazil Business Unit (- 8 million of euro).

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The average number of the salaried workforce is the following:

(equivalent number)		1 st Quarter 2009	1 st Quarter 2008	Change
Average salaried workforce	Italy	61,449	63,323	(1,874)
Average salaried workforce	Foreign ⁽¹⁾	12,330	14,051	(1,721)
Total average salaried workforce	⁽²⁾	73,779	77,374	(3,595)
Non-current assets held for sale	Foreign		1,349	(1,349)
Total average salaried workforce	including Non-current assets held for sale	73,779	78,723	(4,944)

(1) The change compared to the first quarter of 2008 includes a reduction due to the exclusion of the 1,483 average headcount of the Entel Bolivia group which was excluded from the scope of consolidation.

(2) The total includes people with temp work contracts: 926 average headcount in the first quarter of 2009 (1,551 average headcount in the first quarter of 2008).

Headcount at March 31, 2009 is the following:

(number)		3/31/2009	12/31/2008	Change
Headcount	Italy	64,037	64,242	(205)
Headcount	Foreign	13,462	13,583	(121)
Total	⁽¹⁾	77,499	77,825	(326)

(1) Includes headcount with temp work contracts: 923 at 3/31/2009 and 1,075 at 12/31/2008.

The 326 headcount reduction compared to December 31, 2008 is detailed as follows:

(number)	12/31/2008	In	Out	Net turnover	Temp change	3/31/2009
Domestic	61,816	381	(410)	(29)	(196)	61,591
Brazil	10,285	664	(755)	(91)		10,194
European BroadBand	2,912	56	(103)	(47)	29	2,894
Media, Olivetti and Other Operations	2,812	53	(60)	(7)	15	2,820
Turnover	77,825	1,154	(1,328)	(174)	(152)	77,499

Other income

Details are as follows:

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(millions of euro)	1 st Quarter 2009	1 st Quarter 2008	Change
Late payment fees charged for telephone services	18	27	(9)
Recovery of costs for employees, purchases and services rendered	12	13	(1)
Capital and operating grants	9	16	(7)
Damage compensation, penalties and sundry recoveries	9	18	(9)
Sundry income	6	20	(14)
Total	54	94	(40)

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Table of Contents**Other operating expenses**

Details are as follows:

(millions of euro)	1st Quarter 2009	1st Quarter 2008	Change
Writedowns and expenses in connection with credit management	154	206	(52)
Charges to provisions	28	40	(12)
Telecommunications operating fees and charges	63	79	(16)
Taxes on revenues of Brazilian companies	57	64	(7)
Indirect duties and taxes	34	35	(1)
Penalties, compensation and administrative sanctions	7	8	(1)
Association dues and fees, donations, scholarships and traineeships	7	6	1
Sundry expenses	7	11	(4)
Total	357	449	(92)

Writedowns and expenses in connection with credit management include 98 million of euro referring to the Domestic Business Unit (92 million of euro in the first quarter of 2008), 45 million of euro to the Brazil Business Unit (105 million of euro in the first quarter of 2008, which recorded higher writedowns for one specific sales channel) and 11 million of euro to the European BroadBand Business Unit (9 million of euro in the first quarter of 2008).

The charges to provisions recorded mainly for pending disputes include 23 million of euro referring to the Domestic Business Unit (29 million of euro in the first quarter of 2008) and 5 million of euro to the Brazil Business Unit (10 million of euro in the first quarter of 2008).

Depreciation and amortization and Gains on disposals of non-current assets

Amortization and depreciation charges are detailed as follows:

(millions of euro)	1st Quarter 2009	1 st Quarter 2008	Change
Amortization of intangible assets with an definite useful life	580	598	(18)
Depreciation of property, plant and equipment owned and leased	867	865	2
Total	1,447	1,463	(16)

The reduction in the amortization of intangible assets with an definite useful life is entirely in connection with the Brazil exchange rate effect (-19 million of euro) which also had an impact of 17 million of euro on the change in depreciation of property, plant and equipment owned and leased, countered by higher depreciation charges in the Domestic and European BroadBand Business Units.

The gains on disposals of non-current assets total 1 million of euro compared to 25 million of euro in the first quarter of 2008 which had referred primarily to the disposal of buildings.

EBIT

EBIT is 1,352 million of euro, with a reduction of 153 million of euro compared to the first quarter of 2008 (-10.2%). The organic change in EBIT is negative for 94 million of euro (-6.3%).

The EBIT margin went from 20.7% in the first quarter of 2008 to 19.9% in first quarter of 2009; at the organic level, the EBIT margin is 20.4% in the first quarter of 2009 (21.0% in the same period of the prior year).

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The following chart summarizes the changes in **EBIT**:

Non-organic income and expenses excluded from the calculation of organic EBIT are as follows:

(millions of euro)	1 st Quarter 2009	1 st Quarter 2008	Change
Non-organic expenses already described under EBITDA	37	12	25
Non-recurring gains on sale of properties		(25)	25
Total Non-organic (income) expenses	37	(13)	50

Share of profits (losses) of associates and joint venture accounted for using the equity method

Details are as follows:

(millions of euro)	1 st Quarter 2009	1 st Quarter 2008	Change
ETECSA	19	16	3
Other	(5)	3	(8)
Total	14	19	(5)

Other income (expenses) from investments

Other income (expenses) from investments amount to 5 million of euro in the first quarter of 2009 and include net gains of 4 million of euro on disposals of the investments held in Luna Rossa Challenge 2007 and Luna Rossa Trademark, which had already been classified in Non-current assets held for sale at December 31, 2008.

Finance income (expenses)

Details are as follows:

(millions of euro)	1 st Quarter 2009	1 st Quarter 2008	Change
Fair value measurement of call options on 50% of Sofora Telecomunicaciones share capital	(20)	(30)	10
Income (expenses) on bond buybacks	(2)	26	(28)
Early closing of cash flow derivatives	5	4	1
Net finance expenses, fair value adjustments of derivatives and other items	(570)	(598)	28
Total	(587)	(598)	11

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The bond buyback transactions carried out in the first quarter of 2009 refer to bonds maturing in the short term.

The loss recorded on the buyback will be fully offset by the coupon interest no longer due on the portion of bonds repurchased. The bond buybacks that clearly offer the Group a savings in terms of finance expenses constitute an efficient alternative to the investment of liquidity.

The improvement of 28 million of euro in net financial expenses, fair value adjustments of derivatives and other items largely refers to the positive change in the fair value of derivatives that qualified for hedge accounting.

Income tax expense

Income tax expense amounts to 340 million of euro and records a decrease of 45 million of euro compared to the first quarter of 2008, mainly as a result of the reduction in the taxable base.

Loss from Discontinued operations/Non-current assets held for sale

In the first quarter of 2008, this line item for - 75 million of euro included the consolidated loss of the Liberty Surf group which had been classified in discontinued operations and then sold in August 2008.

Table of Contents**Consolidated financial position performance****Financial position structure**

(millions of euro)	3/31/2009	12/31/2008	Change
ASSETS			
Non-current assets	70,260	70,957	(697)
<i>of which Goodwill</i>	43,949	43,891	58
Current assets	14,311	14,684	(373)
Discontinued operations/Non-current assets held for sale		9	(9)
	84,571	85,650	(1,079)
TOTAL LIABILITIES			
Equity	27,049	26,825	224
Non-current liabilities	39,562	40,356	(794)
Current liabilities	17,960	18,469	(509)
Liabilities directly associated with Discontinued operations/Non-current assets held for sale			
	84,571	85,650	(1,079)

Non-current assets

Intangible assets: decreased by 32 million of euro, from 50,383 million of euro at the end of 2008 to 50,351 million of euro at March 31, 2009. In particular:

intangible assets with a definite useful life decreased by 90 million of euro as a result of:

additions (+ 416 million of euro);

amortization charge for the period (- 580 million of euro);

disposals, exchange differences, change in the scope of consolidation and other movements (for a net balance of + 74 million of euro);

goodwill increased by 58 million of euro due to the fluctuation in the exchange rates of the Brazilian companies.

Property, plant and equipment: decreased by 191 million of euro, from 15,662 million of euro at the end of 2008 to 15,471 million of euro at March 31, 2009 as a result of:

additions (+ 609 million of euro);

depreciation charge for the period (- 867 million of euro);

disposals, change in the scope of consolidation, exchange differences and other movements (for a net balance of + 67 million of euro di).

Other non-current assets: decreased by 474 million of euro, from 4,912 million of euro at the end of 2008 to 4,438 million of euro at March 31, 2009. Of that amount, 235 million of euro refers to Deferred tax assets after compensation with income taxes accrued for the first three months of 2009.

Current assets

Inventories, Trade and miscellaneous receivables and other current assets: decreased in total by 295 million of euro, from 8,480 million of euro at year-end 2008 to 8,185 million of euro at March 31, 2009.

Current income tax receivables: decreased by 32 million of euro, from 73 million of euro at year-end 2008 to 41 million of euro at March 31, 2009.

Securities other than investments, Financial receivables and other non-current financial assets, Cash and cash equivalents: in total are basically unchanged, with a reduction of 46 million of euro, from 6,092 million of euro at year-end 2008 to 6,046 at March 31, 2009.

Discontinued assets/Non-current assets held for sale

Discontinued assets/Non-current assets held for sale at year-end 2008 included the investments held in Luna Rossa Challenge 2007 and Luna Rossa Trademark, which were sold in March 2009.

Table of Contents**Consolidated equity**

Consolidated equity amounts to 27,049 million of euro (26,825 million of euro at December 31, 2008), of which 26,304 million of euro is attributable to Owners of the Parent (26,095 million of euro at December 31, 2008) and 745 million of euro attributable to Minority Interest (730 million of euro at December 31, 2008).

In greater detail, the changes in equity are the following:

(millions of euro)	1/1 - 3/31/2009	1/1 - 12/31/2008
At the beginning of the period (historical data)	26,856	26,985
Change in accounting principles (*)	(31)	(4)
At the beginning of the period (restated)	26,825	26,981
Profit for the period	444	(*) 2,188
<i>Change in exchange differences on translating financial statements of foreign operations</i>	<i>191</i>	<i>(778)</i>
<i>Change in the fair value reserve of available-for-sale financial assets and derivative hedging instruments</i>	<i>(381)</i>	<i>225</i>
Total profit for the period	254	1,635
Dividends declared by:	(2)	(1,668)
- <i>Telecom Italia S.p.A.</i>		<i>(1,609)</i>
- <i>Other Group companies</i>	(2)	(59)
Bond conversions, equity instruments assigned and purchase of treasury shares	(10)	(26)
Change in scope of consolidation and other changes	(18)	(97)
At the end of the period	27,049	26,825

(*) Includes the impact of the retrospective application of IFRIC 13 (*Customer Loyalty Programmes*).

Table of Contents**Net financial debt and financial flows**

Net debt is composed as follows:

Net financial debt

(millions of euro)	3/31/2009	12/31/2008	Change
NON-CURRENT FINANCIAL LIABILITIES			
Bonds	26,547	25,680	867
Amounts due to banks, other financial payables and liabilities	7,520	9,134	(1,614)
Finance lease liabilities	1,684	1,713	(29)
	35,751	36,527	(776)
CURRENT FINANCIAL LIABILITIES ⁽¹⁾			
Bonds	4,020	4,497	(477)
Amounts due to banks, other financial payables and liabilities	2,868	1,496	1,372
Finance lease liabilities	269	274	(5)
	7,157	6,267	890
Financial liabilities relating to Discontinued operations/Non-current assets held for sale			
	42,908	42,794	114
GROSS FINANCIAL DEBT			
NON-CURRENT FINANCIAL ASSETS			
Securities other than investments	(15)	(15)	
Financial receivables and other financial assets	(2,329)	(2,648)	319
	(2,344)	(2,663)	319
CURRENT FINANCIAL ASSETS			
Securities other than investments	(686)	(185)	(501)
Financial receivables and other current financial assets	(481)	(491)	10
Cash and cash equivalents	(4,879)	(5,416)	537
	(6,046)	(6,092)	46
Financial assets relating to Discontinued operations/Non-current assets held for sale			
	(8,390)	(8,755)	365
GROSS FINANCIAL ASSETS			
	34,518	34,039	479
NET FINANCIAL DEBT			

(1) of which the current portion of medium/long-term debt:

	<i>Bonds</i>	4,020	4,497	(477)
	<i>Amounts due to banks, other financial payables and liabilities</i>	2,112	684	1,428
	<i>Finance lease liabilities</i>	269	274	(5)

The following chart summarizes the main transactions which had an impact on the change in net financial debt during the first quarter of 2009:

Table of Contents**Net operating free cash flow**

(millions of euro)	1 st Quarter 2009	1 st Quarter 2008	Change
EBITDA	2,798	2,943	(145)
Capital expenditures on an accrual basis	(1,025)	(1,228)	203
Change in net operating working capital:	(943)	(756)	(187)
<i>Change in inventories</i>	(3)	(23)	20
<i>Change in trade receivables and net amounts due on construction contracts</i>	351	511	(160)
<i>Change in trade payables (*)</i>	(1,266)	(1,282)	16
<i>Other changes in operating receivables/payables</i>	(25)	38	(63)
Change in provisions for employees benefits	7	4	3
Change in operating provisions and Other changes	13	5	8
Net operating free cash flow	850	968	(118)

(*) Including the change in trade payables for amounts due to fixed asset suppliers.

The positive contribution by EBITDA to Operating free cash flow was countered by capital expenditure requirements and the change in net operating working capital of 943 million of euro. Specifically, the positive impact from the reduction of 351 million of euro in Trade receivables was more than offset by the negative impact of lower Trade payables (- 1,266 million of euro), due also to the programs to cut costs and capital expenditures.

Capital expenditures flow

Capital expenditures flow is 1,025 million of euro, with a decrease of 203 million of euro compared to the first quarter of 2008. The breakdown is as follows:

(millions of euro)	1 st Quarter 2009		1 st Quarter 2008		Change
		%		%	
		<i>of total</i>		<i>of total</i>	
Domestic	835	81.5	970	79.0	(135)
Brazil	104	10.1	139	11.3	(35)
European BroadBand	73	7.1	100	8.2	(27)
Media, Olivetti and Other Operations	15	1.5	20	1.6	(5)
<i>Adjustments and Eliminations</i>	(2)	(0.2)	(1)	(0.1)	(1)
Total	1,025	100.0	1,228	100.0	(203)
<i>% of revenues</i>	<i>15.1</i>		<i>16.9</i>		<i>(1.8)pp</i>

The reduction in capital expenditures, besides the effect of the exchange rate of the Brazilian real (- 19 million of euro), is also due to the effects of the programs to cut costs and capital expenditures begun in 2008.

The following also had an effect on net financial debt during the first quarter of 2009:

Disposal of investments and other divestitures flow

Disposal of investments and other divestitures flow amounts to 37 million of euro (44 million of euro in the first quarter of 2008) and refers to the sale of the investments held in Luna Rossa Challenge 2007 and Luna Rossa Trademark (for a total of 13 million of euro) and the disposal of

other property, plant and equipment and intangible assets in the first few months of 2009.

Treasury shares buyback flow

Treasury shares buyback flow amounts to 7 million of euro and refers to the part already paid at March 31, 2009 on a total number of 11.4 million of euro Telecom Italia ordinary shares purchased to service the top management incentive plan denominated Top 2008 Plan. The total outlay was 11 million of euro corresponding to an average price per share of 0.92959 (including the brokerage commissions) of which 4 million of euro was paid in the first few days of April 2009.

The buyback was carried out through the financial agent Mediobanca which operated with a mandate for the purchase of the shares on behalf of the Company in complete autonomy and independently of Telecom Italia and in accordance with the Regulation of the markets organized and operated by Borsa Italiana S.p.A. and the relative instructions.

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Finance expenses, taxes and other net non-operating requirements flow

These mainly include the payment, made during the first quarter of 2009, of taxes (which include 187 million of euro for the tax disputes which had already been set aside in prior years), net finance expenses and also the change in non-operating receivables and payables, inclusive of the fair value measurement of derivatives which was negative in the first quarter of 2009.

The volatility that was a distinguishing factor of the financial markets in the first quarter of 2009, especially in reference to the levels of interest and exchange rates, did in fact influence the fair value measurement of the derivative positions hedging future variable contractual flows and, consequently, increased the Group's net financial debt. Such measurement does not entail an actual financial settlement and its accounting effects are deferred in a specific Equity reserve, with an offsetting entry to the Net financial debt of the Group.

The financial risk management policies of the Telecom Italia Group are directed towards diversifying market risks, fully hedging exchange rate risk and minimizing interest rate exposure by an appropriate diversification of the portfolio, which is also achieved by using carefully selected derivative financial instruments. Such instruments, it should be stressed, are not used for speculative purposes and all have an underlying.

The Group defines an optimum composition for the fixed-rate and floating-rate debt structure and uses derivative financial instruments to achieve that prefixed composition. Taking into account the Group's operating activities, the optimum mix of medium/long-term non-current financial liabilities has been established, on the basis of the nominal amount, at around 70% for the fixed-rate component and 30% for the floating-rate component.

Derivative financial instruments are designated as fair value hedges of exchange rate risk on financial instruments denominated in currencies other than the and of interest rate risk on fixed-rate loans. Derivative financial instruments are designated as cash flow hedges when the objective is to fix the exchange rate and interest rate of future variable contractual flows.

In managing market risks, the Group adopts a guideline policy for debt management using derivative instruments and mainly uses IRS and CCIRS derivative financial instruments. Additional details are provided in the Note Derivatives in the consolidated financial statements of the Telecom Italia Group at December 31, 2008, posted on the Company's website <http://www.telecomitalia.it>.

Sales of receivables to factoring companies

The sale of receivables to factoring companies finalized during the first quarter of 2009 resulted in a positive effect on net financial debt at March 31, 2009 of 591 million of euro (794 million of euro at December 31, 2008 and 686 million of euro in the first quarter of 2008).

Gross financial debt

Bonds

Bonds at March 31, 2009 are recorded for 30,567 million of euro (30,177 million of euro at December 31, 2008). Their nominal repayment amount is 29,516 million of euro with an increase of 696 million of euro compared to December 31, 2008 (28,820 million of euro).

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Changes in bonds in the first quarter of 2009 are as follows:

(millions of euro of the original currency)	Currency	Amount	Issue date
NEW ISSUES			
Telecom Italia S.p.A., 500 million of euro, 7.875%, maturing 1/22/2014	Euro	500	1/22/2009
Telecom Italia S.p.A., 650 million of euro, 6.75% maturing 3/21/2013	Euro	650	3/19/2009
Telecom Italia S.p.A., 850 million of euro, 8.25% maturing 3/21/2016	Euro	850	3/19/2009
REPAYMENTS			Repayment date
Telecom Italia Finance S.A. 5.15%, issued guaranteed by Telecom Italia S.p.A.	Euro	1,450 (*)	2/9/2009
Telecom Italia S.p.A. Floating Rate Notes Euribor 3M+ 0.60%	Euro	110	3/30/2009
BUYBACKS			Buyback period
Telecom Italia Finance S.A., 2,103 million of euro 6.575% maturing July 2009	Euro	218.9	from January to March
Telecom Italia Finance S.A., 138.8 million of euro Floating Rate Notes maturing June 2010	Euro	17	March
NOTES			

Telecom Italia S.p.A. 2002-2022 bonds, reserved for subscription by employees of the Group: total 356 million of euro (nominal amount) at March 31, 2009 and increased during the first quarter of 2009 by 8 million of euro (348 million of euro at December 31, 2008).

Bond buybacks: in the first quarter of 2009, as occurred in 2008, the Telecom Italia Group bought back bonds in order to:

give investors a further possibility of monetizing their position, increasing the securities level of liquidity at a time of financial market uncertainty;

partially repay some debt securities before maturity, increasing the overall return on the Group's liquidity without incurring any additional risks.

(*) Net of 50 million of euro of bonds bought back by the Company in 2008.

Revolving Credit Facility and Term Loan

The composition and drawdown of the syndicated committed credit lines available at March 31, 2009, represented by the Term Loan (TL) of 1.5 billion of euro expiring 2010 and the Revolving Credit Facility (RCF) of 8 billion of euro in total expiring August 2014, are presented in the following table:

(billions of euro)	3/31/2009		12/31/2008	
	Agreed	Drawn down	Agreed	Drawn down
Term Loan - expiring 2010	1.5	1.5	1.5	1.5
Revolving Credit Facility - expiring 2014	8.0	1.5	8.0	1.5
Total	9.5	3.0	9.5	3.0

Lehman Brothers Bankhaus AG London Branch bank is the Lender of the Revolving Credit Facility and Term Loan for the following amounts:

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under the RCF, the bank has a commitment for 127 million of euro of which 23.8 million of euro has been disbursed;

under the TL, the bank has a commitment for 19.9 million of euro, for an amount completely disbursed. With regard to Lehman Brothers Bankhaus AG's commitment, the Telecom Italia Group has not received any communication from Lehman Brothers Bankhaus AG, or from its representatives or directors or agent of the committed facilities which, at this time, entail changes compared to the situation prior to the bankruptcy of Lehman Brothers Holding Inc.

Maturities of financial liabilities and average cost of debt

The average maturity of non-current financial liabilities (including the current portion of medium/long-term financial liabilities) is 7.84 years.

The average cost of the Group's debt, considered as the cost for the period calculated on an annual basis and resulting from the ratio of debt-related expenses to average exposure, is equal to about 6%.

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The maturities of financial liabilities in terms of both the carrying amount (including measurements based on fair value adjustments and amortized cost, included in accrued expenses) and the expected nominal repayment amount, as contractually agreed, are as follows:

Maturities of financial liabilities at carrying amount ^{(1) (2)}:

(millions of euro)	maturing by 3/31 of the year:						TOTAL
	2010	2011	2012	2013	2014	After 2014	
Bonds	4,020	2,574	4,508	3,491	2,383	13,591	30,567
Bank debt, other financial payables and liabilities	2,112	457	327	210	1,333	5,193	9,632
Finance lease liabilities	269	204	174	136	118	1,052	1,953
Total	6,401	3,235	5,009	3,837	3,834	19,836	42,152
Current financial liabilities	756						756
Total	7,157	3,235	5,009	3,837	3,834	19,836	42,908

(1) The carrying amounts include the measurements based on fair value adjustments and amortized cost.

(2) Financial commitments include the accrued expense and deferred income components of which: 0.5 million of euro is in non-current financial liabilities due after 1 year, 928 million of euro in non-current financial liabilities due within 1 year and 15 million of euro in current financial liabilities.

Maturities of financial liabilities at nominal repayment amount:

(millions of euro)	maturing by 3/31 of the year:						TOTAL
	2010	2011	2012	2013	2014	After 2014	
Bonds	3,397	2,549	4,452	3,500	2,503	13,115	29,516
Bank debt, other financial payables and liabilities	1,834	444	307	169	1,209	4,225	8,188
Finance lease liabilities	251	204	174	136	118	1,052	1,935
Total	5,482	3,197	4,933	3,805	3,830	18,392	39,639
Current financial liabilities	730						730
Total	6,212	3,197	4,933	3,805	3,830	18,392	40,369

Current financial assets and liquidity margin

Current financial assets amount to 6,046 million of euro (6,092 million of euro at December 31, 2008). The available liquidity margin of the Telecom Italia Group, calculated as the sum of *Cash and cash equivalents* and *Securities other than investments*, totals 5,565 million of euro at March 31, 2009 (5,601 million of euro at December 31, 2008) which, together with unused committed credit lines of 6.5 billion of euro, allows a broad coverage of the Group's repayment obligations over the next 18-24 months.

In particular, current financial assets at March 31, 2009 include:

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Cash and cash equivalents for 4,879 million of euro (5,416 million of euro at December 31, 2008). The change is basically due to the different technical forms of investment used for available cash: at year end, Telecom Italia S.p.A. had invested 493 million of euro in repurchase agreements on Italian government securities which were therefore classified in this category. Instead, in the first quarter of 2009, liquidity was invested in Italian treasury bonds and classified in *Securities other than investments*.

The different technical forms of investing available cash at March 31, 2009, including commercial paper for 70 million of euro, can be analyzed as follows:

Maturities: investments have a maximum maturity date of three months;

Counterparty risk: investments are made with first-rate banks and financial institutions that have a high credit rating of at least A-;

Country risk: investments are mainly made in major European financial markets;

Financial receivables and other current financial assets for 481 million of euro (491 million of euro at December 31, 2008), which include the current portion of loans receivable from employees (10 million of euro), the current portion of financial receivables for lessors net investments (144 million of euro), hedging derivatives that hedge items classified in current assets/liabilities of a financial nature (249 million of euro), non-hedging derivatives (44 million of euro) and other current financial assets (34 million of euro);

Securities other than investments, maturing beyond three months, for 686 million of euro (185 million of euro at December 31, 2008), which include 609 million of euro of Italian treasury bonds purchased by Telecom Italia S.p.A. (with A+ ratings by S&P's) and 77 million of euro of bonds issued by counterparties with ratings of at least BBB+ with different maturities, but all with an active market.

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Non-current financial assets

Non-current financial assets amount to 2,344 million of euro (2,663 million of euro al December 31, 2008) and mainly include the non-current portion of loans receivables from employees (59 million of euro), the non-current portion of financial receivables for lessors net investments (251 million of euro), the non-current portion hedging derivatives that hedge items classified in current assets/liabilities of a financial nature (1,998 million of euro) and securities other than investments (15 million of euro).

Covenants and negative pledges relating to debt positions at March 31, 2009

The bonds issued by the companies of the Group do not contain financial covenants (e.g. ratios such a Debt/EBITDA, EBITDA/Interest etc.) or clauses that would force the early redemption of the bonds in relation to events other than the insolvency of the Telecom Italia Group. Since these bonds have been placed principally in major world capital markets (Euromarket and the U.S.A.), the terms which regulate the bonds are in line with market practice for similar transactions effected in these same markets; consequently, for example, there are commitments not to use the company's assets as collateral for loans (negative pledges).

The bond regulation for the Telecom Italia Finance bonds of 2 billion of euro maturing on April 20, 2011 calls for a 25 basis point (0.25%) increase or decrease in the coupon rate whenever Telecom Italia's rating is downgraded or upgraded by a notch by S&P's or Moody's.

With reference to loans received by Telecom Italia S.p.A. from the European Investment Bank (EIB), an amount of 553 million of euro (out of a total of 1,947 million of euro at March 31, 2009) is not secured by bank guarantees but there are covenants which cover the following:

in the event the company becomes the target of a merger, demerger or contribution of a business segment outside the Group, or sells, disposes or transfers assets or business segments, it shall immediately inform EIB which shall have the right to ask for guarantees to be provided or changes to be made to the loan contract;

for the loan with a nominal amount of 350 million of euro, if Telecom Italia's rating is lower than BBB+ for S&P's, Baa1 for Moody's and BBB+ for Fitch Ratings and, for the loan with a nominal amount of 200 million of euro, if Telecom Italia's rating is lower than BBB for S&P's, Baa2 for Moody's and BBB for Fitch Ratings, the company shall immediately inform EIB which shall have the right to ask for suitable guarantees to be provided, indicating a date for setting up these guarantees. After that date and if Telecom Italia fails to provide the guarantees, EIB shall have the right to demand immediate repayment of the amount disbursed;

the company is obliged to promptly advise the bank about changes in the allocation of share capital among the shareholders which could bring about a change in control. Failure to communicate this information would result in the termination of the contract. The contract shall also be terminated when a shareholder, which, at the date of signing the contract does not hold at least 2% of the share capital, comes to hold more than 50% of the voting rights in the ordinary shareholders' meeting or, in any case, a number of shares such that it represents more than 50% of the share capital, whenever, in the bank's reasonable opinion, this fact could cause a detriment to the bank or could compromise the execution of the project.

The syndicated bank lines of Telecom Italia do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interest etc.) which would oblige Telecom Italia to automatically repay the outstanding loan if the covenants are not observed. Mechanisms are provided for adjusting the cost of funding in relation to Telecom Italia's credit rating, with a spread compared to the Euribor of between a minimum of 0.15% and a maximum of 0.425% for the line expiring in 2010 and a minimum of 0.0875% and a maximum of 0.2625% for the line expiring in 2014.

The two syndicated bank lines contain the usual other types of covenants, including the commitment not to use the company's assets as collateral for loans (negative pledges), the commitment not to change the business purpose or sell the assets of the company unless specific conditions exist (e.g. the sale takes place at fair market value). Covenants similar to these are also found in the export credit loan agreements.

The syndicated bank lines (as well as an export credit agreement for a residual nominal amount of 113 million of euro at March 31, 2009) consider the case where a party, other than the current relative majority shareholder or permitted acquiring shareholders, including the shareholders of Telco, acquires control of Telecom Italia, individually or jointly. In that case, a 30-day period is established during which the

parties shall negotiate the terms with which to continue the relationship.

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Lastly, in the documentation of loans granted to certain companies of the Tim Brasil group, the companies must generally respect certain financial ratios (e.g. capitalization ratios, ratios for servicing debt, profit ratios and debt ratios) as well as the usual other covenants, under pain of a request for the early repayment of the loan.

At March 31, 2009, no covenant of any other type, negative pledge clause or other clause relating to the above-described debt position has in any way been breached or violated.

Events subsequent to March 31, 2009

In April:

Telecom Italia Finance S.A. purchased its own bonds on the market for a total nominal amount of about 25 million of euro. The bonds that were bought back refer to the bonds Telecom Italia Finance S.A., 2,103 million of euro, 6.575% maturing July 30, 2009 ;

Telecom Italia S.p.A. purchased its own bonds on the market for a total nominal amount of about 46 million of euro. The bonds that were bought back refer to the bonds Telecom Italia S.p.A., 850 million of euro at a floating rate maturing June 7, 2010 .

Business Outlook for the year 2009

With regard to the business outlook for the current year, the Telecom Italia Group confirms the profit and financial targets announced at the end of 2008 during the presentation of the Group s 2009-2011 three-year plan. In particular:

Domestic Business Unit: organic EBITDA at 9.9 -10 billion of euro;

Brazil Business Unit: organic EBITDA at approximately 3.6 billion of BRL;

Net financial debt/EBITDA ratio at about 2.9 at year-end 2009.
Therefore, the Group organic EBITDA is confirmed at the previous target.

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(millions of euro)	1 st Quarter 2009 (a)	1 st Quarter 2008 Restated (b)	Change	
			(a-b)	%
Revenues	6.793	7.279	(486)	(6,7)
Other income	54	94	(40)	(42,6)
Total operating revenues and other income	6.847	7.373	(526)	(7,1)
Acquisition of goods and services	(2.814)	(3.153)	339	10,8
Employee benefits expenses	(992)	(991)	(1)	(0,1)
Other operating expenses	(357)	(449)	92	20,5
Changes in inventories	(7)	29	(36)	°
Internally generated assets	121	134	(13)	(9,7)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION, CAPITAL GAINS (LOSSES) AND IMPAIRMENT REVERSALS (LOSSES) ON NON-CURRENT ASSETS (EBITDA)	2.798	2.943	(145)	(4,9)
Depreciation and amortisation	(1.447)	(1.463)	16	1,1
Gains (losses) on disposals of non-current assets	1	25	(24)	°
Impairment reversals (losses) on non-current assets				
OPERATING PROFIT (EBIT)	1.352	1.505	(153)	(10,2)
Share of profits (losses) of associates and joint ventures accounted for using the equity method	14	19	(5)	(26,3)
Other income (expenses) from investments	5		5	°
Finance income	963	1.260	(297)	(23,6)
Finance expenses	(1.550)	(1.858)	308	16,6
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	784	926	(142)	(15,3)
Income tax expense				