TELECOM ITALIA S P A
Form 6-K
November 19, 2008

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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

Telecom Italia S.p.A.

Piazza degli Affari 2,

20123 Milan, Italy

(Address of principal executive offices)

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

Form 20-F x 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 x

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

This Report on Form 6-K shall be deemed to be incorporated by reference in the Registration Statement on Form F-3 of Telecom Italia Capital S.A. (Registration No. 333-127351) and Telecom Italia S.p.A. (Registration No. 333-127351-01) and to be a part thereof from the date on which this report is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.

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INTRODUCTION

As used in this Report on Form 6-K, unless the context otherwise requires, the term Company means Telecom Italia S.p.A. the operating company for fixed and mobile telecommunications services in Italy and the holding company for various businesses, principally telecommunications, and the terms we , us and our refers to the Company, and, as applicable, the Company and its consolidated subsidiaries.

¢ Presentation of Certain Financial and Other Information

The financial information contained in this Report on Form 6-K has been prepared in accordance with International Financial Reporting Standards issued by the IASB International Accounting Standard Board (**IFRS**). IFRS also include all effective International Accounting Standards (**IAS**) and all Interpretations issued by the International Financial Reporting Interpretations Committee (**IFRIC**), comprising those previously issued by the Standing Interpretations Committee (**SIC**).

Furthermore, pursuant to SEC Release No. 33-8879, *Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards Without Reconciliation to U.S. GAAP*, Telecom Italia includes Selected Financial Data prepared in compliance with IFRS, without reconciliation to U.S. GAAP.

The currency used by Telecom Italia in preparing its consolidated financial statements is the euro.

References to , euro and Euro are to the euro.

References to U.S. dollars , dollars , U.S.$, USD or $ are to U.S. dollars.

References to BRL are to the Brasilian Reais**.**

For the purpose of this Report on Form 6-K, billion means a thousand million.

¢ 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:

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;

our ability to refinance existing indebtedness when due under the current uncertain conditions in the capital and bank markets; such uncertain conditions might also adversely impact liquidity already raised for refinancing purposes;

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our ability to utilize our relationship with Telefónica (through our new shareholder structure) to attain synergies primarily in areas such as network, IT, purchasing, sales activities in Germany 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;

our ability to successfully achieve our debt reduction targets;

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;

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

the impact of fluctuations in currency exchange and interest rates;

our ability to successfully implement our strategy over the 2008-2010 period;

our ability to build up our business in adjacent markets and in international markets (particularly Brazil in mobile telecommunications and Europe Germany in broadband), 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 in Brazil on mobile and in Europe on broadband;

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.

For additional information, see Item 3. Key Information Risk Factors and the related cautionary statement under Item 5. Operating and Financial Review and Prospects included in our 2007 Form 20-F.

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KEY DEFINITIONS

The following terms appearing in this Report on Form 6-K have the meanings set forth below.

EU	means the European Union.
IASB	means the International Accounting Standards Board.
IFRS	means International Financial Reporting Standards issued by the IASB. IFRS also include all effective International Accounting Standards (**IAS**) and all Interpretations issued by the International Financial Reporting Interpretations Committee (**IFRIC**), comprising those previously issued by the Standing Interpretations Committee (**SIC**).
Merger	means the merger of Old Telecom Italia into Olivetti, which became effective on August 4, 2003.
Old Telecom Italia and Old Telecom Italia Group	means Telecom Italia as well as Telecom Italia and its consolidated subsidiaries, respectively, as they existed immediately prior to the effective date of the Merger.
Olivetti	unless otherwise indicated, means Olivetti S.p.A., the holding company and controlling shareholder of Old Telecom Italia.
Olivetti Group	means Olivetti and its consolidated subsidiaries, including Old Telecom Italia.
Ordinary Shares	means the Ordinary Shares, 0.55 par value each, of Telecom Italia.
Parent	means Telecom Italia S.p.A..
Savings Shares	means the Savings Shares, 0.55 par value each, of Telecom Italia.
Telecom Italia	means the entity which resulted from the Merger.
Telecom Italia Group and Group	means the Company and its consolidated subsidiaries.
Telecom Italia Media	Telecom Italia Media is the Telecom Italia Group s subsidiary operating in the Media business.
TIM	means Telecom Italia Mobile S.p.A., the Telecom Italia Group s subsidiary which operated in the mobile telecommunications business, and merged with and into Telecom Italia, with Telecom Italia as the surviving company, effective as from June 30, 2005.
Tim Italia	means the company deriving from the spin-off of TIM s domestic mobile operations, effective as from March 1, 2005. After the merger of TIM with and into Telecom Italia, Tim Italia became a wholly-owned subsidiary of Telecom Italia. Subsequently Tim Italia merged with and into Telecom Italia, with Telecom Italia as the surviving company, effective as from March 1, 2006.

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DESCRIPTION OF TELECOM ITALIA

Telecom Italia is a joint-stock company established under Italian law with registered offices in Milan at Piazza degli Affari 2, 20123 Milan, Italy. The telephone number is +39-02-85951. The company is recorded in the Milan Companies Register at number 00488410010, R.E.A. number 1580695, R.A.E.E. number IT08020000000799. The duration of the company, as stated in the company s Bylaws, extends until December 31, 2100.

¢ Overview of the Telecom Italia Group s Major Business Areas

Telecom Italia is the parent company of the Telecom Italia Group.

Telecom Italia Group s Business Units as of June 30, 2008 were as follows:

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SUMMARY SELECTED FINANCIAL AND STATISTICAL INFORMATION

The summary selected financial data set forth below are consolidated financial data of the Telecom Italia Group as follows:

- with respect to the income statement data, the unaudited financial data for the six-month periods ended June 30, 2008 and 2007; and
- with respect to the balance sheet data, the unaudited financial data as of June 30, 2008 and the audited financial data as of December 31, 2007.

In the opinion of the management of Telecom Italia, the unaudited interim consolidated financial data of Telecom Italia reflects all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of Telecom Italia s consolidated results of operations for the unaudited interim periods. Results for the six-month period ended June 30, 2008, are not necessarily indicative of results that may be expected for the entire year.

The summary selected financial data below should be read in conjunction with the Telecom Italia Group s Unaudited Interim Consolidated Financial Statements included elsewhere in this Telecom Italia s 2008 Half-Yearly Financial Report 6-K.

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2008 Half-Yearly Financial Report **Summary Selected Financial And Statistical Information**

Income Statement Data:	Six months ended June 30, 2008[1] (Unaudited) (millions of Euro)	2007[1]
Revenues	14,838	15,337
Other income	158	164
Total operating revenues and other income	**14,996**	**15,501**
Acquisition of goods and services	(6,610)	(6,739)
Employee benefits expenses	(2,274)	(1,893)
Other operating expenses	(865)	(824)
Changes in inventories	17	21
Internally generated assets	271	269
Depreciation and amortization	(2,952)	(2,793)
Gains (losses) on disposals of non current assets	26	12
Impairment reversals (losses) on non current assets	(1)	
Operating profit	**2,608**	**3,554**
Share of profits (losses) of associates and joint ventures accounted for using the equity method	37	58
Finance income	1,515	1,256
Finance expenses	(2,731)	(2,225)
Profit before tax from continuing operations	**1,429**	**2,643**
Income tax expense	(173)	(1,018)
Profit from continuing operations	**1,256**	**1,625**
Profit (loss) from Discontinued operations/Non current assets held for sale	(148)	(123)
Profit for the period	**1,108**	**1,502**
Of which:		
Profit attributable to equity holders of the Parent	*1,140*	*1,500*
Profit (loss) attributable to Minority Interest	*(32)*	*2*

	Six months ended June 30, 2008[1] (Unaudited) (thousands of Euro, except percentages and per share amounts)	2007[1]
Financial Ratios:		
Revenues/Employees (average number in the Telecom Italia Group)[3]	193.6	196.6
Operating profit/Revenues (ROS)(%)	17.6	23.2

Basic and Diluted earnings per Share (EPS)[3]:		
Ordinary Share	**0.06**	**0.07**
Savings Share	**0.07**	**0.08**
Of which:		
From continuing operations:		
Ordinary Share	*0.07*	*0.08*
Savings Share	*0.07*	*0.08*
From Discontinued operations/Non-current assets held for sale:		
Ordinary Share	*(0.01)*	*(0.01)*
Savings Share		

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2008 Half-Yearly Financial Report **Summary Selected Financial And Statistical Information**

	As of June 30, 2008[1] (Unaudited)	As of December 31, 2007[1]
	(millions of Euro)	
Balance Sheet Data:		
Total Assets	**85,868**	**87,425**
Equity:		
Equity attributable to the equity holders of the Parent	25,572	25,922
Equity attributable to Minority Interest	886	1,063
Total Equity	**26,458**	**26,985**
Total liabilities	**59,410**	**60,440**
Total equity and liabilities	**85,868**	**87,425**
Share capital[4]	**10,605**	**10,605**

	As of June 30, 2008[1] (Unaudited)	As of December 31, 2007[1]
Financial Ratios:		
Net financial debt/Net invested capital (debt ratio)(%)[5]	58.4	57.0
Employees (number in the Telecom Italia Group at period-end, excluding employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale and including personnel with temporary work contracts)	80,508	83,429

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2008 Half-Yearly Financial Report **Summary Selected Financial And Statistical Information**

	As of and for the period ended		
	June 30, 2008(1)	December 31, 2007(1)	June 30, 2007(1)
Statistical Data:			
Domestic fixed:			
Fixed network connections in Italy (thousands)	20,952	22,124	22,836
Physical accesses (Consumer + Business) (thousands)	18,146	19,221	19,811
Voice pricing plans (thousands)	6,034	6,375	6,619
Broadband accesses in Italy (thousands)	7,792	7,590	7,277
Virgilio page views powered by Alice (millions)	8,111	14,737	7,549
Virgilio powered by Alice average daily single visitors (millions)	2.4	2.1	2.1
Network infrastructure in Italy:			
access network in copper (millions of km pair)	106.8	106.8	106.8
access network and transport in optical fiber (millions of km of fiber)	3.8	3.8	3.8
Network infrastructure abroad:			
European backbone (km of fiber)	55,000	55,000	55,000
Mediterranean (km of submarine cable)	7,000	7,000	7,000
South America (km of fiber)	30,000	30,000	30,000
Domestic Mobile:			
Mobile telephone lines in Italy at period-end (thousands)	35,796	36,331	34,312
Prepaid lines at period-end (thousands)(6)	29,927	30,834	29,319
European Broadband:			
Broadband accesses in Europe at period-end (thousands)(7)	2,522	2,537	2,352
Brazil Mobile:			
Mobile telephone lines in Brazil at period-end (thousands)	33,815	31,254	27,478
Media:			
La7 average audience share Free to Air (analog mode) for the period (%)	3.1	3.0	3.1
La7 average audience share Free to Air (analog mode) for the last month of the period (%)	3.2	3.1	3.1

(1) Starting from January 1, 2008, the Liberty Surf group is treated as Discontinued operations/Non-current assets held for sale. All periods presented for comparison purposes have been restated.

(2) The average number of employees in the Telecom Italia Group (excluding employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale and including personnel with temporary work contracts) was 76,660 in the six months ended June 30, 2008 and 78,002 in the six months ended June 30, 2007.

(3) In accordance with IAS 33 (*Earnings per share*), basic earnings per Ordinary Share is calculated by dividing the Telecom Italia Group s profit available to shareholders by the weighted average number of shares outstanding during the period, excluding treasury shares. Since Telecom Italia has both Ordinary and Savings Shares outstanding, the calculations also take into account the requirement that holders of Savings Shares are entitled to an additional dividend equal to 2% of the par value of shares above dividends paid on the Ordinary Shares.

For the purpose of these calculations, the weighted average number of:

Ordinary Shares was 13,254,975,913 for the six months ended June 30, 2008 and 13,254,926,715 for the six months ended June 30, 2007; and

Savings Shares was 6,026,120,661 for the six months ended June 30, 2008 and 2007.

For diluted earnings per share the weighted average number of shares outstanding is adjusted assuming conversion of all dilutive potential shares. Potential shares are those securities that, if converted into shares, would increase the total number of shares outstanding and reduce the earnings attributable to each share. Potential shares include options, warrants and convertible securities. Telecom Italia Group s profit is also adjusted to reflect the impact of the conversion of potential shares net of the related tax effects.

(4) Share capital represents share capital issued net of the par value of treasury shares.
(5) Net Financial Debt is a Non-GAAP Financial Measure as defined in Item 10 of Regulation S-K under the 1934 Act. For further details please see Capital Resources Net Financial Debt included elsewhere in this Telecom Italia s 2008 Half-Yearly Financial Report 6-K.
(6) Excludes not-human Subscriber Identity Modules (SIM).
(7) The data presented excludes broadband accesses of the Liberty Surf group (973 thousand at June 30, 2008, 902 thousand at December 31, 2007 and 847 thousand at June 30, 2007).

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TELECOM ITALIA GROUP RESULTS OF OPERATIONS

FOR THE SIX MONTHS ENDED JUNE 30, 2008 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2007

The information in this section should be read in conjunction with the Telecom Italia Group s Unaudited Interim Consolidated Financial Statements, and the Notes thereto, included elsewhere in this Telecom Italia s 2008 Half-Yearly Financial Report 6-K.

¢ Telecom Italia Group Consolidated Results

For the six months ended June 30, 2008, **consolidated profit attributable to equity holders of the Parent** was 1,140 million (profit for the period before Minority Interest was 1,108 million), compared to consolidated profit attributable to equity holders of the Parent of 1,500 million (profit for the period before Minority Interest was 1,502 million) for the six months ended June 30, 2007.

The decrease of 360 million was principally due to the following factors:

operating profit decreased by 946 million;

share of profits of associates and joint ventures accounted for using the equity method decreased by 21 million;

higher finance expenses, net of finance income of 247 million;

lower income tax expense of 845 million;

higher loss from Discontinued operations/Non-current assets held for sale of 25 million;

higher loss attributable to Minority Interest (an increase of 34 million).

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2008 Half-Yearly Financial Report **Telecom Italia Group Results Of Operations For The Six Months Ended June 30, 2008**

The following table summarizes the main factors which affected the change in consolidated profit attributable to equity holders of the Parent in the six months ended June 30, 2008:

v **REVENUES**

Our **consolidated revenues** in the six months ended June 30, 2008 were 14,838 million, a decrease of 499 million compared to 15,337 million in the six months ended June 30, 2007.

In the six months ended June 30, 2008, in particular, revenues for the **Domestic Business Unit** decreased by 718 million and were partly adversely affected by the following regulatory changes:

- application of the Bersani Decree starting from March 2007 (a decrease in revenue of 125 million);
- reduction in the termination rates which occurred in the second half of 2007 (a decrease in revenue of 131 million);
- rate adjustments for international roaming traffic within the EU, in accordance with European Commission rulings (a decrease in revenue of 90 million);
- change in the prices of regulated wholesale bitstream services (interconnection services which consist of the supply, by Telecom Italia, of the transmission capacity between the location of an end customer and an interconnection point of an OLO which, in turn, offers broadband services), unbundling and shared access (a decrease in revenue of 48 million).

Overall, compared to the six months ended June 30, 2007, these regulatory changes generated a decrease in revenues of 394 million. Other factors which caused a reduction in revenues are the renegotiation of the national roaming contract with H3G (a negative effect of 31 million) and the termination of certain international wholesale transit contracts from the second quarter of 2007 (a negative effect of 166 million).

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In addition to the impact of the above :

- in fixed telecommunications, the increase in Internet revenues as a result of the continuing and strong growth of broadband and Content and the increase in national Wholesale service revenues, thanks mainly to regulated services, did not compensate for the contraction in Retail Telephone revenues, particularly pertaining to access and traffic. With regard to traffic, this decrease comes from volumes and prices mainly relating to fixed-mobile domestic traffic: minor volumes reflect the migration of traffic from the fixed to the mobile network and the reduction in the average customer base; while prices, instead, are affected by the reduction in fixed-mobile termination rates and higher penetration of flat offers. As for access, the reduction is entirely due to the contraction of the average customer base. Data Business revenues were also down due to stronger competition on the Corporate client market and the revision of contract prices with the Public Administration which were only compensated in part by a positive performance by ICT services and products. A decline was also recorded in international Wholesale services due to the reduction in transit revenues generated by the termination of some contracts during the second quarter of 2007;

- in mobile telecommunications, there was a positive trend in value-added service revenues, particularly interactive services and mobile broadband, countered by the effects of the application of the new termination rates, the Bersani Decree and the adjustment of international roaming traffic rates.

The **European BroadBand Business Unit** contributed to higher revenues in the six months ended June 30, 2008.

The growth of the **Brazil Mobile Business Unit** was driven by the expansion of voice and value-added services supported by the increase of the customer base.

The **Media Business Unit** had an increase in revenues, reflecting the increase in revenues from Digital Terrestrial TV following the positive contribution resulting from the agreements reached with Mediaset and Telecom Italia for broadcasting the audio-visual content of Premier League soccer games on the DTT and DVBH platforms.

The **Olivetti Business Unit** revenues recorded a slight decrease compared to the same period of the prior year: the improvement in the special printers segment owing to an important supply contract for postal printers was offset by the reduction in the sales of traditional ink-jet products, faxes and accessories.

The table below sets forth, for the periods indicated, gross revenues and consolidated revenues by Business Unit and the percentage of their contributions to our consolidated revenues:

	Six months ended June 30,					
	2008			2007		
	Gross Revenues (1)	Consolidated Revenues (2)	% of Consolidated Revenues	Gross Revenues (1)	Consolidated Revenues (2)	% of Consolidated Revenues
	(millions of Euro, except percentages)					
Domestic	11,420	11,331	76.4	12,182	12,124	79.0
European BroadBand	642	635	4.3	512	512	3.3
Brazil Mobile	2,537	2,533	17.1	2,322	2,318	15.1
Media	148	130	0.9	125	116	0.8
Olivetti	180	157	1.0	192	165	1.1
Other Operations(3)	98	52	0.3	109	102	0.7

Total revenues	**15,025**	**14,838**	**100.0**	**15,442**	**15,337**	**100.0**

(1) Gross revenues are total revenues of the various business units of the Telecom Italia Group before elimination of intercompany sales (but after elimination of sales between companies within the same major business area).
(2) Data include revenues recorded by each business area on a consolidated basis after elimination of intercompany sales.
(3) The Other Operations of the Telecom Italia Group consist of the financial companies and other minor companies not associated with the core business of the Telecom Italia Group.

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Foreign revenues (based on customer geographical location) amounted to 4,268 million in the six months ended June 30, 2008 (4,249 million in the six months ended June 30, 2007); 58.8% of the total came from Brazil (54.2% in the six months ended June 30, 2007).

The table below sets forth, for the periods indicated, revenues by geographical area and the percentage of total consolidated revenues:

	Six months ended June 30,			
	2008		2007	
Geographical area	(millions of Euro, except percentages)			
Italy	**10,570**	**71.2%**	**11,088**	**72.3%**
Other European countries	1,257	8.5%	1,328	8.7%
Latin America	2,639	17.8%	2,463	16.1%
Other countries	372	2.5%	458	2.9%
Total outside Italy	**4,268**	**28.8%**	**4,249**	**27.7%**
Total consolidated revenues	**14,838**	**100%**	**15,337**	**100%**

v OTHER INCOME

Other income amounted to 158 million in the six months ended June 30, 2008, a decrease of 6 million compared to 164 million in the six months ended June 30, 2007.

Details are as follows:

	Six months ended June 30,	
	2008	2007
	(millions of Euro)	
Compensations for late payment of regulated telephone services	46	46
Recovery of employee benefits expenses and services rendered	28	20
Grants related to assets and grants related to income	24	18
Damage compensations and penalties	40	34
Sundry income	20	46
Total	**158**	**164**

v OPERATING EXPENSES

The table below sets forth, for the periods indicated, total consolidated **operating expenses** by major components and expressed as a percentage of total consolidated revenues.

	Six months ended June 30, 2008		2007	
	(millions of Euro, except percentages)			
Acquisition of goods and services	6,610	44.6%	6,739	44.0%
Employee benefits expenses	2,274	15.3%	1,893	12.3%
Other operating expenses	865	5.8%	824	5.4%
Changes in inventories	(17)	(0.1)%	(21)	(0.1)%
Internally generated assets	(271)	(1.8)%	(269)	(1.8)%
Depreciation and amortization	2,952	19.9%	2,793	18.2%
(Gains) losses on disposals of non-current assets	(26)	(0.2)%	(12)	(0.1)%
Impairment (reversals) losses on non-current assets	1			
Total operating expenses	**12,388**	**83.5%**	**11,947**	**77.9%**

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2008 Half-Yearly Financial Report **Telecom Italia Group Results Of Operations For The Six Months Ended June 30, 2008**

Our operating expenses increased by 441 million in the six months ended June 30, 2008 compared to the six months ended June 30, 2007; such increase is detailed as follows:

Acquisition of goods and services decreased by 129 million, or 1.9%, from 6,739 million in the six months ended June 30, 2007 to 6,610 million in the six months ended June 30, 2008.

The reduction in costs for the portion of revenues to be paid to other operators and for commercial and advertising expenses of the Domestic Business Unit were partly compensated by the increase in the interconnection costs of the European Broadband and Brazil Mobile Business Units in particular.

The percentage of the acquisition of goods and services to revenues was 44.6% (44.0% in the six months ended June 30, 2007);

Employee benefits expenses increased by 381 million, or 20.1%, from 1,893 million in the six months ended June 30, 2007 to 2,274 million in the six months ended June 30, 2008.

Such increase relates to employees in Italy (366 million) and outside Italy (15 million).

In particular, with regard to the employee benefits expenses in Italy, the lower costs arising from the reduction in the average number of the salaried workforce (a decrease of 1,899 units compared to the first half of 2007 on a comparable consolidation basis) was countered by higher costs due to the effect of the increase in the minimum labor contract terms of October 2007 and June 2008 established by the July 31, 2007 Agreement for the TLC collective national labor contract, for the two economic years 2007 and 2008.

Moreover, expenses were recognized for:

- 287 million, following the start of the mobility procedures under Law 223/91 begun at the end of June by the Parent, Telecom Italia;

- 24 million for inclusion in the scope of consolidation of the company Shared Service Center.

It should also be noted that employee benefits expenses in the first six months of 2007 included the positive effect of the profit bonus accrued in 2006 and then eliminated as a result of agreements reached with the unions in June 2007 (a decrease of 79 million), in addition to the positive impact of the new law regarding supplementary pension benefits on the actuarial calculation of the provision for employee severance indemnity (a decrease of 31 million).

As for employees outside Italy, employee benefit expenses were impacted by the increase in the number of the workforce of the Tim Brasil group and BBNed and the effect of the consolidation of AOL Germany for the entire first half of 2008 (in the first half of 2007 it had been consolidated for only four months). Such effects are partly compensated by lower costs as a result of the deconsolidation of Entel Bolivia starting April 1, 2008.

As of June 30, 2008 the number of employees was 80,508 units (excluding employees related to Discontinued operations/Non-current assets held for sale and including personnel with temp work contracts) compared to 82,069 units as of December 31, 2007. The breakdown by geographic area is as follows:

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	As of	
	June 30, 2008	**December 31, 2007**
	(Units)	
Italy	66,787	66,951
Outside Italy	13,721	15,118
Total employees (excluding employees related to Discontinued operations/Non-current assets held for sale) (*)	**80,508**	**82,069**
Employees related to Discontinued operations/Non-current assets held for sale (outside Italy)	1,292	1,360
Total employees	**81,800**	**83,429**

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(*) Includes employees with temp work contracts: 1,861 as of June 30, 2008 and 1,969 as of December 31, 2007.

Excluding employees relating to Non-current assets held for sale (Liberty Surf group), the employees of the Group shows a reduction of 1,561 employees, compared to December 31, 2007, due to:

the exclusion from the scope of consolidation of Entel Bolivia (1,475 employees);

the sale of the On Air business by MTV Italia (14 employees);

the hiring of 2,848 employees and the termination of 2,812 employees;

the reduction of 108 employees with temp work contracts.

The percentage of employee benefits expenses to revenues was 15.3% (12.3% in the six months ended June 30, 2007).

Other operating expenses increased by 41 million (or 5%), from 824 million in the six months ended June 30, 2007 to 865 million in the six months ended June 30, 2008.

Such operating expenses consist of the following:

	Six months ended June 30,	
	2008	**2007**
	(millions of Euro)	
Impairments for bad debts and charges for non-financial credit management	373	338
Provision charges	71	81
TLC operating fees	159	130

Taxes on revenues of South American companies	135	122
Duties and indirect taxes	72	72
Penalties, compensations and administrative fines	21	25
Association fees, donations scholarships and traineeships	13	13
Other expenses	21	43
Total other operating expenses	**865**	**824**

Impairments for bad debts and charges for non-financial credit management include 172 million referring to the Domestic Business Unit (201 million in the first six months of 2007) and 183 million to the Brazil Mobile Business Unit (126 million in the first six months of 2007).

Provision charges, recognized mainly for pending disputes, include 48 million referring to the Domestic Business Unit (68 million in the first six months of 2007, comprising an accrual of 20 million for the fine levied against Telecom Italia by the Antitrust) and 20 million to the Brazil Mobile Business Unit (8 million in the first six months of 2007).

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Depreciation and amortization increased by 159 million (or 5.7%), from 2,793 million in the six months ended June 30, 2007 to 2,952 million in the six months ended June 30, 2008. Such increase was due to amortization of intangible assets with a finite useful life (88 million) and depreciation of tangible assets (owned and held under finance lease) (71 million).

The percentage of depreciation and amortization to revenue was 19.9% in the six months ended June 30, 2008 (18.2% in the six months ended June 30, 2007).

(Gains) losses on disposals of non-current assets changed from a net gain of 12 million in the six months ended June 30, 2007 to a net gain of 26 million in the six months ended June 30, 2008 (a change of 14 million), mainly due to disposals of property.

v Operating profit

Operating profit decreased by 946 million (or 26.6%), from 3,554 million in the six months ended June 30, 2007 to 2,608 million in the six months ended June 30, 2008. As a percentage of revenues, operating profit was 17.6% in the six months ended June 30, 2008 (23.2% in the six months ended June 30, 2007).

v Share Of Profits (Losses) of associates And Joint Ventures Accounted For Using The Equity Method

The **Share of profits (losses) of associates and joint ventures accounted for using the equity method** recorded profits of 37 million in the six months ended June 30, 2008 (profits of 58 million in the six months ended June 30, 2007).

This item covers the following investments:

	Six months ended June 30,	
	2008	**2007**
	(millions of Euro)	
ETECSA.	29	26
Sofora Telecomunicaciones S.A.	14	10
Tiglio I and Tiglio II	(3)	19
Other investments	(3)	3
Total share of profits (losses) of associates and joint ventures accounted for using the equity method	**37**	**58**

v Finance Income And Expenses, Net

Total finance income and expenses showed a net expense balance of 1,216 million in the six months ended June 30, 2008 (a net expense balance of 969 million in the six months ended June 30, 2007).

The percentage of net finance expenses to revenues was 8.2% in the six months ended June 30, 2008 compared with 6.3% in the six months ended June 30, 2007.

The financial management balance was influenced by the following factors:

the valuation at fair value of the call options on 50% of the share capital of Sofora Telecomunicaciones, resulting in a negative adjustment of 110 million in the six months ended June 30, 2008 (a positive adjustment of 93 million in the six months ended June 30, 2007);

an increase in interest rates on floating rate debt and the change in the fair value of derivatives recorded under hedge accounting.

It should also be noted that the first six months of 2008 include income on the repurchase of own bonds by the Parent, Telecom Italia, for 46 million; in the six months ended June 30, 2007, income included 36 million from the closing of cash-flow hedge derivatives put into place following the early redemption of 1,000 million of underlying debt.

v PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

Profit before tax from continuing operations decreased by 1,214 million, from 2,643 million in the six months ended June 30, 2007 to 1,429 million in the six months ended June 30, 2008.

As a percentage of revenues, profit before tax from continuing operations was 9.6% in the six months ended June 30, 2008 (17.2% in the six months ended June 30, 2007).

v INCOME TAX EXPENSE

Income tax expense decreased by 845 million, from 1,018 million in the six months ended June 30, 2007 to 173 million in the six months ended June 30, 2008.

The reduction is due to lower profit before taxes from continuing operations, lower tax rates and, for 515 million, deferred income taxes on accelerated depreciation recorded in prior years reversed to income, net of the substitute tax, as allowed by the 2008 Budget Law.

The percentage of income tax expense to revenues was 1.2% in the six months ended June 30, 2008 (6.6% in the six months ended June 30, 2007).

v PROFIT FROM CONTINUING OPERATIONS

Profit from continuing operations decreased by 369 million, from 1,625 million in the six months ended June 30, 2007 to 1,256 million in the six months ended June 30, 2008.

As a percentage of revenues, profit from continuing operations was 8.5% in the six months ended June 30, 2008 (10.6% in the six months ended June 30, 2007).

v PROFIT (LOSS) FROM DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE

Loss from Discontinued operations/Non-current assets held for sale increased by 25 million, from 123 million in the six months ended June 30, 2007 to 148 million in the six months ended June 30, 2008 and included the loss of the Liberty Surf group.

v PROFIT FOR THE PERIOD

Profit for the period decreased by 394 million, from 1,502 million in the six months ended June 30, 2007 to 1,108 million in the six months ended June 30, 2008.

As a percentage of revenues, profit for the period was 7.5% in the six months ended June 30, 2008 (9.8% in the six months ended June 30, 2007).

In particular:

- profit attributable to equity holders of the Parent was 1,140 million in the six months ended June 30, 2008 and 1,500 million to in the six months ended June 30, 2007, a decrease of 360 million;

profit (loss) attributable to Minority Interest was a loss of 32 million in the six months ended June 30, 2008 compared to a profit of 2 million in the six months ended June 30, 2007.

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2008 Half-Yearly Financial Report **Telecom Italia Group Results Of Operations For The Six Months Ended June 30, 2008**

¢ Business Units Financial Data

The Telecom Italia Group is organized by business segment as follows:

Domestic Business Unit: includes the domestic operations of Fixed Telecommunications (divided into Retail Telephone, Internet, Data business and Wholesale) and Mobile Telecommunications as well as the relative support activities;

European BroadBand Business Unit: comprises broadband services in Germany and the Netherlands;

Brazil Mobile Business Unit: includes Mobile Telecommunications operations in Brazil;

Media Business Unit: comprises Television and News activities;

Olivetti Business Unit: includes operations for the manufacture of digital printing systems, ink-jet office products, ink-jet print heads and Micro Electro-Mechanical Systems (MEMS);

Other Operations include the financial companies and other minor companies not strictly related to the core business of the Telecom Italia Group.

The table below sets forth revenues, operating profit (loss), capital expenditures and number of employees by Business Units, for the periods indicated.

		Domestic	European Broad Band	Brazil Mobile	Media	Olivetti	Other Operations	Adjustments and eliminations	Consolidated Total
				(millions of Euro, except number of employees)					
Revenues(1)	2008 first half	11,420	642	2,537	148	180	98	(187)	14,838
	2007 first half	12,182	512	2,322	125	192	109	(105)	15,337
Operating profit (loss)	2008 first half	2,679	2	(2)	(69)	(16)	14		2,608
	2007 first half	3,456	52	69	(52)	(24)	25	28	3,554
Capital expenditures	2008 first half	1,952	189	824	27	1	1	(38)	2,956
	2007 first half	1,895	190	271	46	5	5		2,412

Number of employees(2)	As of June 30, 2008	64,234	3,081	10,239	1,032	1,239	683	80,508
	As of Dec.31,2007(3)	64,362	3,191	10,030	1,016	1,279	2,191	82,069

(1) Revenues are total revenues of the various business units of the Telecom Italia Group before elimination of intercompany sales (but after elimination of sales between companies within the same major business area).

(2) The number of employees at period-end excludes employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale, and includes personnel with temp work contracts.

(3) For purposes of comparison, the data at December 31, 2007 have been restated in order to exclude 1,360 employees of the Liberty Surf group which starting from January 1, 2008, are considered as Discontinued operations/Non-current assets held for sale.

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v DOMESTIC

The following table sets forth, for the periods indicated, certain financial and other data for the Domestic Business Unit.

	Six months ended June 30, 2008	2007
	(millions of Euro, except percentage and employees)	
Gross revenues	11,420	12,182