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

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 SEPTEMBER 2008

Telecom Italia S.p.A.

(Translation of registrant s name into English)

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 Form 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-_____

HALF-YEARLY FINANCIAL REPORT

AT JUNE 30, 2008

The Half-yearly condensed consolidated financial statements at June 30, 2008, as well as the other parts of the Half-yearly financial report at June 30, 2008 have been translated from those issued 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.

l CONTENTS

l CORPORATE BOARDS AT JUNE 30, 2008

Board of Directors

The ordinary shareholders meeting held on April 14, 2008 elected the board of directors, establishing the number of directors at 15 and setting the expiration of the term of office for three years, up to the approval of the financial statements at December 31, 2010.

On April 15, 2008, the new board of directors of Telecom Italia met and confirmed Gabriele Galateri di Genola and Franco Bernabè, respectively, chairman and chief executive officer, with the powers and responsibilities already held by them.

At June 30, 2008, 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)
	Jean Paul Fitoussi (independent)
	Berardino Libonati
	Julio Linares López
	Gaetano Micciché
	Aldo Minucci
	Gianni Mion
	Renato Pagliaro
	Luigi Zingales (independent)

The domicile for the posts held by all the members of the board of directors is the registered office of Telecom Italia in Milan, Piazza degli Affari 2.

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The current composition of the internal Committees of the board of directors is the following.

Executive Committee	Gabriele Galateri di Genola - Chairman
	Franco Bernabè
	Roland Berger
	Julio Linares López
	Gaetano Micciché
	Aldo Minucci
	Gianni Mion
	Renato Pagliaro
Committee for Internal Control and Corporate Governance	Paolo Baratta - Chairman
	Elio Cosimo Catania
	Jean Paul Fitoussi
	Aldo Minucci

Nomination and Remuneration Committee	Elio Cosimo Catania - Chairman Berardino Libonati Luigi Zingales

Board of Statutory Auditors

Chairman	Paolo Golia
Acting Auditors	Enrico Maria Bignami Salvatore Spiniello Ferdinando Superti Furga Gianfranco Zanda
Alternate Auditors	Luigi Gaspari Enrico Laghi

Common representatives

Savings shareholders Carlo Pasteris
Appointed for the three-year period 2007 2009 by the special shareholders meeting held on May 16, 2007.

Bondholders Francesco Pensato
Telecom Italia 1.5% 2001-2010 convertible bonds with a repayment premium

Appointed by decree of the Milan Court on April 30, 2008, after failure to establish the corresponding bondholders meeting.

Bondholders Francesco Pensato
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 .

Appointed by decree of the Milan Court on April 30, 2008, after failure to establish the corresponding bondholders meeting.

Bondholders Francesco Pensato
Telecom Italia S.p.A. euro 750,000,000 4.50% notes due 2011

Appointed by the April 10, 2006 decree of the Milan Court, after failure to establish the corresponding bondholders meeting.

Bondholders Francesco Pensato
Telecom Italia S.p.A. euro 1,250,000,000 5.375% notes due 2019

Appointed by the April 10, 2006 decree of the Milan Court, after failure to establish the corresponding bondholders meeting.

Manager responsible for preparing the Company s financial reports

At June 30, 2008, Enrico Parazzini (head of the Finance, Administration and Control Function of the Group) is the manager responsible for preparing Telecom Italia s financial reports. Upon the board s approval of this half-yearly financial report, Enrico Parazzini is leaving Telecom Italia and Marco Patuano will take over the role of the manager responsible for preparing Telecom Italia s financial reports.

Independent auditors

Reconta Ernst & Young S.p.A. for the three years 2007-2009.

KEY MANAGERS

At June 30, 2008, the key managers, that is, those who have the power and responsibility, directly or indirectly, for the planning, direction and control of the operations of Telecom Italia, including directors, are the following:

Directors:	
Gabriele Galateri di Genola	Chairman
Franco Bernabè	Chief Executive Officer
Managers:	
Paolo Annunziato	Head of Public Affairs
Francesco Chiappetta	Head of General Counsel & Corporate and Legal Affairs
Oscar Cicchetti	Head of Domestic Market Operations
Luca Luciani	Head of Domestic Mobile Services
Antonio Migliardi	Head of Human Resources and Organization
Enrico Parazzini	Head of Finance, Administration and Control
Stefano Pileri	Head of Technology & Operations
Germanio Spreafico	Head of Purchasing
Giovanni Stella	Executive Deputy Chairman and Chief Executive Officer of Telecom Italia Media S.p.A. Head of Media Business Unit

GROUP COMMITTEES

One the organizational tools adopted to ensure the management and the operational integration of the Group is the Group Committee System. The aim of the System is to:

- monitor the implementation of strategies, development of plans and attainment of results;
- ensure the overall coordination of business actions and management of relative cross-over issues;
- build-up the necessary operational synergies among the various functions involved in technological, business and support processes.

The Group Committee System is currently being reviewed and revised. Specifically, the committees at June 30, 2008 are as follows:

- *Risk Management Committee* of the Group, which ensures the identification, the assessment and the management of the risks of the Group as well as the policy for IT security and information, coordinating preventive action plans designed to guarantee the operating continuity of the business and monitoring the effectiveness of the countermeasures adopted;
- *IT Governance Committee* of the Group, which defines the guidelines for the information strategies of the Group, guides IT strategic technological decisions and investments consistently with business needs, monitors the progress on the most important IT projects, quality of solutions and cost effectiveness;

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Security Committee of the Group, which ensures the integrated coordination of security and crisis management activities of the Group, monitoring the progress on major projects and the effectiveness of the solutions adopted;

Steering Committee of the Group for Relations with Telefónica, which aims to meet the following objectives:

identify areas and business activities suitable for possible industry synergies between the two Groups;

design consequent plans for execution;

control consistency with national and international laws, measures by public authorities and rules of self-regulation;

Quality Governance Committee of the Group, which has responsibility for:

directing and supervising the initiatives and activities geared to the end-to-end improvement of the quality of the processes;

monitoring the results of the quality obtained, also analyzing them according to the quality requisites required by the Authorities, the most important or recurring customer complaints and generally on the basis of the feedback from all the stakeholders;

supervising the process for the creation, quality certification and launch of new products and services offered to the clientele in particular those with a greater impact in terms of image and competitive market positioning with the specific operating responsibilities of the technical structures and the businesses involved remaining unchanged;

Steering Committee of the Group for the Coordination of Editorial Content Acquisitions, which coordinates and harmonizes the acquisition of editorial content for all platforms of the Telecom Italia Group.

l MACRO-ORGANIZATION CHART AT JUNE 30, 2008 TELECOM ITALIA GROUP

(1) Subsequent to the board s approval of the Half-yearly Financial Report on August 8, 2008, Marco Patuano took over from Enrico Parazzini as chief financial officer.

(2) Subsequent to the board s approval of the Half-yearly Financial Report on August 8, 2008, Elisabetta Ripa took over from Valeria Leone as head of Group Investor Relations and will report directly to the Group chief financial officer, Marco Patuano.

The Telecom Italia Group has recently set a path to redefine its organizational structure so that the Customer is positioned at the center of the operating processes.

With this, the Group intends to lay aside, gradually and in full observance of regulations, the organizational rationale based on fixed and mobile technologies, designing a business model capable of effectively presiding over the various clientele segments through dedicated units.

Starting January 1, 2008, the Telecom Italia Group implemented certain changes to the organizational structure of its operations as described in the following paragraphs.

In the Domestic area, a change was made to the operating structure which particularly resulted in the following:

the creation of the Technology & Operations Department, which ensures the technological innovation of the Group, ensures integrated control over the activities of development, construction and operation of the network, real estate/installations and information technology infrastructures, as well as the processes for the delivery and assurance of customer services.

The reorganization and positioning of the activities dedicated to the management of the technological and network infrastructures in a single organizational area is functional to reaching the goal of increasing efficiency, reducing costs, integrating the BSS-OSS project and operating areas and giving greater transparency to the access network;

the creation of the Domestic Market Operations Department*,* which ensures the coordination and integration of market development and management activities at the domestic level. The Domestic

Market Operations Department will gradually adopt a Customer Centric organizational model and abandon the current control model based on business technologies (fixed and mobile) in favor of an organization based on clientele segments.
The Domestic Market Operations Department now also comprises the company *Olivetti*.

In the international sphere, the Group defined the new structure for the coordination of the foreign investee companies, placing the responsibility for ensuring the management and integrated development of the business at the international level in a single organizational area identified as the International Business Department.

A new Deputy Chairman position of the Telecom Italia Group in Latin America was also created with responsibility for promoting the general interests of the Group at the local level, managing relations with institutions, political and governmental organisms and trade associations.

Following the actions taken to redefine the organization, the structure of the Telecom Italia Group is now organized as follows:

The following report to the ***Chairman*** who is entrusted with, for the purpose of guaranteeing functionality and effectiveness of action of the board of directors, responsibility for the supervision of the formulation of strategic, industrial and financial plans, the definition of the organization structures and the economic and financial performance of the Group as well as the overall governance of the internal control system:

<u>The Functions</u>

General Counsel & Corporate and Legal Affairs;

Public Affairs;

<u>as well as the Company</u>

Telecom Italia Audit & Compliance Services.

On June 30, 2008, the following report, to the ***Chief Executive Officer*** who is assigned responsibility for the overall governance of the Group, especially with regard to the definition, implementation and development of strategic, industrial and financial plans, the definition of the organization structure and also business development and management:

<u>The Functions</u>

Finance, Administration and Control;

Human Resources and Organization;

Purchasing;

Domestic Legal Affairs and Judicial Authority Services;

Strategy;

Investor Relations;

External Relations;

Regulatory Affairs;

Security;

National Wholesale Services;
as well as the Departments

Technology & Operations, to which the following report in particular:

Open Access;

Network;

Information Technology;

Domestic Market Operations, to which the following Departments report:

Domestic Fixed Services;

Domestic Mobile Services;

Top Clients & ICT Services;

International Business.

Reporting to the C***hief Executive Officer*** are also the Media Business Unit, the company *TIM Brasil*, the Deputy Chairman of the Telecom Italia Group in Latin America and the Executive Assistant.

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In July 2008, some further significant changes in the organizational structure were effected, such as:

- the direct reporting of the following functions to the head of the Domestic Market Operations Department:

  - *Quality of Service,* which ensures the development and management of the system for monitoring the quality of service to the clientele and customer satisfaction, as well as the coordination of the relative improvement plans;

  - *Business Innovation* newly created which ensures competitive analyses and integrated control over evolving changes in the fixed and mobile businesses and relative technologies, in association with the pertinent structures of the Technology & Operations Department

- the creation in relation to the process for the implementation of the new customer centric organization model of the following project structures:

  - *Marketing Convergent Business*, coordinated by the head of the *Domestic Fixed Service*s Department, which ensures the development of integrated fixed-mobile offerings and the correlated marketing plans for all Business clientele; in order to delimit the relative field of action it is assumed that the customer has a VAT number as a criterion for inclusion in the Business segment;

  - *Marketing Convergent Consumer*, coordinated by the head of the *Domestic Mobile Services* Department, which ensures the development of integrated fixed-mobile offerings and the correlated marketing plans for all Consumer customers.

In order to control the transformation process currently underway, the following were set up:

- the *Convergent Offering Steering Committee* coordinated by the head of the *Domestic Market Operations* Department and composed of the heads of the *Domestic Fixed Services, Domestic Mobile Services* and *Top Clients & ICT Services* Departments for integrating and coordinating the development of convergent offerings, the relative policies for the commercial channel and the caring system;

- the *Program Management Office* coordinated by the head of the *Domestic Market Operations* Department and composed of the head of *Human Resources and Organization* and the heads of the *Domestic Fixed Services, Domestic Mobile Services* and *Top Clients & ICT Services* Departments for global control over the transformation program of the *Domestic Market Operations* Department to the *customer centric* business model.

l INFORMATION FOR INVESTORS

SHARE CAPITAL TELECOM ITALIA S.p.A. AT JUNE 30, 2008

Share capital	euro 10,673,803,324.80
Number of ordinary shares (par value euro 0.55 each)	13,380,794,475
Number of savings shares (par value euro 0.55 each)	6,026,120,661
Number of ordinary treasury shares held by Telecom Italia	1,272,014
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	0.65%
Market capitalization (based on June 2008 average prices)	euro 24,400 million

SHAREHOLDERS

Composition of Telecom Italia S.p.A. shareholders according to the

Shareholders Book at June 30, 2008, supplemented by communications

received and other sources of information (ordinary shares)

PERFORMANCE OF THE STOCKS OF THE MAJOR COMPANIES IN THE TELECOM ITALIA GROUP

Relative performance

TELECOM ITALIA S.p.A.

1/1/2008 6/30/2008

vs. MIBTEL and

Dow Jones Stoxx TLC Index

(*) Stock market prices, Reuters data.

Relative performance

TELECOM ITALIA MEDIA S.p.A.

1/1/2008 6/30/2008

vs. MIBTEL and

Dow Jones Stoxx MEDIA Index

(*) Stock market prices, Reuters data.

RATINGS AT JUNE 30, 2008

	RATING	OUTLOOK
STANDARD & POOR S	BBB	Stable
MOODY S	Baa2	Stable
FITCH RATINGS	BBB+	Stable

Standard & Poor s, on March 17, 2008, changed its rating of Telecom Italia from BBB+ to BBB and modified the outlook from negative to stable.

Moody s, on May 12, 2008, changed its outlook of the Group to stable from negative and also confirmed its Baa2 rating on that occasion.

Fitch Ratings, on March 10, 2008, confirmed its rating of BBB+ with a stable outlook.

l INTRODUCTION

The half-yearly financial report at June 30, 2008 of the Telecom Italia Group has been prepared in accordance with art. 154-ter (Financial Reporting) of Legislative Decree 58/1998 (Consolidated Act of Finance) and subsequent amendments and additions, as well as in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union, in addition to the measures enacted for the implementation of art. 9 of Legislative Decree 38/2005.

This financial report includes:

- the interim management report;
- the half-yearly condensed consolidated financial statements;
- the certification of the half-yearly condensed consolidated financial statements in accordance with art. 81-ter of Consob Regulation 11971 of May 14, 1999 and later amendments and additions.

l SELECTED OPERATING AND FINANCIAL DATA TELECOM ITALIA GROUP

At June 30, 2008, the scope of consolidation shows the following changes compared to June 30, 2007 and December 31, 2007:

- exclusion of Entel Bolivia from the scope of consolidation starting from April 1, 2008, following the May 1, 2008 Decree by the Bolivian government which called for the nationalization of the Entel Bolivia shares held by the Telecom Italia Group. The investment is now recorded in current assets.
- inclusion of the companies of the AOL group acquired at the end of February 2007, consolidated from March 1, 2007;
- inclusion of InterNLnet B.V. (a Dutch company acquired by BBNed in July 2007);
- inclusion of the company Shared Service Center S.r.l. (consolidated line-by-line from October 2007) following the acquisition of control by the Parent in the last quarter of 2007. Previously, the company had been accounted for in the financial statements using the equity method.

In accordance with IFRS, the Liberty Surf group was classified, with regard to the economic results for the first six months of 2008 and 2007 and the balance sheet at June 30, 2008, in Discontinued operations/Non-current asses held for sale, following actions taken for its sale begun in the early months of 2008.

Disclaimer

This half-yearly financial report, and in particular the section entitled Business Outlook for the Year 2008 , contains forward-looking statements. These statements are 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 rely unduly on forward-looking statements. Actual results may differ significantly from forecasts owing to numerous factors, the majority of which is beyond the Group s control. Additional details are provided in the section Business Outlook for the Year 2008 .

Revenues

(euro/mln)

	1^{st} Half 2008	1^{st} Half 2007
Consolidated Operating and Financial Data (millions of euro)		
Revenues	14,838	15,337
EBITDA[*]	5,535	6,335
EBIT[*]	2,608	3,554
Profit before tax from continuing operations	1,429	2,643
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
Profit attributable to the equity holders of the Parent	1,140	1,500
Capital expenditures:		
Industrial	2,956	2,412
Financial		669

EBIT *(euro/mln)*

	6/30/2008	12/31/2007 restated (°)	12/31/2007
Consolidated Balance Sheet Data (millions of euro)			
Total assets	85,868	88,176	87,425
Total equity	26,458	26,985	26,985
attributable to the equity holders of the Parent	25,572	25,922	25,922
attributable to Minority Interest	886	1,063	1,063
Total liabilities	59,410	61,191	60,440
Total equity and liabilities	85,868	88,176	87,425
Share capital	10,605	10,605	10,605
Net financial debt	37,172	35,701	35,701
Debt ratio (Net financial debt / Net invested capital [1])	58.4%	57.0%	57.0%
Headcount, number in the Group at period-end [2]			
Headcount (excluding headcount relating to discontinued operations/non-current assets held for sale)	80,508	82,069	83,429
Headcount relating to discontinued operations/non-current assets held for sale	1,292	1,360	

Revenues/Headcount

(euro/thds)

	1^{st} Half 2008	1^{st} Half 2007
Headcount, average number in the Group [2]		
Headcount (excluding headcount relating to discontinued operations/non-current assets held for sale)	76,660	78,002
Headcount relating to discontinued operations/non-current assets held for sale	1,338	1,346

Consolidated Profit Ratios		
EBITDA(*) / Revenues	37.3%	41.3%
EBIT(*) / Revenues (ROS)	17.6%	23.2%
Revenues/Headcount (average number in the Group, thousands of euro)	193.6	196.6

(°) The data at 12/31/2007 has been restated for purposes of comparison by considering the Liberty Surf group as a discontinued operation/non-current asset held for sale.

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

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

(2) The number includes persons with temp work contracts.

l ALTERNATIVE PERFORMANCE MEASURES

In the half-yearly financial report at June 30, 2008 of the Telecom Italia Group, in addition to the conventional financial performance measures established by IFRS, certain alternative performance measures are presented for purposes of a better understanding of the trend of operations and the financial condition. Such measures, which are also presented in the other periodical financial reports, however, should not be considered as a substitute for those required by IFRS.

The non-IFRS alternative performance measures used are described below:

EBITDA. This financial measure is used by Telecom Italia as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of the operating performance of the Group (as a whole and at the level of the Business Units) in addition to **EBIT**. These measures are calculated as follow:

Profit before tax from continuing operations

+ Finance expenses

- Finance income

+/- Share of losses (profits) of associates and joint ventures accounted for using the equity method

EBIT- Operating profit

+/- Impairment (reversals) losses on non-current assets

+/- Losses (gains) on disposals of non-current assets

+ Depreciation and amortization

Operating profit before depreciation and amortization, Capital gains (losses) realized and Impairment reversals (losses) on non-current assets

Organic change in Revenues, EBITDA and EBIT. These measures express changes (amount and/or percentage) in Revenues, EBITDA and EBIT, excluding, where applicable, 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. Telecom Italia believes that the presentation of such additional information allows for a more complete and effective understanding of the operating performance of the Group (as a whole and at the level of the Business Units). The organic change in Revenues, EBITDA and EBIT is also used in presentations to analysts and investors. Details and a graphic representation of the economic amounts used to arrive at the organic change are provided in this half-yearly financial report at June 30, 2008 of the Telecom Italia Group as well as an analysis of the major non-organic components for the first half of 2008 and 2007.

Net financial debt: Telecom Italia believes that Net Financial Debt represents an accurate indicator of its ability to meet its financial obligations. It is represented by Gross Financial Debt less Cash and Cash Equivalents and other Financial Assets. A schedule is presented in this half-yearly financial report at June 30, 2008 of the Telecom Italia Group that shows the balance sheet amounts used to calculate the Net Financial Debt of the Group.

l COMMENTS ON OPERATING AND FINANCIAL PERFORMANCE TELECOM ITALIA GROUP

Profit attributable to the equity holders of the Parent is euro 1,140 million (euro 1,108 million before loss attributable to Minority Interest). in the first half of 2007, profit attributable to the equity holders of the Parent was euro 1,500 million (euro 1,502 million before profit attributable to Minority Interest).

The reduction in consolidated profit compared to the first half of 2007 can be analyzed as follows:

- lower operating profit, euro 946 million;
- lower *share of profits (losses) of associates and joint ventures accounted for using the equity method,* euro 21 million;
- higher *finance expenses*, net of finance income, euro 247 million;
- lower *income tax expenses,* euro 845 million;
- higher *loss from discontinued operations/non-current assets held for sale,* euro 25 million;
- higher *loss attributable to Minority Interest*, euro 34 million.

The following chart summarizes the main items which had an impact on the profit attributable to the equity holders of the Parent in the first half of 2008:

(millions of euro)

HALF-YEARLY CONDENSED CONSOLIDATED INCOME STATEMENTS

(millions of euro)	1st Half 2008 (a)	1st Half 2007 (b)	Change (a-b)	%
Revenues	14,838	15,337	(499)	(3.3)
Other income	158	164	(6)	(3.7)
Total operating revenues and other income	**14,996**	**15,501**	**(505)**	**(3.3)**
Acquisition of goods and services	(6,610)	(6,739)	129	(1.9)
Employee benefits expenses	(2,274)	(1,893)	(381)	20.1
Other operating expenses	(865)	(824)	(41)	5.0
Changes in inventories	17	21	(4)	(19.0)
Internally generated assets	271	269	2	0.7
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION, CAPITAL GAINS (LOSSES) REALIZED AND IMPAIRMENT REVERSALS (LOSSES) ON NON-CURRENT ASSETS (EBITDA)	**5,535**	**6,335**	**(800)**	**(12.6)**
Depreciation and amortization	(2,952)	(2,793)	(159)	5.7
Gains (losses) on disposals of non-current assets	26	12	14	116.7
Impairment reversals (losses) on non-current assets	(1)		(1)	*
OPERATING PROFIT (EBIT)	**2,608**	**3,554**	**(946)**	**(26.6)**
Share of profits (losses) of associates and joint ventures accounted for using the equity method	37	58	(21)	(36.2)
Finance income	1,515	1,256	259	20.6
Finance expenses	(2,731)	(2,225)	(506)	22.7
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**1,429**	**2,643**	**(1,214)**	**(45.9)**
Income tax expense	(173)	(1,018)	845	(83.0)
PROFIT FROM CONTINUING OPERATIONS	**1,256**	**1,625**	**(369)**	**(22.7)**
Profit or loss from Discontinued operations/Non-current assets held for sale	(148)	(123)	(25)	20.3
PROFIT FOR THE PERIOD	**1,108**	**1,502**	**(394)**	**(26.2)**
of which:				
* **Profit attributable to equity holders of the Parent**	**1,140**	**1,500**	**(360)**	**(24.0)**
* Profit (loss) attributable to Minority Interest	(32)	2	(34)	*

Revenues in the first half of 2008 amount to euro 14,838 million, with a decrease of 3.3% compared to euro 15,337 million in the first half of 2007 (- euro 499 million). The organic change in revenues is -3.8% (-euro 584 million) and is calculated by:

excluding the effect of the change in the scope of consolidation (+euro 22 million mainly as a result of the inclusion in consolidation of the AOL internet businesses in Germany starting March 1, 2007 and excluding Entel Bolivia in the second quarter of 2008;

excluding the effect of exchange differences (+euro 87 million, being the balance between the positive exchange differences of the Brazil Mobile Business Unit totaling euro 116 million and the negative change of the other business units totaling euro 29 million);

excluding the reduction in revenues of euro 24 million, recorded to take into account the settling of certain disputes over rates with other operators and changes in the termination rates of voice calls from the networks of other operators.

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

(millions of euro)

As for the organic change in revenues, the main trends are analyzed below by Business Unit.

The **Domestic** Business Unit shows a reduction in revenues of euro 718 million, which was also influenced by the following effects of regulatory changes :

- application of the Bersani Decree starting from March 2007, the effect of which is euro 125 million in lower revenues. This figure is already net of the positive effect of flexibility (arising from an increase in traffic volumes associated with a decrease in average price rate pressure as a result of eliminating top-up charges without increasing the rate per minute);

- reduction in termination rates, which occurred in the second half of 2007, with a negative effect of euro 131 million;

- rate adjustments for international roaming traffic within the EU, in accordance with the decisions of the European Commission (-euro 90 million);

- change in regulated wholesale prices for bitstream services (interconnection services which consist of Telecom Italia supplying the transmission capacity between the location of an end customer and an interconnection point of another OLO operator which, in turn, offers broadband services), unbundling and shared access. The impact is euro 48 million in lower revenues.

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

Furthermore:

- in fixed telecommunications, the increase in Internet revenues owing to the continual and strong growth of broadband and content and the increase in national Wholesale service revenues, mainly on account of the expansion of the customer base for regulated data and services, were not able to compensate the contraction in Retail Telephone revenues, particularly pertaining to access and traffic. With regard to traffic, the contraction is generated by the volumes and prices mainly relating to fixed-mobile and national 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 impacted by the reduction in fixed-mobile termination rates and higher penetration of flat rates. As for access, the reduction is entirely due to the contraction of the average customer base. Data Business revenues are also down due to ever-fiercer competition in the Corporate client market and the revision of contract prices with the Public Administration which were only compensated in part by a positive performance of ICT services and products. Revenues from international Wholesale services also record a decline owing to the reduction in transit revenues generated by the termination of some contracts during the second quarter of 2007;

in mobile telecommunications, there is a positive trend in value-added service revenues, particularly interactive services and Mobile Broadband, countered by the reduction in phone revenues which are entirely attributable to the effects of the application of the new termination rates, the Bersani Decree and the adjustment of international roaming traffic rates in the EU.

The **European BroadBand** Business Unit positively contributed to the change in revenues for euro 62 million.

The **Brazil Mobile** Business Unit grew by euro 99 million driven by the contribution of voice and value-added services linked to the growth of the customer base.

The **Media** Business Unit reports an increase in revenues of euro 23 million, mainly on account of higher Digital Terrestrial revenues following the positive contribution resulting from the agreements reached with Mediaset and Telecom Italia over broadcasting of the audio-visual content of Serie A soccer games on the DTT and DVB-H platforms.

The revenues of the **Olivetti** Business Unit remain in line with the corresponding period of 2007 (-euro 1 million). The improvement in the specialized printers segment, mainly owing to an important contract for printers supplied to Poste Italiane S.p.A., is offset by a reduction in the sales of traditional ink-jet products, faxes and accessories.

Foreign revenues (based upon the geographical location of customers) amount to euro 4,268 million (euro 4,249 million in the first half of 2007); 58.8% of such revenues comes from Brazil (54.2% in the first half of 2007).

(millions of euro)		1st Half 2008 (a)	1st Half 2007 (b)	Change (a - b)
Italy	**(A)**	**10,570**	**11,088**	**(518)**
Other European countries		1,257	1,328	(71)
Latin America		2,639	2,463	176
Other countries		372	458	(86)
Total foreign revenues	**(B)**	**4,268**	**4,249**	**19**
Total	**(A+B)**	**14,838**	**15,337**	**(499)**

Other income amounts to euro 158 million (euro 164 million in the first half of 2007) and comprises:

(millions of euro)	1st Half 2008 (a)	1st Half 2007 (b)	Change (a - b)
Late payment fees charged for regulated telephone services	46	46	
Recovery of costs, personnel and services rendered	28	20	8
Capital and operating grants	24	18	6
Damage compensation, penalties and sundry recoveries	40	34	6
Sundry income	20	46	(26)
Total	**158**	**164**	**(6)**

EBITDA is euro 5,535 million and decreased by euro 800 million (-12.6%) compared to the first half of 2007. The organic change in EBITDA is a negative euro 530 million (-8.3%) and is calculated as follows:

(millions of euro)	1st Half 2008 (a)	1st Half 2007 (b)	Change (a-b)	Change %
HISTORICAL EBITDA	**5,535**	**6,335**	**(800)**	**(12.6)**
Effect of change in scope of consolidation		**(13)**		
Effect of change in exchange rates		**15**		
Non-organic (income) expenses	**325**	**53**		
Expenses for mobility agreements under Law 223/91	287			
Disputes and settlements with other operators	36	33		
Other expenses, net	2			
Antitrust fine		20		
COMPARABLE EBITDA	**5,860**	**6,390**	**(530)**	**(8.3)**

The EBITDA margin went from 41.3% in the first half of 2007 to 37.3% in the first half of 2008. At the organic level, the EBITDA margin is 39.4% in the first half of 2008 (41.4% in the first half of 2007).

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

(millions of euro)

In greater detail, in addition to the negative impact, for a total of euro 292 million, associated with the regulatory effects and the impact of the renegotiation of the roaming contract with H3G (-euro 31 million), described earlier in the comments on Revenues, EBITDA in the first half of 2008 was impacted by the following:

acquisition of goods and services, euro 6,610 million, with a decrease of euro 129 million (-1.9%) compared to the first half of 2007 (euro 6,739 million). 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 is 44.5% (43.9% in the first half of 2007);

employee benefits expenses, euro 2,274 million, with an increase of euro 381 million compared to the first half of 2007 (euro 1,893 million). This increase refers to employees in Italy for euro 366 million and employees outside Italy for euro 15 million.

In particular, with regard to the personnel costs of employees in Italy, the lower costs arising from the reduction in the average number of the salaried workforce (-1,899 compared to the first half of 2007 on a comparable consolidation basis) is 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:

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

euro 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 (-euro 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 (-euro 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.

A breakdown of the **headcount** at is as follows:

(number)	6/30/2008 (a)	12/31/2007 (b)	Change (a b)
Italy	66,787	66,951	(164)
Outside Italy	13,721	15,118	(1,397)
Total headcount (excluding discontinued operations / non-current assets held for sale) (1)	**80,508**	**82,069**	**(1,561)**
Non-current assets held for sale - Foreign	1,292	1,360	(68)
Total	**81,800**	**83,429**	**(1,629)**

(1) Includes people with temp work contracts: 1,861 at 6/30/2008 and 1,969 at 12/31/2007.

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

the exclusion from the scope of consolidation of Entel Bolivia (-1,475) and the sale of the On Air business segment by MTV Italia (-14);

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

the reduction of 108 people with temp work contracts.

other operating expenses, euro 865 million (euro 824 million in the first half of 2007), can be analyzed as follows:

(millions of euro)	1st Half 2008 (a)	1st Half 2007 (b)	Change (a-b)
Impairments and charges connected with non-financial receivables management	373	338	35
Charges for accruals to provisions	71	81	(10)
Telecommunications fees and charges	159	130	29
Taxes on revenues of South American companies	135	122	13
Indirect duties and taxes	72	72	
Penalties, compensation and administrative sanctions	21	25	(4)
Association dues and fees, donations, scholarships and traineeships	13	13	
Other expenses	21	43	(22)
Total	**865**	**824**	**41**

Impairments and charges connected with receivables management include euro 172 million referring to the Domestic Business Unit (euro 201 million in the first half of 2007) and euro 183 million to the Brazil Mobile Business Unit (euro 126 million in the first half of 2007).

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

EBIT is euro 2,608 million, with a reduction of euro 946 million compared to the first half of 2007 (-26.6%). The organic change in EBIT is a negative euro 672 million (-18.8%) and is calculated as follows:

(millions of euro)	1st Half 2008 (a)	1st Half 2007 (b)	Change (a-b)	Change %
HISTORICAL EBIT	**2,608**	**3,554**	**(946)**	**(26.6)**
Effect of change in scope of consolidation		**(9)**		
Effect of change in exchange rates		**(7)**		
Non-organic (income) expenses:	**300**	**42**		
Non-organic expenses already described under EBITDA	325	53		
Non-recurring gains on sale of properties	(25)	(10)		
Other income, net		(1)		
COMPARABLE EBIT	**2,908**	**3,580**	**(672)**	**(18.8)**

The EBIT margin went from 23.2% in the first half of 2007 to 17.6% in the first half of 2008. At the organic level, the EBIT margin is 19.6% in the first half of 2008 (23.2% in the first half of 2007).

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

(millions of euro)

In greater detail, in addition to the comments made under EBITDA, EBIT is impacted by **depreciation and amortization charges** of euro 2,952 million (euro 2,793 million in the first half of 2007), with an increase of euro 159 million. This increase includes euro 88 million for the amortization of intangible assets and euro 71 million for the depreciation of property, plant and equipment. Depreciation and amortization charges are offset by the increase of euro 14 million in **gains on disposals of non-current assets** principally referring to the disposal of properties.

The **share of profits (losses) of associates and joint ventures accounted for using the equity method** is a profit of euro 37 million (a profit of euro 58 million in the first half of 2007). The line includes:

(millions of euro)	**1st Half 2008 (a)**	**1st Half 2007 (b)**	**Change (a-b)**
ETECSA	29	26	3
Sofora Telecomunicaciones S.A.	14	10	4
Tiglio I and Tiglio II	(3)	19	(22)
Other	(3)	3	(6)
Total	**37**	**58**	**(21)**

Finance income (expenses) show a net expense balance of euro 1,216 million (a net expense balance of euro 969 million in the first half of 2007). The deterioration of euro 247 million is impacted by:

- the negative change of euro 203 million in the measurement at fair value of the call options on 50% of the share capital of Sofora Telecomunicaciones (negative change of euro 110 million in the first half of 2008, positive change of euro 93 million in the corresponding period of 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 euro 46 million; in the first six months of 2007, income included euro 36 million from the closing of cash flow hedge derivatives put into place following the early redemption of euro 1,000 million of underlying debt.

Income tax expense amounts to euro 173 million and registers a decrease of euro 845 million compared to the first half of 2007. The reduction is due to lower profit before taxes, lower tax rates and, for euro 515 million, deferred income taxes on accelerated depreciation taken in prior years reversed to income, net of the substitute tax, as allowed by the Italian Budget Law 2008.

Loss on discontinued operations/non-current assets held for sale is euro 148 million (euro 123 million in the first half of 2007) and basically refers to the negative contribution by the Liberty Surf group.

HALF-YEARLY CONDENSED CONSOLIDATED BALANCE SHEETS

(millions of euro)	6/30/2008 (a)	12/31/2007 restated (1) (b)	Change (a-b)	12/31/2007
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Goodwill	44,222	44,171	51	44,420
Intangible assets with a finite useful life	7,052	6,750	302	6,985
	51,274	50,921	353	51,405
Tangible assets				
Property, plant and equipment owned	15,029	15,338	(309)	15,484
Assets held under finance leases	1,412	1,450	(38)	1,450
	16,441	16,788	(347)	16,934
Other non-current assets				
Investments in associates and joint ventures accounted for using the equity method	472	484	(12)	484
Other investments	59	57	2	57
Securities, financial receivables and other non-current financial assets	741	695	46	695
Miscellaneous receivables and other non-current assets	786	864	(78)	866
Deferred tax assets	238	247	(9)	247
	2,296	2,347	(51)	2,349
TOTAL NON-CURRENT ASSETS (A)	**70,011**	**70,056**	**(45)**	**70,688**
CURRENT ASSETS				
Inventories	327	307	20	308
Trade and miscellaneous receivables and other current assets	8,953	9,043	(90)	9,088
Current income tax receivables	104	101	3	101
Investments	39		39	
Securities other than investments	166	387	(221)	390
Financial receivables and other current financial assets	1,124	1,065	59	377
Cash and cash equivalents	4,413	6,449	(2,036)	6,473
CURRENT ASSETS SUB-TOTAL	**15,126**	**17,352**	**(2,226)**	**16,737**
Discontinued operations/Non-current assets held for sale				
of a financial nature	30	33	(3)	
of a non-financial nature	701	735	(34)	
	731	**768**	**(37)**	
TOTAL CURRENT ASSETS (B)	**15,857**	**18,120**	**(2,263)**	**16,737**
TOTAL ASSETS (A+B)	**85,868**	**88,176**	**(2,308)**	**87,425**

EQUITY AND LIABILITIES

EQUITY				
Equity attributable to equity holders of the Parent	25,572	25,922	(350)	25,922
Equity attributable to Minority Interest	886	1,063	(177)	1,063
TOTAL EQUITY (C)	**26,458**	**26,985**	**(527)**	**26,985**
NON-CURRENT LIABILITIES				
Non-current financial liabilities	37,226	37,039	187	37,051
Employee benefits	1,350	1,151	199	1,151
Deferred tax liabilities	109	584	(475)	586
Provisions	775	902	(127)	903
Miscellaneous payables and other non-current liabilities	1,629	1,587	42	1,587
TOTAL NON-CURRENT LIABILITIES (D)	**41,089**	**41,263**	**(174)**	**41,278**
CURRENT LIABILITIES				
Current financial liabilities	5,597	6,590	(993)	6,585
Trade and miscellaneous payables and other current liabilities	11,183	12,210	(1,027)	12,380
Current income tax payables	501	197	304	197
Current liabilities sub-total	**17,281**	**18,997**	**(1,716)**	**19,162**
Liabilities directly associated with Discontinued operations/Non-current assets held for sale				
of a financial nature	823	701	122	
of a non-financial nature	217	230	(13)	
	1,040	**931**	**109**	
TOTAL CURRENT LIABILITIES (E)	**18,321**	**19,928**	**(1,607)**	**19,162**
TOTAL LIABILITIES (F=D+E)	**59,410**	**61,191**	**(1,781)**	**60,440**
TOTAL EQUITY AND LIABILITIES (C+F)	**85,868**	**88,176**	**(2,308)**	**87,425**

(1) For purposes of comparison with June 30, 2008, the figures at December 31, 2007 have been restated in order to consider the Liberty Surf group as a discontinued operation.

Assets, equal to euro 85,868 million (euro 88,176 million at December 31, 2007), consist of **non-current assets** of euro 70,011 million (euro 70,056 million at December 31, 2007), **current assets** of euro 15,126 million (euro 17,352 million at December 31, 2007) and **discontinued operations/non-current assets held for sale** of euro 731 million (euro 768 million at December 31, 2007).

Equity amounts to euro 26,458 million (euro 26,985 million at December 31, 2007), of which euro 25,572 million is attributable to the equity holders of the Parent (euro 25,922 million at December 31, 2007) and euro 886 million attributable to Minority Interest (euro 1,063 million at December 31, 2007).

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

(millions of euro)	6/30/2008	12/31/2007
At the beginning of the period	**26,985**	**27,098**
Contribution by shareholders, bond conversions and stock options		2
Profit attributable to the equity holders of the Parent and the Minority interest	1,108	2,455
Dividends declared by:	(1,668)	(2,840)
Telecom Italia S.p.A.	*(1,609)*	*(2,766)*
Other Group companies	*(59)*	*(74)*
Translation differences, changes in the scope of consolidation and other changes	33	270
At the end of the period	**26,458**	**26,985**

Net financial debt amounts to euro 37,172 million, with an increase of euro 1,471 million compared to euro 35,701 million at the end of 2007.

In particular, besides the positive cash flows provided by operating activities and the payment of **dividends** for a total of euro 1,664 million, in the first half of 2008 net financial debt was impacted by the following:

capital expenditures during the period totaling euro 2,956 million. Compared to the first half of 2007, this is an increase of euro 544 million (+22.6%) mainly as a result of the purchase of the mobile licenses for the 3G service by the Brazil Mobile Business Unit (euro 477 million). Details are as follows:

	1st Half 2008		1st Half 2007		Change
(millions of euro)	(a)	*% of total*	(b)	*% of total*	(a-b)
Domestic	1,952	*66.0*	1,895	*78.6*	57
European BroadBand	189	*6.4*	190	*7.9*	(1)
Brazil Mobile	824	*27.9*	271	*11.2*	553
Media, Olivetti and Other operations	29	*1.0*	56	*2.3*	(27)
Adjustments and eliminations	*(38)*	*(1.3)*			*(38)*
Total	**2,956**	***100.0***	**2,412**	***100.0***	**544**

sale of investments and other disposals of euro 60 million (euro 41 million in the first half of 2007), mainly referring to the sale of non-current assets, reimbursements of capital and the payment of dividends by associates.

There were no **financial investments** during the first half of 2008 whereas in the same period of the prior year financial investments totaled euro 669 million and referred to the acquisition of the AOL internet activities in Germany.

In the second quarter of 2008, net financial debt increased by euro 1,736 million, from euro 35,436 million at March 31, 2008 to euro 37,172 million at June 30, 2008. The increase is the result of the payment of dividends and the acquisition of the 3G licenses in Brazil. This led to the recognition of a financial payable to Anatel (the Brazilian regulatory authority) which was only partly compensated by the positive changes in operating activities.

The following table presents details on the composition of net financial debt:

(millions of euro)		6/30/2008 (a)	12/31/2007 restated (**) (b)	Change (a-b)	12/31/2007
Non-current financial liabilities (*):					
Financial payables		32,750	33,287	(537)	33,299
Finance lease liabilities		1,766	1,809	(43)	1,809
Non-current liabilities for hedging derivatives		2,709	1,942	767	1,942
Other financial liabilities		1	1		1
	(1)	37,226	37,039	187	37,051
Less:					
Non-current financial receivables for lessors net investments		*(281)*	*(279)*	*(2)*	*(279)*
Non-current assets for hedging derivatives		*(334)*	*(286)*	*(48)*	*(286)*
		(615)	*(565)*	*(50)*	*(565)*
TOTAL NON-CURRENT FINANCIAL LIABILITIES (*)	**(A)**	**36,611**	**36,474**	**137**	**36,486**
Current financial liabilities (*):					
Financial payables		4,848	5,948	(1,100)	5,943
Finance lease liabilities		260	262	(2)	262
Current liabilities for hedging and non-hedging derivatives		482	372	110	372
Other financial liabilities		7	8	(1)	8
	(2)	5,597	6,590	(993)	6,585
Less:					
Current financial receivables for lessors net investments		*(147)*	*(149)*	*2*	*(149)*
Current assets for hedging derivatives		*(144)*	*(186)*	*42*	*(186)*
		(291)	*(335)*	*44*	*(335)*
TOTAL CURRENT FINANCIAL LIABILITIES (*)	**(B)**	**5,306**	**6,255**	**(949)**	**6,250**
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	**(C)(3)**	**823**	**701**	**122**	
TOTAL GROSS FINANCIAL DEBT (*)	**(D=A+B+C)**	**42,740**	**43,430**	**(690)**	**42,736**
Current financial assets (*):					
Securities other than investments		(166)	(387)	221	(390)
Financial receivables and other current financial assets		(1,124)	(1,065)	(59)	(377)
Cash and cash equivalents		(4,413)	(6,449)	2,036	(6,473)
	(4)	(5,703)	(7,901)	2,198	(7,240)
Less:					
Current financial receivables for lessors net investments		*147*	*149*	*(2)*	*149*
Current assets for hedging derivatives		*144*	*186*	*(42)*	*186*
		291	*335*	*(44)*	*335*

	(E)	**(5,412)**	**(7,566)**	**2,154**	**(6,905)**
Financial assets relating to Discontinued operations/Non-current assets held for sale	**(F)(5)**	**(30)**	**(33)**	**3**	
TOTAL CURRENT FINANCIAL ASSETS (*)	**(G=E+F)**	**(5,442)**	**(7,599)**	**2,157**	**(6,905)**
NET FINANCIAL DEBT AS PER CONSOB COMMUNICATION DEM/6064293/2006	**(H=D+G)**	**37,298**	**35,831**	**1,467**	**35,831**
Non-current financial assets (*):					
Securities other than investments		(14)	(9)	(5)	(9)
Financial receivables and other non-current financial assets		(727)	(686)	(41)	(686)
	(6)	(741)	(695)	(46)	(695)
Less:					
Non-current financial receivables for lessors net investments		*281*	*279*	*2*	*279*
Non-current assets for hedging derivatives		*334*	*286*	*48*	*286*
		615	*565*	*50*	*565*
TOTAL NON-CURRENT FINANCIAL ASSETS (*) (°)	**(I)**	(126)	(130)	4	(130)
NET FINANCIAL DEBT	**(L=H+I)**	**37,172**	**35,701**	**1,471**	**35,701**
COMPOSITION OF NET FINANCIAL DEBT:					
Total gross financial debt:					
Non-current financial liabilities	(1)	37,226	37,039	187	37,051
Current financial liabilities	(2)	5,597	6,590	(993)	6,585
Financial liabilities directly associated with Non-current assets held for sale	(3)	823	701	122	
		43,646	**44,330**	**(684)**	**43,636**
Total gross financial assets:					
Non-current financial assets	(6)	(741)	(695)	(46)	(695)
Current financial assets	(4)	(5,703)	(7,901)	2,198	(7,240)
Financial assets included in non-current assets held for sale	(5)	(30)	(33)	3	
		(6,474)	**(8,629)**	**2,155**	**(7,935)**
		37,172	**35,701**	**1,471**	**35,701**

(*) Net of assets for hedging derivatives and financial receivables for lessors net investments.

(**) For purposes of comparison with June 30, 2008, the figures at December 31, 2007 have been restated in order to consider the Liberty Surf group as a discontinued operation.

(°) At June 30, 2008, the item includes: low-rate loans made to employees (euro 62 million), loans made to Aree Urbane S.r.l. (euro 26 million) and securities other than investments (euro 14 million).

The sale of receivables to factoring companies, concluded during the first half of 2008, led to a positive impact on net financial debt at June 30, 2008 totaling euro 699 million (euro 755 million at December 31, 2007).

With reference to the net financial debt of the Telecom Italia Group, the following is mentioned:

Bonds

Bonds at June 30, 2008 are carried for an amount of euro 29,142 million (euro 31,562 million at December 31, 2007). In terms of the nominal repayment amount, bonds total euro 28,695 million, with a decrease of euro 2,017 million compared to December 31, 2007 (euro 30,712 million). The breakdown is as follows: Telecom Italia S.p.A. euro 10,203 million, Telecom Italia Finance S.A. euro 9,230 million and Telecom Italia Capital S.A. euro 9,262 million.

Convertible bonds at June 30, 2008 are carried for an amount of euro 529 million (euro 518 million at December 31, 2007) and refer entirely to convertible bonds issued by Telecom Italia S.p.A.. In terms of the nominal repayment amount, convertible bonds total euro 574 million.

With reference to **bonds**, the transactions described below took place during the first half of 2008:

1) Repayments

The following bonds reached maturity and were redeemed:

- **Telecom Italia Finance S.A. 5.875% bonds due 2008** : on January 24, 2008, Telecom Italia Finance S.A. redeemed the bonds for an amount of euro 1,659 million (the original amount issued for euro 1,750 million was reduced as a result of the repurchase of bonds on the market and their subsequent cancellation).

- **Telecom Italia S.p.A. Floating Rate Notes Euribor 3M+ 0.22% due 2008** : on June 9, 2008, Telecom Italia S.p.A. redeemed the bonds for an amount of euro 750 million.

2) Repurchase of the bonds Telecom Italia S.p.A., euro 850 million 5.25% due 2055

During the first half of 2008, Telecom Italia S.p.A. repurchased its own bonds for a nominal amount of euro 170 million and recorded a gain in the income statement for euro 46 million.

3) New issue of Telecom Italia Capital S.A. bonds for a total of USD 2 billion

On June 4, 2008, Telecom Italia Capital S.A. placed two tranches for USD 1 billion each on the USA bond market. The bonds are guaranteed by Telecom Italia S.p.A. and mature on June 4, 2018 and June 4, 2038. The two tranches pay a coupon interest rate of 6.999% and 7.721% respectively. The bonds were issued under the Group s USD 10 billion Shelf Registration Statement (Form F-3).

4) Other

- Telecom Italia S.p.A. 2002-2022 bonds, reserved for subscription by employees of the Group, total euro 334 million (nominal amount) at June 30, 2008 and during the first half of 2008 increased by euro 37 million (euro 297 million at December 31, 2007);

- with regard to Telecom Italia Finance S.A. bonds (euro 2,000 million, rate 7.25% with a maturity date of April 2011), the interest rate coupons were increased by 0.25% due to a change in the credit rating by S&P s in March 2008. The step-up was applied starting from the April 2008 coupon; the new rate is equal to 7.50%.

in accordance with the Terms and Conditions of the Telecom Italia Finance S.A. Euro 499,669,000 Guaranteed Floating Rate Extendable Notes due 2008 , the holders of the bonds for a notional amount of euro 360,839,000 renounced the right to possibly extend the maturity date to 2010 and this amount will be repaid on September 14, 2008. On June 12, 2008, bonds were issued for the residual amount and are denominated Telecom Italia Finance S.A. Euro 138,830,000 Guaranteed Floating Rate Extendable Notes due 2010 maturing on June 14, 2010.

Revolving Credit Facility and Term Loan

The composition and draw down of the syndicated committed credit lines available at June 30, 2008, represented by the Term Loan of euro 1.5 billion expiring January 2010 and the Revolving Credit Facility for a total of euro 8 billion expiring August 2014, are presented in the following table:

(billions of euro)	Term Loan expiring 2010		Revolving Credit Facility expiring 2014		TOTAL	
	Agreed	Drawn down	Agreed	Drawn down	Agreed	Drawn down
Situation at 12/31/2007	1.5	1.5	8.0	1.5	9.5	3.0
Situation at 6/30/2008	**1.5**	**1.5**	**8.0**	**1.5**	**9.5**	**3.0**

***

The following table shows the maturities of non-current financial liabilities according to both the carrying amount (including valuations arising from fair value adjustments and the amortized cost, included the accrued expenses) and the expected nominal repayment amount, as contractually defined.

The average maturity of non-current financial liabilities (including the current portion of medium/long term financial liabilities maturing within the year) is equal to 8.01 years.

Maturities of financial liabilities carrying amount[1] [2]:

(millions of euro)	maturing by 6/30 of the year 2009 [3]	2010	2011	2012	2013	After 2013	TOTAL
Bonds	3,130	4,535	3,454	3,281	1,843	13,428	29,671
Loans and other financial liabilities	785	2,036	523	420	151	5,789	9,704
Finance lease liabilities	260	220	174	145	114	1,113	2,026
Total	**4,175**	**6,791**	**4,151**	**3,846**	**2,108**	**20,330**	**41,401**
Current financial liabilities	1,422						1,422
Total, excluding discontinued operations	**5,597**	**6,791**	**4,151**	**3,846**	**2,108**	**20,330**	**42,823**
Discontinued operations [4]	823						823
Total	**6,420**	**6,791**	**4,151**	**3,846**	**2,108**	**20,330**	**43,646**

(1) Carrying amounts take into account fair value adjustments and amortized cost.

(2) Financial commitments include accrued expenses and deferred income, of which euro 1 million is in non-current financial liabilities maturing after 1 year, euro 821 million is in non-current financial liabilities maturing within 1 year and euro 18 million is in other current financial liabilities.

(3) Of which euro 362 million matures on September 14, 2008 and refers to Telecom Italia Finance S.A. extendable bonds on which the bondholders renounced the possibility of extending the maturity date.

(4) These represent payables of the Liberty Surf group to companies of the Telecom Italia group for euro 811 million and others for euro 12 million.

Maturities of financial liabilities nominal repayment amount:

(millions of euro)	2009 (1)	2010	2011	2012	2013	After 2013	TOTAL
	maturing by 6/30/ of the year:						
Bonds	2,605	4,566	3,448	3,265	1,850	13,535	29,269
Loans and other financial liabilities	513	2,030	517	409	150	5,782	9,401
Finance lease liabilities	242	220	174	145	114	1,113	2,008
Total	**3,360**	**6,816**	**4,139**	**3,819**	**2,114**	**20,430**	**40,678**
Current financial liabilities	1,386						1,386
Total, excluding discontinued operations	**4,746**	**6,816**	**4,139**	**3,819**	**2,114**	**20,430**	**42,064**
Discontinued operations (2)	815						815
Total	**5,561**	**6,816**	**4,139**	**3,819**	**2,114**	**20,430**	**42,879**

(1) Of which euro 360.84 million matures on September 14, 2008 and refers to Telecom Italia Finance S.A. extendable bonds on which the bondholders renounced the possibility of extending the maturity date.

(2) These represent payables of the Liberty Surf group to companies of the Telecom Italia group for euro 803 million and others for euro 12 million.

Current financial assets amount to euro 5,703 million (euro 7,901 million at December 31, 2007) and together with the total unused committed credit lines of euro 6.5 billion permit a broad coverage of estimated maturities. Furthermore, euro 811 million (of which euro 16 million is classified in Cash and cash equivalents and euro 795 million in Financial receivables and other current financial assets) refer to financial assets of the Group companies due from the Liberty Surf group, classified in Non-current assets held for sale

Current financial assets at June 30, 2008 include:

cash and cash equivalents amounting to euro 4,413 million (euro 6,449 million at December 31, 2007). The different technical forms used for the investment of available resources at June 30, 2008 can be analyzed as follows:

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

counterpart risk: investments are made with leading banks and financial institutions with high creditworthiness with at least an A rating;

country risk: investments are mainly made on major European financial markets;

financial receivables and other current financial assets amounting to euro 1,124 million (euro 1,065 million at December 31, 2007). They include the current portion of loans receivable from employees (euro 13 million), the current portion of financial receivables for lessors net investments (euro 147 million), derivatives hedging items classified as current assets/liabilities of a financial nature (euro 144 million), non-hedging derivatives (euro 5 million), other current financial assets (euro 20 million) and financial receivables from the Liberty Surf group (euro 795 million);

securities other than investments, maturing beyond three months, equal to euro 166 million (euro 387 million at December 31, 2007), referring to bonds issued by counterparts with at least an A rating with different maturities, but all with an active trading market and therefore readily convertible into cash.

RELATED PARTY TRANSACTIONS

Related party transactions, including intragroup transactions, entered into during the first half are not considered either unusual or exceptional since they fall under the normal business operations of the companies of the Group. Such transactions, when not concluded at standard conditions or dictated by specific laws, are in any case conducted at arm s length. The information on related party transactions required by Consob Communication DEM/6064293 dated July 28, 2006 is presented in the financial statements and in the Notes under Related Party Transactions in the half-yearly condensed consolidated financial statements of the Telecom Italia Group at June 30, 2008.

With regard to the internal rules for carrying out transactions with related parties, these were reviewed by the board of directors in its meeting held on March 6, 2008 at which time a more detailed guideline was introduced which became fully operational on July 7, 2008 (reference should be made to the update section in the corporate governance report).

As indicated at the beginning of this report, a specific Group Steering Committee for Relations with Telefónica has been operational since the end of 2007. Its purpose, among others, is to identify business areas and activities that could lead to possible industrial synergies between the two Groups and devise the resulting plans to implement them. The internal working groups that have consequently been set up between the two during these six months have identified three diverse areas of interest:

- the area of synergies most open to rapid implementation, mainly in the procurement area;
- the area of medium and long-term synergies (such as IT, network and research), in which the mutual factor would be the experience and expertise of each of the two parties, with consequent possible improvements;
- the area of the analysis of common processes, aimed at sharing best practices, improving functionality and reducing costs.

The project (which, as announced, estimates synergies of euro 1.3 billion attainable by the two groups in the three-year period 2008-2010, with Telecom s share at 55%) forms part of an integral and qualifying part of the industrial plan, approved by the board of directors on March 6, 2008, and, as such, its execution constitutes an essential element in reaching the Group s targets.

In view of its strategic nature, as well as having considered the circumstance that Telefónica is a related party of Telecom Italia, the Committee for Internal Control and Corporate Governance has been called upon to monitor the manner in which the project is implemented, in light of the specific rules of conduct.

l EVENTS SUBSEQUENT TO JUNE 30, 2008

With regard to events subsequent to June 30, 2008, reference should be made to the specific Note Events subsequent to June 30, 2008 in the half-yearly condensed consolidated financial statements at June 30, 2008.

l BUSINESS OUTLOOK FOR THE YEAR 2008

On the basis of the results achieved during the first six months, the Group confirms its earnings and financial target forecast for 2008 for the Domestic Business Unit (total revenues in excess of euro 23 billion and the organic EBITDA margin of around 44%). However, the Group is revising its targets for the Brazil Mobil and European BroadBand Business Units (particularly for the subsidiary Hansenet).

Mobile Brazil organic growth in revenues is expected to exceed 7% (compared to 12% announced on March 7, 2008 and then lowered to 9% on May 7, 2008), with an EBITDA margin between 23% and 23.5% (previously forecast at about 24%).

Hansenet revenues are expected to be more than euro 1.2 billion (compared to approximately euro 1.3 announced on March 7, 2008), with an EBITDA margin in excess of 22% (compared to about 26% announced on March 7, 2008 and then lowered to approximately 24% on May 9, 2008).

Therefore, on a consolidated level, applying the first-half exchange rates for the full-year 2008, with comparable non-recurring income and expenses and the same scope of consolidation, and excluding the operations in France from the beginning of the year and in Bolivia from April 1, 2008, the forecast is the following:

- revenues of between euro 30.4 billion and euro 30.5 billion (against the previous target of approximately euro 31 billion);
- EBITDA margin of about 38% (excluding non-recurring income from the reimbursement of the 1998 license fee of approximately euro 0.5 billion and higher expenses for mobility of approximately euro 0.3 billion) against the previous target of 38.5%.

Capital expenditures in 2008 are confirmed at approximately euro 5.4 billion, including euro 0.5 billion for the purchase of the 3G mobile licenses in Brazil.

The net financial debt/EBITDA ratio is expected to be below 3 at the end of 2008.

This outlook for 2008 could nevertheless be influenced by risks and uncertainties dependent upon a number of factors, the majority of which is beyond the Group s control. These include:

- changes in prices and rates;
- changes in the general macro-economic scenario;
- variations in business conditions (growing competitiveness in the domestic market, adverse economic trends in main foreign markets Brazil for mobile telephony and Germany for Broadband);
- changes in legislation and regulations or to the domestic and/or international political situation;
- outcomes of disputes and litigation with regulatory authorities, competitors and other parties;
- unfavorable fluctuations in interest rates and/or exchange rates.

l THE BUSINESS UNITS OF THE TELECOM ITALIA GROUP

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 activities 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.

Segment information is presented as follows:

(millions of euro)		**Domestic**	**European BroadBand**	**Brazil Mobile**	**Media**	**Olivetti**	**Other Operations**	***Adjustments and Eliminations***	**Total Consolidated**
Revenues	1st Half 2008	11,420	642	2,537	148	180	98	(187)	**14,838**
	1st Half 2007	12,182	512	2,322	125	192	109	(105)	**15,337**
EBITDA	1st Half 2008	4,931	119	521	(35)	(12)	23	(12)	**5,535**
	1st Half 2007	5,619	128	585	(21)	(17)	41		**6,335**
EBIT	1st Half 2008	2,679	2	(2)	(69)	(16)	14		**2,608**
	1st Half 2007	3,456	52	69	(52)	(24)	25	28	**3,554**
Capital expenditures	1st Half 2008	1,952	189	824	27	1	1	(38)	**2,956**
	1st Half 2007	1,895	190	271	46	5	5		**2,412**
Headcount at period-end (number)	6/30/2008	64,234	3,081	10,239	1,032	1,239	683		**80,508**
	12/31/2007 restated (1)	64,362	3,191	10,030	1,016	1,279	2,191		**82,069**

(1) For purposes of comparison, the data at December 31, 2007 considers the Liberty Surf group as a discontinued operation.

The key economic and financial data relating to the Liberty Surf group, classified in discontinued operations, is reported below:

		Discontinued Operations		
(millions of euro)		**Liberty Surf group**	**Other, adjustments and eliminations**	**Total**
Revenues	1st Half 2008	235	(75)	160
	1st Half 2007	183	(50)	133
EBITDA	1st Half 2008	(37)	(1)	(38)
	1st Half 2007	(40)		(40)
EBIT	1st Half 2008	(123)	(2)	(125)
	1st Half 2007	(105)		(105)
Profit (loss) from discontinued operations/non-current assets held for sale	1st Half 2008	(145)	(3)	(148)
	1st Half 2007	(118)	(1)	(119)
Capital expenditures	1st Half 2008	84		84
	1st Half 2007	62		62
Net financial debt	6/30/2008	793		793
	12/31/2007	668		668
Headcount at period-end (number)	6/30/2008	1,292		1,292
	12/31/2007	1,360		1,360

The following table presents the operating highlights of the Business Units of the Telecom Italia Group.

DOMESTIC FIXED	6/30/2008	12/31/2007	6/30/2007
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 monthly 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) (1)	29,927	30,834	29,319
EUROPEAN BROADBAND (2)			
Broadband accesses in Europe at period-end (thousands)	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 audience share Free to Air (analog mode) (period average, in %)	3.1	3.0	3.1
La7 audience share Free to Air (analog mode) (average of last month of the period, in %)	3.2	3.1	3.1

(1) Excluding not human SIMs.

(2) For purposes of comparison, 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) classified in discontinued operations after taking steps for its disposal in the early months of 2008.

DOMESTIC

THE BUSINESS UNIT

The Domestic Business Unit operates as the consolidated market leader in the sphere of telephone and data services on fixed and mobile networks for final retail customers and other wholesale operators. In the international field, the Business Unit develops fiber optic networks for wholesale customers (in Europe, in the Mediterranean and in South America).

THE STRUCTURE OF THE BUSINESS UNIT

The Domestic Business Unit is organized as follows:

MAJOR CORPORATE EVENTS AND SCOPE OF CONSOLIDATION

It should be noted that:

- on March 1, 2008, Telecom Italia S.p.A. sold the ISP Management business segment to Matrix. Specifically, ISP Management is an autonomous function for the execution of the activities regarding the supply and management of internet services;
- on May 1, 2008, Telecom Italia S.p.A. made a contribution in kind to Matrix represented by the Directory Assistance Service business segment (the 1254 directory information service relating to the list of subscribers provided by an operator).

MAIN OPERATING AND FINANCIAL DATA

The following table shows the key results of the Domestic Business Unit in the first half of 2008 compared to the first half of 2007.

EBITDA

(millions of euro)	1st Half 2008	1st Half 2007 (1)	Change amount	Change %
Revenues	11,420	12,182	(762)	(6.3)
EBITDA	4,931	5,619	(688)	(12.2)
% of Revenues	*43.2*	*46.1*		
EBIT	2,679	3,456	(777)	(22.5)
% of Revenues	*23.5*	*28.4*		
Capital expenditures	1,952	1,895	57	3.0
Headcount at period-end (number)	64,234	64,362	(128)	(0.2)

(1) The headcount is as of the date of December 31, 2007.

Revenues totaling euro 11,420 million record a contraction of 6.3% (-euro 762 million) compared to the first half of 2007. In organic terms, on a comparable consolidation basis and excluding the foreign exchange effect and non-organic elements (linked to changes in the termination rates of voice calls from the network of other operators, in addition to the settlement of some rate disputes with other operators), the reduction is equal to 5.9% (-euro 718 million).

The trend of revenues was impacted by:

- the reduction in termination rates took place in the second half of 2007 (euro 131 million);
- the effects of the application of the Bersani Decree starting from March 2007 (euro 125 million net of the positive impact of flexibility of traffic volumes as a result of the reduction in average rate price pressure);
- rate adjustments for international roaming traffic within the European Union, in accordance with the decisions of the European Commission (-euro 90 million);
- the change in regulated wholesale prices for 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 another OLO operator which, in turn, offers broadband services), unbundling and shared access (euro 48 million).

Overall, compared to the prior year, these regulatory changes generated a decrease in revenues of euro 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 (negative effect of euro 166 million).

The further reduction in the Business Unit s revenues basically comes from the retail telephone area of fixed telecommunications, especially relating to traffic revenues (lower volumes and prices) and access revenues (contraction of the average customer base).

A breakdown of the various components of the Business Unit s revenues is as follows:

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(millions of euro)	1st Half 2008	1st Half 2007	Change amount	%
Revenues	11,420	12,182	(762)	(6.3)
of which:				
Fixed telecommunications	*7,485*	*7,983*	*(498)*	*(6.2)*
Mobile telecommunications	*4,669*	*4,916*	*(247)*	*(5.0)*
Eliminations and central functions contribution	*(734)*	*(717)*	*(17)*	*(2.4)*

Fixed Telecommunications

Revenues from Fixed Telecommunications amount to euro 7,485 million and show a reduction of euro 498 million (-6.2%) compared to the same period of the prior year. At the organic level, excluding the foreign exchange effect, the change in the scope of consolidation and non-organic elements, revenues decreased by euro 454 million (-5.7%).

The performance of the major business areas is reported below.

Retail Telephone

Revenues from the Retail Telephone area are equal to euro 3,895 million and show a reduction of euro 390 million (-9.1%) compared to 2007, particularly with regard to traffic (-euro 195 million, -10.7%) and access (-euro 120 million, -6.0%). With reference to traffic, the contraction is generated by volumes and prices, especially on fixed-mobile traffic and national traffic. Lower volumes reflect the migration from fixed to mobile traffic and the decline in the average customer base; prices, instead, are affected by the cut in fixed-mobile termination rates and a greater penetration of flat rate plans. As for accesses, the reduction is entirely due to the contraction in the average customer base.

Internet

Revenues generated by the Internet area, equal to euro 810 million, increased by euro 94 million (+13.1%) compared to the first half of 2007. The increase is due to the continuing growth of Broadband (+euro 81 million, +12.6%) and content revenues (+euro 27 million, +90.0% compared to the same period of 2007). The overall portfolio of Broadband accesses in the domestic market reached 7.8 million customers, of which 6.6 million refers to Retail. The overall portfolio of Broadband accesses on the domestic market reached 7.8 million customers, of which 6.6 million refers to Retail. The strategy encouraging the migration of customers to higher value offerings continues with the aim of stabilizing the ARPU. Flat rate plans, in particular, thanks to a targeted sales approach and upselling of consumer customers reached 75% of the total Retail Broadband customer portfolio and the VoIP customer portfolio is now about 1.7 million accesses, 25% of Retail Broadband accesses. Expansion is also moving forward in IPTV services on the Consumer market (now with a portfolio of 180,000 customers, +100,000 compared to the end of 2007) and the development of the offering and activities related to the web through the Virgilio/Alice portal.

Data Business

Overall, revenues from the Data Business area, equal to euro 801 million, show an overall contraction of euro 40 million (-4.8%) compared to the first half of 2007. This decline is due to ever-fiercer competition on the Corporate client market and the revision of contract prices with the Public Administration in June 2007. Instead, dynamic growth is again registered by ICT services and products, increasing by euro 14 million (+4.4%).

Wholesale

Revenues from Wholesale services totaling euro 1,814 million show an overall decrease of euro 136 million (-7.0%) compared to the same period of 2007. Revenues from national Wholesale services amount to euro 1,165 million, which is in line with the corresponding period of 2007. Excluding the change in regulations, national Wholesale revenues increased by euro 49 million (+euro 73 million excluding also non-organic elements) due to an increase in the customer base of the regulated Data and Services component. Revenues from international Whole services total euro 649 million and decreased by euro 137 million (-17.4%)

compared to the first half of 2007 due to the decline in revenues from transit traffic generated by the termination of some contracts starting from the second quarter of 2007.

Mobile Telecommunications

Revenues amount to euro 4,669 million in the first half of 2008 and decreased by 5.0% compared to the same period of 2007. The reduction of euro 247 million is entirely due to changes that are unrelated to market competition dynamics and refer to the regulatory scenario (the Bersani Decree, the reduction in incoming termination rates and international roaming rates in the EU, all of which caused a negative impact of euro 316 million), in addition to the renegotiation of the roaming contract with H3G (with a negative effect of euro 31 million compared to 2007).

Excluding these items, revenues would have increased thanks to a higher usage of traditional voice services and higher revenues from value-added services (VAS). The latter total euro 1,037 million and record an increase of 13.2% compared to the first half of 2007 owing to the greater penetration of interactive services, especially Mobile Broadband (revenues from domestic browsing are up +45%). The percentage of VAS revenues to total service revenues is now 23.9% (19.9% in the first half of 2007). Telephone revenues (incoming and outgoing) amount to euro 3,148 million, with a decrease of euro 314 million (-9%) compared to the first half of 2007. This reduction is entirely attributable to the negative impact of regulatory changes.

Revenues from the sale of handsets total euro 325 million; this is a slight increase of euro 3 million compared to the same period of 2007 owing to a better mix of products sold.

At June 30, 2008, the number of Telecom Italia mobile lines is 35.8 million (of which 6.5 million are UMTS, 18.2% of total lines). This is an increase of 4.3% compared to the first half of 2007 with a market share at 39.4%.

The change in the customer portfolio in the first half of 2008 features a larger percentage of high-value customers (subscriber contracts and business customers) as a result of a strategy and sales policy aimed at raising the quality of customer acquisitions by adopting a selective approach.

EBITDA of the Domestic Business Unit amounts to euro 4,931 million and records a decrease of euro 688 million compared to the first half of 2007. The EBITDA margin is 43.2% (down 2.9% against the same period of 2007). EBITDA was notably impacted by the regulatory changes for a total of euro 292 million in addition to the effect of the renegotiation of the roaming contract with H3G for euro 31 million) and employee benefits expenses linked to the start of the mobility procedures under Law 223/91 for euro 287 million.

The organic change in EBITDA compared to the first half of 2007 is a negative euro 418 million (-7.4%), with the EBITDA margin at 45.9% (46.7% in the first half of 2007). Details are as follows:

(millions of euro)	1st Half 2008	1st Half 2007	Change amount	Change %
HISTORICAL EBITDA	**4,931**	**5,619**	**(688)**	**(12.2)**
Effect of change in scope of consolidation		**5**		
Effect of change in exchange rates		**(3)**		
Non-organic (income) expenses:	**325**	**53**		
Expenses for mobility under Law 223/91	*287*			
Disputes and settlements with other operators	*36*	*33*		
Antitrust fine		*20*		
Other expenses, net	*2*			
COMPARABLE EBITDA	**5,256**	**5,674**	**(418)**	**(7.4)**

With regard to changes in costs, the following is noted:

acquisition of goods and services totals euro 4,540 million and decreased by euro 361 million (-7.4%) compared to the first half of 2007. The contraction is mainly due to the reduction in the amount to be paid to other operators and lower international Wholesale transit traffic. Furthermore, commercial costs recorded a reduction;

employee benefits expenses total euro 1,976 million, an increase of euro 335 million (+20.4%) compared to the first half of 2007 mainly as a result of the recognition of expenses and charges for accruals for euro 287 million owing to the start, at the end of June, of the mobility procedures under Law 223/91;

It should also be noted that employee benefits expenses in the first six months of 2007 included the positive effect, for a total of euro 106 million, of the profit bonus accrued in 2006 and then eliminated as a result of agreements reached with the unions in June 2007, 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;

other operating expenses amount to euro 352 million, a decrease of euro 64 million compared to the first half of 2007 following lower expenses in connection with receivables management and lower charges for accruals to provisions (in the first half of 2007, a charge for an accrual was recorded for euro 20 million as a result of the fine levied against Telecom Italia by the Antitrust).

EBIT of the Domestic Business Unit, totaling euro 2,679 million, decreased by euro 777 million (-22.5%) compared to the first half of 2007. The EBIT margin is 23.5% (28.4% in the first half of 2007).

In organic terms, the reduction in EBIT is euro 523 million (-14.9% compared to the first half of 2007) with the EBIT margin at 26.0% (28.8% in the first half of 2007). Details are as follows:

(millions of euro)	1st Half 2008	1st Half 2007	Change amount	Change %
HISTORICAL EBIT	**2,679**	**3,456**	**(777)**	**(22.5)**
Effect of change in scope of consolidation		**5**		
Effect of change in exchange rates		**(2)**		
Non-organic (income) expenses:	**300**	**43**		
Non-organic (income) expenses already described under EBITDA	325	53		
Additional non-organic (income) expenses:	(25)	(10)		
Gains on sale of properties	*(25)*	*(10)*		
COMPARABLE EBIT	**2,979**	**3,502**	**(523)**	**(14.9)**

Besides the comments made in respect of EBITDA, EBIT was impacted by the increase in depreciation and amortization charges (+euro 103 million), of which euro 31 million refers to the amortization charge of intangible asses and euro 72 million to the depreciation of property, plant and equipment. The negative impact was partly compensated by the increase in the net balance of gains/losses realized on the sale non-current assets (+euro 14 million).

Capital expenditures total euro 1,952 million (+euro 57 million compared to the first half of 2007). The percentage of capital expenditures to revenues is equal to 17.1% (15.6% in the same period of 2007).

Headcount is 64,234, a reduction of 128 compared to December 31, 2007 and includes 1,316 people with temp contracts (1,278 at December 31, 2007).

KEY FACTORS

Fixed Telecommunications

The Domestic Fixed Services Department continues to pursue the development strategy of Retail Broadband, particularly flat rate plans which, at June 30, 2008 account for 75% of the portfolio. This is due to commercial solutions increasingly aimed at customer needs as well as the gradual penetration of VoIP which at June 30, 2008 make up approximately 25% of Retail Broadband accesses. Moreover, expansion continues in IPTV services on the Consumer market and development of web content and services.

In the traditional Telephone business, the Domestic Fixed Services Department maintains a strategy of customer loyalty with more than one-third of its customers through the use of pricing packages (40% of which are flat-rate packages); win-back campaigns also continue to be used to attract customers thwhoat have switched to other operators (365 thousand customers won back at June 2008).

As for Data Transmission, the offering continues to be geared towards integrated solutions with both innovative DT and Broadband services.

Mobile Telecommunications

In the first months of 2008, the Domestic Mobile Services Department continued the strategy of maintaining its market share of high-value customer segments and development policies for usage (both voice and data services). This is due to policies targeting the acquisition of premium customer segments, greater diffusion of Flat or Bundled (voice, VAS and Mobile internet) packages and gradual penetration of 3G handsets and web users. The offering portfolio has been further improved through the use of various solutions aimed at the greatest possible transparency with regard to rates and increased flexibility aimed at the various needs of the customer (i.e. dedicated offerings by level and type of usage).

OTHER COMMERCIAL INFORMATION

The following took place:

- in February 2008, the auction was concluded for Wi-Max frequencies (a technology which delivers broadband on radio frequencies). This is the technology on which the Ministry of Communications is counting to deliver high-speed Internet throughout the country. Telecom Italia S.p.A. secured licenses for the regions of Umbria, Latium, Abruzzi and Molise, Campania, Apulia, Basilicata and Calabria for a total price of more than euro 35 million;

- on March 19, 2008, Telecom Italia S.p.A. won the bid called by CSI Piemonte to build a fiber optic network in the Province of Turin which will enable the diffusion of broadband and access to online services (more than 430 kilometers of network);

- in April 2008, an agreement was sealed with the Liguria Region to bring broadband to another 33 cities in the region;

- on April 8, 2008, Telecom Italia and 3 Italia announced that they had sealed a national roaming agreement which will allow the 3 customers to also use, for telephone and data services, the Telecom Italia mobile network which now covers the entire national territory. In addition, the two companies signed a new SMS interconnection contract;

- on May 6, 2008, Telecom Italia and Apple sealed the agreement for the marketing of the new-generation iPhone, beginning July 11, which uses the 3G network and is two times faster that the first-generation version;

- on June 9, 2008, Telecom Italia Sparkle (the Group s provider of international voice, IP and Data services for fixed and mobile telephony in the world) sealed two collaboration contracts, one with Taiwan Mobile (the second largest cell phone operator in Taiwan) for a fixed-mobile convergence project and one with Telkom Indonesia (the national fixed telephone operator) for the development of the new-generation network;

- on June 23, 2008, Telecom Italia and Fastweb concluded an industry agreement for sharing the infrastructures necessary for realizing the new-generation network, based upon a collaboration agreement open to all interested operators.

EVENTS SUBSEQUENT TO JUNE 30, 2008

Note should be taken of the following:

on July 9, 2008, an agreement was sealed with the Umbria Region which calls for the extension of broadband network coverage so that more than 92% of fixed telephone lines can be reached by the end of 2008.

in July 2008, new business offerings and opportunities were introduced on the market such as the above-mentioned iPhone (July 11, 2008) and I M (July 15, 2008 a suite which gathers together all the presence based services) usable by a cell phone. This has allowed Telecom Italia to consolidate its leadership position in innovation;

on July 11, 2008, the offering portfolio was enhanced by the launch of Mobile MTV, a second brand dedicated exclusively to the young segment featuring a dedicated marketing mix.

MAIN OPERATING HIGHLIGHTS

The main operating highlights at June 30, 2008 compared to December 31, 2007 and June 30, 2007 are reported in the following table.

	6/30/2008	12/31/2007	6/30/2007
Fixed telecommunications			
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 monthly 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
Total traffic:			
Minutes of traffic on the fixed network (billions)	74,97	156.8	79.4
- Domestic traffic	65,64	140.1	71.6
- International traffic	9,33	16.7	7.8
Mobile Telecommunications			
Number of lines at period-end (thousands)	35,796	36,331	34,312
Prepaid lines at period-end (thousands) (1)	29,927	30,834	29,319
Growth of the clientele (%)	4.3	12.0	12.8
Churn rate (2)	11.3	16.4	7.3
Total outgoing traffic per month (millions of minutes)	3,062	2,766	2,555
Total outgoing and incoming traffic per month (millions of minutes)	4,318	4,052	3,839
Average monthly revenues per line (3)	20.2	22.2	23.0

(1) Excluding not human SIMs.

(2) The data refers to total lines. The churn rate for a certain period represents the number of mobile customers who discontinued service during the period (either voluntarily or because of default) expressed as a percentage of the average number calculated on the basis of the total annual number of customers during the period.

(3) Includes revenues from prepaid cards and revenues from non-domestic traffic; it does not include revenues from products.

At June 30, 2008, the number of fixed connections totals approximately 21 million, with a decrease of 5.3% compared to December 31, 2007. In contrast, Broadband grew and, at June 2008, reached an overall portfolio 7.8 million accesses (+202 thousand accesses compared to December 31, 2007). Of these, more than 84% were Retail Broadband accesses (6.6 million at June 30, 2008, +491 thousand accesses compared to June 2007, +2.1% compared to December 31, 2007).

At June 30, 2008, Telecom Italia has about 35.8 million mobile GSM and UMTS lines (of which 6.5 million are UMTS lines), with an increase of 4.3% compared to June 30, 2007. This figure includes 29.9 million prepaid lines, which represent about 84% of all lines. At June 30, 2008, Telecom Italia s market share is 39.4%, down from December 31, 2007 (40.3%). This contraction is attributable to a sales policy with a better selective approach which caused a reduction in massive acquisitions and higher terminations of silent lines.

EUROPEAN BROADBAND

THE BUSINESS UNIT

The Business Unit offers Broadband access and services in metropolitan areas in Germany and the Netherlands through the subsidiaries HanseNet Telekommunikation GmbH and BBNed N.V.

THE STRUCTURE OF THE BUSINESS UNIT

The structure of the Business Unit reported below has changed from the one presented in the 2007 Annual Report because the Liberty Surf group has been considered as a discontinued operation following steps taken for its disposal in the early months of 2008.

The signing of the agreement for the sale of Liberty Surf group and the simultaneous transfer of its shares is expected to take place by the end of September 2008.

MAIN OPERATING AND FINANCIAL DATA

The following table shows the key results in the first half of 2008, by the Business Unit as a whole and by geographical area of operations, compared to the first half of 2007, restated for purposes of comparison.

EBITDA

(millions of euro)	1st Half 2008	1st Half 2007 (1)	Change amount	Change %
Revenues	642	512	130	25.4
EBITDA	119	128	(9)	(7.0)
% of Revenues	*18.5*	*2.0*		
EBIT	2	52	(50)	(96.2)
% of Revenues	*0.3*	*10.2*		
Capital expenditures	189	190	(1)	(0.5)
Headcount at period-end (number)	3,081	3,191	(110)	(3.4)

(1) The headcount is as of the date of December 31, 2007.

Germany (Hansenet + TI Deutschland) (millions of euro)	**1st Half 2008**	**1st Half 2007**	**Change amount**	**%**
Revenues	**601**	**476**	125	26.3
EBITDA	**115**	**118**	(3)	(2.5)
% of Revenues	*19.1*	*24.8*		
EBIT	**9**	**52**	(43)	(82.7)
% of Revenues	*1.5*	*10.9*		
Capital expenditures	**181**	**186**	(5)	(2.7)

Netherlands (BBNed) (millions of euro)	**1st Half 2008**	**1st Half 2007**	**Change amount**	**%**
Revenues	**41**	**36**	5	13.9
EBITDA	**4**	**10**	(6)	(60.0)
% of Revenues	*9.8*	*27.8*		
EBIT	**(7)**		(7)	
% of Revenues	*(17.1)*			
Capital expenditures	**8**	**4**	4	100.0

Revenues amount to euro 642 million and record an increase of euro 130 million (+25.4%) compared to the first half of 2007. Organic growth, on a comparable consolidation basis, is euro 62 million, +10.7%. The Broadband client portfolio at June 30, 2008 is now at more than 2.5 million accesses. The Narrowband portfolio stands at 0.6 million accesses at June 30, 2008 compared to 0.8 million accesses at the end of 2007 and 0.9 million at June 30, 2007.

Specifically, revenues from business operations in Germany of euro 601 million show an increase of 26.3% compared to the first half of 2007 (+euro 125 million); organic growth is 10.5%. The Broadband customer portfolio in Germany at June 30, 2008 is 2.4 million, stable compared to December 31, 2007 and higher by 0.2 million compared to June 30, 2007.

The Netherlands contributed euro 41 million to total revenues and a better performance than in the same period of the prior year (+euro 5 million), with a growth of 13.9%. The customer Portfolio numbering about 161,000 is lower than the total portfolio at June 2007 (-11,000) due to the loss of lines in ADSL Wholesale (-48,000 lines), Fiber Wholesale and Voice (-8,000 customers). The loss was compensated by the increase in the Retail area, in both ADSL (+37,000) and Fiber (+8,000 customers).

EBITDA is euro 119 million, down euro 9 million (-7.0%) compared to the first half of 2007. The EBITDA margin is 18.5% against 25.0% in the first half of 2007. At the organic level, EBITDA is euro 16 million (-11.9%) lower compared to the first half of 2007. Details are as follows:

(millions of euro)	**1st Half 2008**	**1st Half 2007**	**Change amount**	**%**
HISTORICAL EBITDA	**119**	**128**	**(9)**	**(7.0)**
Effect of change in scope of consolidation		7		
COMPARABLE EBITDA	**119**	**135**	**(16)**	**(11.9)**

With regard to changes in costs, the following should be noted:

acquisition of goods and services totals euro 461 million, increasing 40.1% compared to the first half of 2007 (+euro 132 million) due in part to the growth of business and in part to the change in the scope of consolidation as a result of the acquisition of AOL Germany in March 2007;

employee benefits expenses amount to euro 65 million and increased euro 6 million compared to the first half of 2007 (+10.2%), partly due to the above-mentioned change in the scope of consolidation.

EBIT is euro 2 million and decreased euro 50 million (-96.2%) compared to the first half of 2007.

At the organic level, EBIT records a contraction of euro 53 million (-96.4%) compared to the first half of 2007. Details are as follows:

(millions of euro)	1st Half 2008	1st Half 2007	Change amount	Change %
HISTORICAL EBIT	**2**	**52**	**(50)**	**(96.2)**
Effect of change in scope of consolidation		**3**		
COMPARABLE EBIT	**2**	**55**	**(53)**	**(96.4)**

The decline in EBIT, besides the above reduction in EBITDA, is due to a considerable increase in depreciation and amortization charges (+euro 41 million) as a result of both significant investments in network infrastructures and information support systems made at the end of 2007 and costs incurred for the activation of new customers.

Capital expenditures amount to euro 189 million, a decrease of euro 1 million compared to the first half of 2007.

Headcount at June 30, 2008 is 3,081, a reduction of 110 compared to December 31, 2007; the number includes 447 people with temp work contracts (609 at December 31, 2007).

KEY FACTORS AND GENERAL INFORMATION ON SERVICES GERMANY

During the first half of 2008, the German market has confirmed its technological drive and the process currently in progress towards consolidation in the sector, together with ever fiercer competitive pressure.

The Broadband market is now concentrated in the hands of four or five major players and HanseNet is seen as one of the main broadband operators in terms of the number of customers.

The strategy adopted by the German subsidiary in these first six months of 2008 was based on the following guidelines:

Innovation of the offering:

- launch of the Alice Comfort offering, aimed at private and business clientele, centered on a Premium level of customer service and functionality;
- introduction of a new flat option for calls towards fixed national numbers as part of the Alice Mobile service;
- enhancement of the IPTV service through the adoption of a new user interface and a greater choice of content (Free, Pay-TV and Video on Demand channels);

adoption of a pricing strategy aimed at maintaining Alice s positioning vis-à-vis offerings by the competition and favoring the churn of customers from other operators, partly through attractive promotional offers;

the continuation of up-selling activities towards the Alice rate-plans of the existing AOL customer base (Broadband and Narrowband);

operational excellence focused on quality of service, particularly with regard to VoIP services and optimizing Customer-Facing and internal processes;

consolidation of the Alice Brand and intensification of Brand Awareness, channeled through important communication campaigns (specifically, during the first half of 2008, the new advertising campaign was launched with an endorsement by Brad Pitt);

extension of network coverage, both through the proprietary network (897 unbundled sites at the end of September) and particularly through the partners Telefónica and QSC (1,692 unbundled sites at the end of the six-month period);

development of Group synergies for the wholesale offering and with Corporate Multinational clientele.

NETHERLANDS

The Dutch market, which has one of the highest levels of penetration of Broadband services in the world, has a highly diversified offering, although the context is that of a high general level of consolidation, both driven by acquisitions of numerous ISPs on the part of KPN and, during the first half of 2008, Merger & Acquisitions in the cable sector. The technological scenario, which is on the forefront in terms of hi-tech, offers not only DSL but also the key presence of offerings for cable Broadband services. It is also developing a range of fiber Broadband services (FTTH/FTTO). The development of VDSL continues as a result of the boost given by the development plan of the incumbent KPN. In this sphere, after signing the Memorandum of Understanding in July 2007 and a supplementary agreement at the beginning of 2008, BBNed and KPN have continued talks for the definition of the final agreement for managing the technological change of the offering and the consequent transitory period.

During the first half of 2008, the Dutch subsidiary continued its strategy along the lines of rationalizing its offering on the market and developing new technological platforms, in addition to its competitive repositioning and the targeted development of the Retail offering (Consumer and Business).

With regard to the Broadband Retail Consumer plan, launched in August 2007 with the Alice brand using ADSL2+ technology, this is gradually being enhanced by the addition of the fiber offering, limited to Amsterdam, and the Alice Easy (ADSL - Only) package which, during the first half of 2008, was added to the existing Alice Comfort (Dual Play Internet & Voice) plan.

From the operational standpoint, efforts continued to consolidate the Provisioning and Customer Care processes, expand the commercial channels (by introducing new Sales Partners that have joined the Call Centers and the Web) and firmly establish the Alice brand through various media campaigns.

BRAZIL MOBILE

THE STRUCTURE OF THE BUSINESS UNIT

The Telecom Italia Group operates in the mobile telecommunications sector in Brazil through the Tim Brasil group which offers services using GSM, TDMA and 3G technologies. The Tim Brasil group is composed of the following:

MAIN OPERATING AND FINANCIAL DATA

The following table shows the key results for the first half of 2008 compared to the first half of 2007.

EBITDA

(euro/min)

	(millions of euro)		(million di reais)		Change	
	1st Half 2008	1st Half 2007 (1)	1st Half 2008 (a)	1st Half 2007 (b) (1)	amount (a-b)	
Revenues	2,537	2,322	6,582	6,313	269	4.3
EBITDA	521	585	1,351	1,591	(240)	(15.1)
% of Revenues	*20.5*	*25.2*	*20.5*	*25.2*		
EBIT	(2)	69	(6)	189	(195)	
% of Revenues	*(0.1)*	*3.0*	*(0.1)*	*3.0*		
Capital expenditures	824	271	2,138	737	1,401	°
Headcount at period-end (number)			10,239	10,030	209	2.1

(1) The headcount is as of the date of December 31, 2007.

Consolidated *revenues* of the Tim Brasil group in the first half of 2008 total BRL 6,582 million and grew by BRL 269 million compared to the same period of 2007 (+4.3%) recording an increase of 6.7% in revenues from services alone compared to the same period of 2007. The strong increase in the customer base, especially in the prepaid area, greater penetration in the customer bracket with lower purchasing power and competitive factors such as promotions, especially on net offerings, led to a reduction in ARPU of BRL 5.2 (BRL 36.7 at June 2007, BRL 31.5 at June 2008).

Consolidated *EBITDA* in the first half of 2008, totaling BRL 1,351 million, is BRL 240 million lower than the same period of 2007 (-15.1%). The EBITDA margin is 20.5% and down 4.7% against the first half of 2007.

The reduction in EBITDA can mainly be attributable to the competition which generated an erosion in prices and, as a result, lower service margins and higher charges for uncollectible receivables (BRL 341 million in the first half of 2007, BRL 475 million in the first half of 2008) mainly relating to the television sales channel.

With regard to costs, the following should be noted:

acquisition of goods and services, equal to BRL 3,704 million, increased by 6.9% compared to the first half of 2007 (BRL 3,465 million), mainly in connection with higher interconnection costs and other selling costs;

employee benefits expenses, equal to BRL 313 million, increased by BRL 22 million compared to the first half of 2007 (+7.6%) due to a higher headcount. The number rose from 9,661 in the first half of 2007 to 10,239 in the first half of 2008. The percentage of employee benefits expenses to revenues is 4.8% (4.6% in the same period of 2007);

other operating expenses total BRL 1,262 million (BRL 1,027 million in the first half of 2007) and include taxes on revenues, indirect taxes and TLC operating fees (BRL 720 million in the first half of 2008 compared to BRL 634 million in the first half of 2007), impairments and losses on receivables (BRL 475 million in the first half of 2008 compared to BRL 341 million in the first half of 2007) and other charges for accruals and miscellaneous items (BRL 67 million in the first half of 2008 compared to BRL 52 million in the first half of 2007).

Consolidated *EBIT* in the first half of 2008 is a negative BRL 6 million (compared to a positive BRL 189 million in the first half of 2007). This result is attributable to lower depreciation charges as a resulting of completing the depreciation of the TDMA network, which partly offset the reduction in EBITDA.

Capital expenditures in the first half of 2008 amount to BRL 2,138 million (BRL 737 million in the first half of 2007). The increase of BRL 1,401 million is mainly due to the purchase of the 3G licenses (BRL 1,239 million at present value), the increase in the customer base and investments in network infrastructures and third-generation IT.

On April 29, 2008, the contracts relating to the licenses for 3G services were signed. At the same time, Tim Brasil paid 10% of the total amount of the licenses purchased and will pay the remaining 90% by December 10, 2008. The amount of the licenses awarded was BRL 1,325 million; the present value is BRL 1,239 million with a difference of BRL 86 million to be recorded in finance expenses (BRL 22 million in the first half of 2008).

Headcount at June 30, 2008 is 10,239, an increase of 209 compared to December 31, 2007 (10,030).

KEY FACTORS AND GENERAL INFORMATION ON SERVICES

Between the end of June 2007 and the end of June 2008, the Brazilian market of mobile lines grew by 24.8%, recording an increase of 26.5 million new customers, reaching a total of 133.2 million lines at June 30, 2008 (69.4% penetration of the population), compared to 106.7 million lines at June 30, 2007 (56.4% penetration) and 121 million lines at December 31, 2007 (about 63.5% penetration). The Tim Brasil group retains its position as the second-largest operator in the Brazilian market with 33,815 thousand lines and growth of 23.1% compared to the end of June 2007 and 8.2% compared to the end of December 2007. Market share of the lines reached 25.4% (25.8% at June 2007).

In order to award the 3G licenses, Anatel requested guarantee instruments with the aim of guaranteeing the obligations stated in the contract; the total amount of the guarantees requested was BRL 643 million.

The Tim Brasil group s strategy in the first half of 2008 focused on:

convergence by launching third-generation services (Tim Broadband Web services) and innovation through integrated offerings of fixed, mobile and internet services;

development of important commercial agreements with content suppliers;

launch of new promotional offerings to boost the use of the services;

improvement in the level of service and building up the loyalty and retention policies in the high usage segment.

MEDIA

THE BUSINESS UNIT

The Media Business Unit is organized into the **Television** and **News** Business Areas:

- the **Television** Business Area produces and broadcasts editorial content through analog and digital broadcasting networks. This Business Area operates satellite channels and pay-per-view (PPV) services using Digital Terrestrial technology. In particular, starting from 2007, in response to the evolution of the reference context, the BU modified its Business Model based on the following activities:
  - *Free to Air*, with the activities of the two analog broadcasting network operators La7 and MTV;
  - *Multimedia*, with the role of Competence Center of the Telecom Italia Group in the conceptualization and creation of content offering for the IPTV, DVB-H and Rosso Alice platforms and the development of content and channels on the satellite and interactive platforms (Web and Mobile);
  - *Digital Terrestrial TV*, through the consolidation of the Soccer PPV business model, the offering of new content and the leasing of digital bandwidth to third parties;
- the **News** Business Area operates through Telecom Media News, a leading national news agency, with a marked international connotation. It was conceived as the result of a partnership with Associated Press (AP) and provides news around the clock as well as analyses and special reports from its offices in Rome and Milan and from abroad (Brussels, New York and Moscow).

THE STRUCTURE OF THE BUSINESS UNIT

The Business Unit is organized as follows:

MAJOR CORPORATE EVENTS/SCOPE OF CONSOLIDATION

It should be noted that:

- in January 2008, MTV Italia S.r.l. sold, to Viacom Global B.V. Netherlands (a company in the Viacom group, owner of the MTV brand) the company Milano Design Studio S.r.l. (MDS S.r.l.) to which it had previously contributed the On Air business segment which handles the programming and graphics of MTV channels;
- on February 18, 2008, the shareholders meeting was held for the wind-up of SCS Comunicazione Integrata S.p.A.; the company was cancelled from the register of companies on March 14, 2008.

MAIN OPERATING AND FINANCIAL DATA

The following table shows the key results for the first half of 2008 compared to the first half of 2007.

EBITDA

(euro/min)

(millions of euro)	1st Half 2008	1st Half 2007 (1)	Change amount	%
Revenues	148	125	23	18.4
EBITDA	(35)	(21)	(14)	(66.7)
% of Revenues	*(23.6)*	*(16.8)*		
EBIT	(69)	(52)	(17)	(32.7)
% of Revenues	*(46.6)*	*(41.6)*		
Capital expenditures	27	46	(19)	(41.3)
Headcount at period-end (number)	1,032	1,016	16	1.6

(1) The headcount is as of the date of December 31, 2007.

Revenues total euro 148 million in the first half of 2008, with an increase of 18.4% compared to euro 125 million in the same period of 2007.

In greater detail:

- revenues from the Free to Air analog business area amount to euro 81 million in the first half of 2008, down euro 5 million (-5.2%) compared to the same period of 2007 mainly on account of lower advertising on MTV (-12.5%);

- revenues from the Multimedia area amount to euro 16 million, a gain of 25.8% compared to the first half of 2007. The area benefits from the increase in the activities of the Content Competence Center (euro 3 million), operational since April of last year, and higher revenues from the Sky Satellite Channels which now air five channels (three in 2007);

- revenues from Digital Terrestrial activities stand at euro 46 million, compared to euro 22 million in the first half of 2007 (+110.5%). This improvement is due to the increase in pay-per-view revenues owing to the positive contribution originating from contracts with Mediaset and Telecom Italia for broadcasting the audio-visual content of Serie A soccer games and the growth resulting from the commercial La7 Cartapiù offering;

- revenues from the News Business Area amount to euro 5 million, with an increase of 2.1% compared to the first half of 2007.

EBITDA in the first half of 2008 is a negative euro 35 million (-66.7%) compared to the first six months of 2007 (-euro 21 million).

EBITDA from Free to Air operations is a negative euro 21 million, with a reduction of euro 12 million compared to the first half of 2007. Specifically, Free to Air activities, besides being affected by the reduction in revenues noted above, show a decrease in margins due to higher costs connected with developing and improving the program scheduling and strengthening the audience share with higher investments by La7 in Entertainment and Sport programs (it should be noted that audience share in early evening programs increased by 20%, from 2.2% to 2.7%). EBITDA of MTV was also hurt by higher costs for program scheduling owing to the launch of new programs compared to the first half of 2007, where the programming was concentrated in the second half in conjunction with the tenth anniversary of the channel.

The operating profit of Digital Terrestrial activities, which fell by euro 1 million compared to the same period of 2007, is particularly impacted by higher costs incurred for the acquisition of PPV soccer rights, which are only partly compensated by the improvement in the margins of the activities of the network operator.

Profitability of the Multimedia sector recorded an improvement of euro 2 million compared to the same period of 2007, increasing from euro 4 million in the first half of 2007 to euro 6 million in the first half of 2008.

EBIT in the first half of 2008, after depreciation and amortization charges, is a negative euro 69 million (a negative euro 52 million in the corresponding period of 2007). The change, apart from the previously described decrease in EBITDA, is attributable to higher amortization charges for La7 television rights on and depreciation charges for Digital Terrestrial infrastructures.

Capital expenditures total euro 27 million (euro 46 million in the first half of 2007). They mainly refer to activities in the Television area and include the acquisition of infrastructures for the development of the Digital Terrestrial network (euro 5 million) and the acquisition of television rights benefiting more than one year (euro 18 million).

Headcount at June 30, 2008 is 1,032 (1,016 at December 31, 2007) and includes 90 people with temp work contracts (72 at December 31, 2007). The increase (+16) is principally attributable to people with temp work contracts assigned to new 2008 television productions.

EVENTS SUBSEQUENT TO JUNE 30, 2008

It should be noted that:

- on July 11, 2008, MTV Italia and Telecom Italia unveiled the MTV Mobile Powered by TIM brand, which launches the first mobile telephone service totally dedicated to the young segment passionate about music and eager to share the values of the MTV world.

The MTV Mobile offering is the outgrowth of an idea to develop the instruments, services and contents which can really meet the existing or emerging needs of the young segment.

MTV Mobile promises the best possible experience in the four key areas of communication and the world of the young - Messaging, Music, Internet and MTV and will offer access to a series of innovative services; it will enter the market with two exclusive telephone models and make it possible to telephone and send text messages at advantageous prices;

- on August 7, 2008, the Board of Directors of Telecom Italia Media approved the Strategic Guidelines for the period 2009-2011. In particular, for digital terrestrial activities, the Group plans to review its Pay-Per-View strategy, seeking out majority strategic partners for joint ventures, out of consideration for the continuing structural problems and the increasing difficulties encountered in acquiring premium content at competitive prices.

OLIVETTI

THE BUSINESS UNIT

The Olivetti group operates in the sectors of digital printing systems and ink-jet office products. It also develops and manufactures products using silicon technology (ink-jet print heads and Micro Electro-Mechanical Systems - MEMS) and offers specialized applications for the banking field and commerce and information systems for managing forecast games and lotteries, electronic voting and e-government. The reference market of the Business Unit is focused mainly in Europe and Asia.

THE STRUCTURE OF THE BUSINESS UNIT

The Business Unit is organized as follows (the main companies are indicated):

MAIN OPERATING AND FINANCIAL DATA

The following table shows the key results for the first half of 2008 compared to the first half of 2007.

EBITDA

(euro/min)

(millions of euro)	1st Half 2008	1st Half 2007 (1)	Change amount	Change %
Revenues	180	192	(12)	(6.3)
EBITDA	(12)	(17)	5	29.4
% of Revenues	*(6.7)*	*(8.9)*		
EBIT	(16)	(24)	8	33.3
% of Revenues	*(8.9)*	*(12.5)*		
Capital expenditures	1	5	(4)	(80.0)
Headcount at period-end (number)	1,239	1,279	(40)	(3.1)

(1) The headcount is as of the date of December 31, 2007.

Revenues amount to euro 180 million in the first half of 2008, a decrease of euro 12 million compared to the same period of 2007. Excluding the change in the scope of consolidation and the negative foreign exchange effect, the organic change in revenues is a negative euro 1 million (-0.6%).

During the first six months of the year there was a reduction in the sales of traditional ink-jet products, faxes and accessories due to the installation of fewer faxes.

The sales volumes of multi-functional ink-jet products are in line with those of the prior year thanks to a supply contract with an important foreign customer that will be completed by the end of the year.

Printers for banking teller applications, although they decreased in price owing to the reduction in the

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value of the U.S. dollar against the euro, grew by 20% in terms of sales volumes during the half compared to the corresponding period of the prior year, thanks especially to the results achieved in foreign markets.

The improvement in the results reached in the Italian market is due to the supply of 9,000 printers to Poste Italiane S.p.A. and the growing importance of the volumes of fiscal cash registers.

Professional products for the office, copiers and relative accessories are in line with the first half of 2007, with a sharp increase in the color laser copier segment (+31% in quantity) and a reduction in the black and white models.

EBITDA in the first half of 2008 is a negative euro 12 million, an improvement of euro 5 million compared to the same period of the prior year (a negative euro 17 million). The improvement is essentially due to the reduction in fixed overheads.

At the product level, the reduction in the sales volumes of ink-jet fax accessories and the negative effect of greater competition in the office segment are compensated by the good results achieved in the specialized printers segment.

The organic change in EBITDA is a positive euro 14 million (+53.8%). Details are as follows:

(millions of euro)	1st Half 2008	1st Half 2007	Change amount	Change %
HISTORICAL EBITDA	**(12)**	**(17)**	**5**	**29.4**
Effect of change in scope of consolidation		**(5)**		
Effect of change in exchange rates		**(4)**		
COMPARABLE EBITDA	**(12)**	**(26)**	**14**	**53.8**

EBIT in the first six months of 2008 is a negative euro 16 million, an improvement of euro 8 million compared to the same period of the prior year (a negative euro 24 million).

The organic change in EBIT is a positive euro 18 million (+52.9%). Details are as follows:

(millions of euro)	1st Half 2008	1st Half 2007	Change amount	Change %
HISTORICAL EBIT	**(16)**	**(24)**	**8**	**33.3**
Effect of change in scope of consolidation		**(5)**		
Effect of change in exchange rates		**(4)**		
Non-organic (income) expenses		**(1)**		
COMPARABLE EBIT	**(16)**	**(34)**	**18**	**52.9**

Capital expenditures amount to euro 1 million in the first half of 2008, with a decrease of euro 4 million compared to the corresponding period of the prior year.

Headcount at June 30, 2008 is 1,239, of whom 1,110 are in Italy and 129 outside Italy. The reduction of 40 people, compared to December 31, 2007, is mainly attributable to resignations.

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With regard to negotiations for the supply of multifunctional printers to a key player in the digital sector mentioned in the interim financial report for the first quarter ending March 31, 2008, such talks were interrupted at the end of May.

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INTERNATIONAL INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Telecom Argentina Group

Held by: Telecom Italia and Telecom Italia International through Sofora/Nortel Inversora 13.97%

The group operates in the sectors of fixed and mobile telecommunications, internet and data transmission in Argentina and also offers mobile telephone services in Paraguay.

At June 30, 2008, land lines in service (also including installed public telephones) are about 4,253,000, a slight increase compared to December 31, 2007 (4,208,000).

In broadband, accesses are about 890,000, with an increase of 16% compared to the end of 2007 (768,000).

In the mobile business, the customer base of the group reached approximately 13,113,000 customers at June 30, 2008 (13% of which is in Paraguay), with an increase of about 7% compared to the end of 2007 (12,285,000). The number of postpaid customers also increased 7% compared to the end of December 2007 and continues to account for 31% of the total customer base. The customers of Telecom Personal S.A., the mobile telephone services operator of the group, which use TDMA services are being faded out and starting April 2008 it was no longer possible to recharge phones for this technology: the customers using GSM services now stand at more than 99% of the total customer base.

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As for the dispute with W de Argentina - Inversiones SL (Los W) which initiated proceedings to have the call option contract signed by Telecom Italia International N.V. and Los W in 2003 declared null and void, reference should be made to the half-yearly condensed consolidated financial statements at June 30, 2008 of the Telecom Italia Group in the note Contingent asset and liabilities, commitments and other guarantees .

ETECSA

Held by: Telecom Italia International 27%

The company operates a monopoly in the sectors of fixed and mobile communications, internet and data transmission in Cuba. At June 30, 2008, the number of land lines in service (also including installed public telephones) is about 1,067,000, a slight increase compared to December 31, 2007 (1,052,800). Of the lines in service, 50,940 are invoiced in U.S. dollars and the others, associated with the social development of Cuban telecommunications, in Cuban pesos. With a market that is still small, the number of internet and data customers has reached 24,200 accesses at June 30, 2008, just slightly higher than the number at the end of 2007 (23,500).

In the mobile telephony business, the customer base exceeds 248,700 users at June 30, 2008, an increase of more than 25% compared to December 31, 2007 (198,200). The performance for the half benefits from the opening of the mobile market to Cuban citizens which took place on April 14, 2008.

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As regards the transactions between Banco Nacional de Comercio Exterior (BancoMext) and ETECSA, it should be noted that on March 13, 2008 the parties definitively settled the disputes freeing ETECSA of any responsibility.

SUSTAINABILITY SECTION

The activities and projects of greatest importance undertaken during the course of the first half of 2008 for each of the 8 identified stakeholders are reported below.

CUSTOMERS

Multilingual call centre: as of March, 2008, the call centre provides a service in nine languages (English, French, Spanish, German, Russian, Romanian, Albanian, Arabic and Italian). The principal partners in the initiative are the International Organisation for Migration, the Format Consortium (which operates in the field of information and services for immigrants), the provincial and city authorities of Salerno and the Interior Ministry.

Over and above the services that are normally available, by calling the number 892412 it is possible to find out useful social information on residence permits, visas, and to get help finding accommodation, jobs and more. In addition, georeferential services are available allowing users to find chemists, restaurants, hotels, cinemas and pubs, as well as information on mobility (circulation, flights and trains) and weather forecasts. By calling the multilingual call centre from public payphones with display screens it is possible to connect to socially useful services at a lower price than by fixed lines or mobile phones.

Interactive Voice Response 187: the IVR 187 services allows customers with fixed lines to resolve problems and get information automatically, without having to wait to speak to an operator. Now customers can create their own, personal IVR four digit code which allows them to get information and make requests from any telephone number. The code protects the client s privacy.

Trouble Shooting 119: a web tool, available by PC at the website www.tim.it, which allows the customer to sort out on-line, without contacting a customer care operator, any problems over fixed line or mobile phone.

Customer care initiatives: a new system of knowledge management has been introduced for call centre operators with the aim of enriching their professional awareness and improving the effectiveness of their responses to customer needs. Additionally, the management systems allocating call centre resources have been improved in line with supply/demand forecasts and priority determination. Steps have been taken to improve the efficiency of the procedures of ticket management in the back office, in order to reduce the backlog of client requests.

E-health service: the on-line citizens health portal has been broadened. Over and above the management of medical records, the archiving of all diagnostic digital photographs, telemonitoring and other advanced services, the Multimedia Counter Solution is worth mentioning. This is a service to pass on information to citizens and operators in the sector, that allows the payment of health charges and the issuing of certificates at times when the ordinary offices are not open to the public. The multimedia counters can operate without supervision, 24 hours a day, seven days a week accept payment by credit card, debit card or cash; issue receipts and invoices; confirm bookings. These counters can also be used to get information on the location of offices, or departments in office blocks or hospital grounds, on the service charters of health authorities, etc. More information is available on the website http://www.salute.telecomitalia.it

SUPPLIERS

Quality Certification

Moves have been underway to extend, to other departments of Purchasing Area, the Quality Management System certification under ISO 9001:2000. Maintenance activities for the departments already certified continued.

E-Community

With the enactment of the TELEChome site, accessible through the Suppliers Portal, the month of March 2008 experienced the start of an e-community dedicated to the Group s suppliers, which enables the sharing of information about the environment, social issues and safety at work. The aims of this project are as follow:

- to share best working practices adopted for specific issues;
- to disseminate the results obtained;
- to evaluate initiatives through an electronic voting campaign.

The results published so far deal with issues concerned with safety, such as procedures for transporting telephone poles, and for underground work where there are chemical and biological risk factors. The publication of documents on the protection of the environment is expected soon.

Access to the TELEChome site, initially restricted to firms operating in the network works sector, will in the coming months be broadened out to other groups of suppliers.

The Global Vendor Ratings Index

The index of Global Vendor Ratings is calculated by evaluating the technical, commercial and administrative performance of the supplier. It is issued every six months for each category of product/service and is aimed at monitoring the performance of the supplier, linking with specific contractual clauses the volume of supply and the purchase prices, effecting additional checks on quality improvement and evaluating the supplier s permanency in the Suppliers Register.

The Global Vendor Ratings are based on the following criteria:

- the results of vendor ratings of single commodity categories that are subject to monitoring;
- the competitiveness of the provision;
- the quality of the incoming/outgoing invoicing procedures;
- the social and environmental performance.

The last criterion was introduced in 2008 and takes into consideration safety and environmental protection parameters such as:

accident figures (compared to others in the field and historical trends);

environmental certification obtained (ISO 14001, Emas);

the best initiatives undertaken, published and voted on by the e-Community.

COMPETITORS

Organisations and associations

Collaborative activities with competitors at the national level

The Group has continued its collaboration with the following associations:

Confindustria and Associations in the sector

Telecom Italia is conducting joint projects with competitors and is involved in the coordination of representations with Confindustria and its associations.

The Association in support of the Committee for the Protection of Minors on TV

This association was put together by Rai, Mediaset TI Media, the Radio Television Federation (FRT) and Aeranti-Corallo to guarantee the effectiveness at the operational and financial level of the Committee for the application of the Media and Minors Code of which TI Media is the Vice-president, representing broadcasters. This Committee is composed of 15 members who represent broadcasters, Institutions and users, and works in support of the Italian Communications Authority in its task of vigilance in the protection of minors on TV.

Digital terrestrial television association (DGTV)

The association s activities have been focused on the launch of the DGTVi quality-guarantee sticker for digital receivers and on the completion of the move from analogue television to digital terrestrial television in the first areas designated all digital , Sardinia and Valle D Aosta.

Ugo Bordoni Foundation

Together with other operators in the sector, the Group participates in the Ugo Bordoni (FUB) Foundation, which conducts, amongst other things, research, studies and consultation in the communications and information technology sector. The FUB, which by law is entrusted with the technical supervision of experimentation in the field of digital terrestrial transmission and interactive services, conducts many projects in collaboration with the Ministry of Communications and with other public and private organisations.

Furthermore, the Group subscribes to the Association for the convergence of communication services (AnfoV), the Audiovisual and ICT District, the Radio and Television Federation (FRT), the HD Forum and Auditel.

Collaborative activities with competitors at the international level

The Telecom Italia Group collaborates with various organisations and associations, among which:

ETNO (European Telecommunications Network Operators Association), an association in the sector among whose objectives are the development of a competitive and efficient European Telecommunications market through coordination amongst operators and dialogue with institutions.

GSMA Europe, an association that brings together European mobile phone operators, whose objectives include the development of the European mobile phone and associated services market, with particular attention to the regulatory aspects.

ITU (International Telecommunications Union), a United Nations Organisation agency whose objective is to promote the evolution, jointly among Governments and the private sector, of international technical standards, of operating procedures for wireless services and of programmes for the improvement of the Telecommunications infrastructure in developing countries.

INSTITUTIONS

The Telecom Italia Group engages in collaborative and transparent relationships with international, national and regional institutions in order to promote an exchange of views on matters of mutual interest and to ensure the Group s viewpoint is faithfully represented.

National regulatory activity

The main legislative measures of interest to the Group that were approved during the first half of 2008 follow:

Law No. 31 of February 28, 2008, enacting the decree-law No. 248/2007 covering the extension of the deadlines set by legislative provisions on financial dealings, known as the Bill of the thousand extensions . The measure introduces the possibility of exemption, for television stations in critical financial situations, such as La7 and MTV, from the obligation, introduced under the financial law 2008, of contributing to European audiovisual projects.

Legislative Decree May 30 2008, No. 109, putting into effect directive 2006/24/CE regarding the retention of telephone voice traffic and data transmission, including unanswered calls, known as the Frattini directive . The decree amends the current legislation envisioning, for the providers of telecommunications, new periods of retention of such data for judicial purposes.

Law No. 101 of June 6, 2008, enacting, with amendments, the decree-law of April 8, 2008, No. 56 (known as the Save-infringements decree) covering the urgent measures to put into effect Community obligations. In particular, article 8-novies makes the activity of a network operator dependent on the issuing of a general authorisation under the Code of Electronic Communications and allows a license already granted to a network operator to be converted into a general authorisation. The penalty procedures covering advertising are also amended, exacerbating them.

European regulatory activity

The Group has focussed its action on the following areas:

The analysis of the European Commission s legislative proposals on the reform of the Directives of the European Community on electronic communications and on the re-examination of the Recommendations on important markets.

The process of adoption of the Directive on electronic payments in the internal market.

The proposal to regulate international roaming services and the process of adoption of such regulation. The regulation, approved by the EU s Parliament and Council, envisions the fixing of limits on prices (price cap) for end customers (the retail market) and operators (the wholesale market) for these services.

The analysis of the activities and decisions of the European bodies charged with the implementation of the legislative programme (the Communications Committee Cocom, and the European Regulators Group ERG).

The monitoring of the assessment by the European Commission of the provisions by national Authorities in the sector with respect to markets targeted for the imposition of obligations previously identified by the Recommendation 2007/879/EC[1].

1 At issue are major markets of products and services within the electronic communications sector of such a nature as to justify the imposition of regulatory obligations, defined on the basis of the principles of the right of free competition.

THE ENVIRONMENT

Project Environment

The Project was launched in 2004 to ensure a unified approach to the Group s environmental concerns, from the standpoint of controlling potential risks and as an opportunity to improve environmental performance.

The Project is run by an Operation Committee, tasked with making proposals and monitoring, and a Steering Committee, which approves the projects proposed and allocates the necessary funds. A responsible manager is assigned to supervise each project, coordinating a cross-functional team. In line with the new company organization, the composition of the Operation Committee and the Steering Committee has been reviewed.

The Project has been widened to include the following issues: external communications, environmental accountability and safety, sustainability in the supply chain, an extension of the Environmental Management System of Technology and Operations, ground pollution, management of telephone poles; work on the projects begun earlier has continued.

The intranet site of the Project is regularly updated with the aim of better disseminating the substance of the initiatives; in addition, a section has been created that is dedicated to employees queries on environmental issues.

Environmental Management Systems and Integrated Systems

Telecom Italia is encouraging the adoption of Environmental Management Systems (EMS) within the Companies of the Group as a way of ensuring the effective direction of environmental matters, from the standpoint of continuous improvement.

In April, the project dealing with the implementation of an Integrated Environmental Management and Safety System in two call centres (Naples and Rome) was completed.

In addition, a feasibility study into the establishment of an EMS in TIM Brasil was begun.

Waste Management

The differentiated disposal of waste produced in offices has been extended to 19 premises with fewer than 100 employees. In addition, in four sites (Turin, Rome, Naples and Palermo) trials have been conducted on a new way of collecting paper through waste bins placed in rooms as well as corridors.

Regarding the regulations on the transport of dangerous materials by road, a training programme has been rolled out to increase the number of people involved in the process of checking the collection of refuse by the carriers.

Concerning Waste Electrical and Electronic Equipment (WEEE) Telecom Italia, in anticipation of the issuing of enforcement order of Legislative Decree 151/05, has laid down the method of overall management of the process and has adhered to the consortium specialised in the management of end-of life equipment.

Mobility Management

The project is aimed at reducing the environmental impact of commuting between home and work and contributing to the improvement of the quality of life of employees in those Italian cities that have the greatest urban traffic and a high level of atmospheric pollution (Rome, Milan, Bologna, Naples, Turin, Florence, Venice, Padua and Palermo).

The project envisages the following actions:

analysis of the methods of reaching the office by different means of transport;

inquiries, through interviews, into the commuting habits of employees;

the creation of a database, through an online survey, charting the duration and methods of commuting;

identifying areas for improvement and providing mobility management solutions for each company branch;

effecting the solution best adapted to the needs and particular situation of each individual company office.

The first three phases of the project have been completed in the cities of Rome, Milan, Naples, Bologna and Turin. The project has raised considerable interest, as is shown by the rate of participation in the online survey, equivalent to 58% of the personnel concerned.

For the city of Rome, an additional pilot project is planned on the management of the company fleet and business trips.

Energy

Telecom Italia s commitment to energy efficiency and the use of alternative energy sources has been maintained.

The theme of energy efficiency is enshrined in numerous projects, such as, for example: the modernisation of low-output power stations[2], the introduction of more energy efficient conditioning systems, the remote monitoring of energy consumption in certain Radio Base Stations.

Furthermore, a co-generation plant has come into operation at the Pomezia Data Centre. The plant is able to produce around 25 GWh/year and, by recovering the heat produced by the endothermic engines, it is possible to keep the temperature inside the system rooms under control without additional energy consumption (it s estimated that to produce refrigerated water for the purpose would mean the consumption of electricity equivalent to around 8GWh).

In the sphere of initiatives on conditioning with reduced energy consumption, free cooling systems of various types have been adopted, among them geothermic air conditioning and those integrated with group refrigeration by absorption, fed with hot water from solar panels.

Environmental audits

In the first six months of 2008, 12 environmental audits were conducted into the company s operations or on suppliers whose activities have potential impact on the environment. Two pilot integrated audits were conducted, in the areas of safety and the environment, on companies involved in the development of the network infrastructure.

In addition, a training programme has been planned aimed at reinforcing the skills of personnell assigned to the management of integrated audits.

Education, training and information

The online information campaign has continued, aimed at all staff, informing them of initiatives in the environmental field, such as, for example, the celebration of World Environment Day, the start of trials of differentiated waste paper collection and the survey on home-work commuting.

In the first six months, articles of general interest illustrating the efforts made and the future direction have been published on the website of Project Environment. Among the issues covered are: the links between business and the environment, Project Environment, energy saving and renewable energy sources, the life cycle assessment, the Environmental Management System, the reduction of emissions, mobility management.

In the area of environmental information directed outside the company, MTV, the Media Company of the Group, has undertaken several initiatives, including:

- an initiative entirely dedicated to the environment in which videos on the subject and the No Excuse 2015 specials were transmitted on the occasion of World Environment Day;

- a special on the differentiated collection and recycling of paper and cardboard to demonstrate its usefulness notwithstanding the contradictions and the present imperfections of the process.

[2] By means of the installation of an inverter that gives a higher output in the conversion of AC current.

COMMUNITY

Some of the most important community initiatives follow. Activities are subdivided according to the London Benchmarking Group (LBG) model, the standard worldwide reference for measuring contributions to the community.

Level 1 - Charity
SMS and phone calls for civic solidarity

Among almost 50 fund-raising initiatives in the first half of 2008 supported by means of sending SMS and telephone calls were:

- the Oasis Day project, promoted by the WWF;
- the fund-raiser Azaleas for Research in favour of the Italian Association for Cancer Research;
- the Match of the Heart, Humanity Without Borders , for the ONLUS Fondazione Parco della Mistica.

Level 2 Community investments
Sou Ligado!

Begun in 2004, in partnership with the brazilian non-governmental organisation, Visão Mundial, the Sou Ligado! (I am connected!) project allows small and medium enterprises to use the mobile phone service to develop their businesses with the aid of ICT technology.

As had been initially planned, in 2007 and 2008, the project was self-financing through the micro-credit facility and the Group did not advance further financial resources to the initiative, whose management has been completely passed on to Visão Mundial.

Music in schools

Born out of the collaboration between the Group s mobile companies in Latin America and the Brazilian government, the project kicked off in 2003 with the aim of promoting, through musical education, the social inclusion of young children and adolescents who live in at-risk situations in 13 cities in Brazil. During the music courses, notions of civic responsibility and peaceful co-existence are disseminated. In addition, in many cases, the musical knowledge acquired has led to a real chance at a profession.

Up to now, 20,540 students from 62 public schools have benefited from the project.

Level 3 Initiatives in the community
Schools on the network

Sponsored by the Ministry of Public Instruction, every year this Telecom Italia initiative brings together 390 Rome lower middle school classes. The aim of the project is to familiarise the students with the correct and responsible use of the cell-phone through lessons in the classroom, visits to the National Supervisory Centre of the mobile network and a themed drawing competition, crowned in January 2008 with the exhibition of the winning design in the TIM showrooms in Rome and Milan.

Business Basics
MyVirtual Rehabilitation

This is a virtual reality system for the treatment of motor deficiency syndrome of the upper and lower limbs. The therapist designs a course of exercises for the patient to follow with the aid of certain sensors applied to the affected limb. The sensors, linked to a system that reproduces on a screen a bright, pleasurable, virtual environment, guide the patient in the correct execution of the movements. The system assigns points for the execution of the exercise, which gives the patient an incentive and, at the same time, provides useful information to the therapist on the progress achieved.

The therapy can even be conducted remotely, at outside centres other than the hospital, or at home. An associated video-conferencing system allows communication between patient and therapist.

Research and development

Telecom Italia Lab

TILab is the Department whose remit is the supervision of technological innovation for the Group, scouting for new technologies and engineering operations for services and network platforms. Its operations are therefore targeted at the research, assessment, development and testing of emerging technologies and rolling them out in the field, as well as scouting for new core technologies, in order to increase the efficiency of the networks and systems, not least network platforms, services and architecture.

The technological innovation of Telecom Italia Group is also the outcome of strategic partnerships with the main producers of telecommunications equipment and systems and with Research Centres of excellence at the most highly qualified national and international academic institutions (Turin and Milan Polytechnics, Berkley University, MIT). In this sphere, in the first six months of 2008, 15 new contracts were concluded with as many universities, covering research into various types of technology, encryption algorithms, services concepts, new paradigms of communication.

As in the past, opportunities to generate competitive advantages and create market value for Telecom Italia Group have been pursued through the strategic management of the relationship among research, Intellectual Property Rights (IPR) and business, aimed at the development of the company s assets in patents rights; in this context, placing greater attention on the quality of the patents rather than their quantity, in the first six months of 2008, 11 new applications for patent were registered (15 in the first six months of 2007).

Scrolling through the various technological areas across which TILab s innovative operations range, reveals the areas of mobile access and fixed access, terminals and the home network, transport, control and tiers of services.

In the course of the first six months of 2008, in the field of mobile phone access, solutions were developed based on femtocell, which is an innovative way of making radio access possible, based on an high number of cells, extremely reduced in size. Experimental and testing operations have been conducted to back up participation in the competition for the award of Wi-Max licences.

In the sphere of the evolution of the converging Network architectures and of the diffusion of broadband, work has been conducted on the determination of likely solutions to support the evolution of optical access under the various scenarios available in the coming years with fibre terminals in buildings, in the cabinet or in home of the client.

The innovation of the Home Network and Terminals for the Digital Home Always-on Broadband, has witnessed the development of Media Sharing solutions on Home Network through the technology of DNLA and Open IPTV Forum, set top boxes for high quality Videocommunications and combinational services. In this context, great importance has also been placed on Eco-compatibility solutions in terms of the energy specifications of the connected home and of the prerequisites of environmental compatibility of the terminals.

In the sphere of the development of services based on content and applications, the development of innovations for specific groups of clients has continued. In particular:

- the e-tourism solutions have been upgraded with a solution that allows access to and visualisation of the tourist portal in a dynamic way, based on the profile of the terminal used. Furthermore, provision has been enriched with Web2.0 functionality in the generation and contextualised sharing of photos and video, with the integration of the eTourism platform (Virtual Cicero) and the management of points of tourist interest (Teamlife). These innovative platforms were tried out for the first time in an integrated version on the occasion of the Venice Carnival 2008.

- Preparations have been made for the first trials of solutions based on Mobile Payment s SIM tool kit (based on SMS).

- The new approach of the TIM service has been developed, providing the inclusion of all services within the native contacts list of the telephone, allowing the client to see immediately and directly from the list which services are available.

The TIM SKY Mobile TV/Radio has been launched allowing the client to enjoy 10 SKY channels and 25 radio stations for 2G and 3G users, with the conversion of the radio/TV channels from ON AIR DVB broadcast on IP format to 3GPP on IP.

Preparations have been made for the evolution of high quality videocommunication by ADSL 2+ and NGN 2 access, with the evolution of the graphic interface and the improvement of its usability.

The first steps have been taken towards a new Broadband television with the launch of Yalp (www.yalp.it) the first Community TV on the Internet which offers surfers the possibility to create, publish and share their own television channel with professional video and soon with content generated by clients.

New Alice for business solutions have been developed which, on one broadband connection for voice and data, is controlled from a single centre accessible via a single apparatus sharing an integrated LAN structure.

Preparations have been made for a demonstrator version of the system of monitoring consumption in the domestic environment by means of a videophone using intelligent sockets (Energy@Home).

On the international level, TILab has pledged a substantial commitment to the task of standardisation, through which future solutions will be made possible, influencing the manufacturers roadmap. Among the highlights of results achieved in this context to which TILab has made an important contribution, it is worth mentioning:

the completion of the architecture of the mobile network 3GPP Evolved Packet System Release 8;

the completion of the specifications of fixed NGA (TISPAN Release 2) regarding control aspects (IPTV, corporate networks, authentication and security, QoS and Access);

the publication of the specification of the Home Gateway (Residential Profile) by Forum HGI;

the publication by OMA (Open Mobile Alliance) of the specification of the Smart Card Web Server, a technology which allows access to the operator services present on the smart card through a browser installed on mobile terminals;

the start in March 2008, on the initiative of Telecom Italia, of the Energy Efficiency Inter Operator Collaboration Group, a working party constituted to date by 18 of the principle global TLC Operators with the aim of maximising energy efficiency in the telecommunications sector, interceding on standards and proposing actions to suppliers.

Olivetti Group

The Olivetti Group devotes a significant share of its resources to the technological Research and Development sector. In its research centres in Italy and abroad, it employs more than 200 people, equal to more than 16% of its entire workforce.

In the course of the first six months of 2008, Olivetti s research centres worked on the development of products and terminals for automating counters and on ink-jet technology.

HUMAN RESOURCES

Headcount and changes in the Telecom Italia Group

Headcount at December 31, 2007 (*)	Changes in the period					Headcount at June 30, 2008 (*)
	Hired	Terminated	Decrease of leased personnel	Changes in report scope	Total change	
83,429	3,044	-3,084	-100	-1,489	-1,629	**81,800**

(*) Including discontinued operations/non-current assets held for sale (1,360 personnel at December 31, 2007 and 1,292 personnel at June 30, 2008) and leased personnel (1,969 people at December 31, 2007 and 1,861 people at June 30, 2008).

Headcount as of June 30, 2008 was 81,800.

The decrease of 1,629 people as compared to December 31, 2007, is due to:

- the exclusion of Entel Bolivia from the scope of this report (-1,475 people) and the sale of the On Air company branch by MTV Italia (-14 people);

- the hiring of 3,044 people (196 of whom were for discontinued operations) and 3,084 people leaving (272 of whom were engaged in discontinued operations), added to which there was a decrease of 100 leased personnel.

Development

The process of Performance Evaluation compared to the 2007 results has been completed with the assessment of the performance of more than 47,000 personnel including the recipients of MBO.

The Management Review involving around 2,300 managers (the Group s senior managers and middle managers) has been completed. The evaluation campaign has facilitated the gathering of accurate information on the individual profiles of the management team and the acquisition of useful aids in making ever better choices in terms of Succession management and of organisational and managerial development.

Finally, the Knowledge Review identifying professionals with key know-how in achieving business objectives has been completed.

Recruiting

Collaboration with the Turin Polytechnic is continuing on the second edition of a Master s degree entirely financed by the Group designed to encourage training in network and services innovation for 11 young engineering graduates.

Two Master s degrees created by TILS and financed with the Group s no. 40 Study Bursary are also underway. The Master s degrees cover the subjects Networking for Enterprise and Career NE&C and Information and Communication Security ICS .

The Group s contribution to youth training is also evident in the participation of many managers in University courses and Master s degrees, as well as the tutoring of internal trainees, students and undergraduates.

The employer awareness drive has continued through participation at relevant events in certain Italian Universities.

The Group has taken part in the international programme, UNITECH, as a Corporate Partner together with the main European Universities of Technology and the biggest international companies in the ICT sector.

Training

In the Telecom Italia Group, training activities delivered in the first six months of 2008 amount to around 960,000 hours for Italia personnel (in classrooms, on-line, on-the-job training) as the following table shows, and around 12 million euros in direct costs, excluding the labour cost and travel expenses. A full 53% of the Group s personnel have participated in at least one training session.

HOURS AND PARTICIPANTS BY PROFESSIONAL CATEGORY

Activities fall into two areas: the first concerning cross-Group projects, the second in training aimed at ensuring business effectiveness.

Cross-Group projects

Following on from 2007, training sessions have been conducted on effective conduct and on ICT scenarios for senior managers, middle managers and levels 6 and 7, which were designed to reinforce a widespread, uniform managerial culture.

The Bridge the Gap Project, begun in 2007, has involved top managers in high-level training initiatives, such as participation in seminars at International Business Schools and Learning Tours.

With the specific initiative of the MAKTEL masters (Marketing Actionable Knowledge Through Experiential Learning), the Market Academy has been launched which envisages a combination of targeted actions to make Telecom Italia a centre of excellence not only in technological expertise but also in marketing.

The training Plan 2008 on the Sarbanes Oxley Act 404 has been launched, aimed at updating awareness on the implementation required by the SOA and on obligations arising from law 262/2005.

Training to ensure business effectiveness

This type of training, aimed at consolidating and developing professional competence, has involved an update on technological innovation and the upgrading of proficiency specific to the Customer Care and Sales profiles.

Internal communications

Listening activities and projects

In May 2008, a survey was launched on the internal climate Group Photo which periodically involves all company personnel. Participation was 63.2% in Italy (72% in 2006), 79.71% in Germany (61.4% in 2006) and 60.09% in Brazil (82.5% in 2006).

On a scale of 1 to 10 (a score of 10 meant completely satisfied), the overall satisfaction level in Italy was 6.35 (in 2006 it was 6.21), in Germany, it was 5.8 (in 2006 it was 6.64), in Brazil, it was 7.36 (in 2006 it was 4.17 on a scale of 1 to 5).

Company information and Media

- noi.magazine: the first edition of 2008 was published;
- noi.flash: two editions of the newsletter were produced;
- agenda noi.2008: 3 editions in the main languages of the Group were produced;
- Web TV: noi.tv, a multimedia, multiplatform channel was launched.

Integration activities and projects

- To encourage integration and awareness within the company and of the business, the Discover-TI project was launched and has involved 1,300 colleagues among senior managers and middle managers.
- A day of discussion on innovation was held for senior managers and middle managers from Technology and Operations, with the participation of experts from multinational companies.
- The first edition of Business Appointments was held for 300 managers from Mobile Services Management.
- Eight meetings with the Management were held across the entire country and involved senior managers and middle managers from Domestic Fixed Services management.

Activities and projects involving employees

The literary initiative, Publish a Story in noi.magazine, was launched with more than 700 stories submitted and the awarding of prizes for the 4 winners.

Welfare development

The summer programme for children has been broadened with two trips dedicated to football, including themed trips on how to do sports, on studying English and traditional summer trips to tourist destinations.

The Time Saving Services for employees (personal assistance, laundry, cobblers, wellbeing areas) have been improved.

To the seven nursery schools already in existence, two new ones have been added in Rome and Catanzaro, where work has recently been completed.

Finally, Children s Day was held again this year in May: employees children aged a maximum of 12 years visited their parents workplace. In 41 offices, parties were organised with cartoons, snacks and the handing out of little gifts, with around 6,000 children taking part.

Health and safety protection

The initiatives described below concern the Group s activities in Italy.

Research into Well-being in the call centres: preliminary tasks have been underway into the launch of new surveys involving operators in the call centre. The adaptation of well-being in the call centres as indicated in the Company/Unions agreement, signed in May 2008, in respect of the large-scale improvement areas that were identified. One outcome of that agreement has been comparisons made with outside Bodies, as well as the necessary meetings at the national level with other interested parties (Representatives of Workers for Safety, the Joint Environmental Committee). Furthermore, the ergonomic/environmental campaign dedicated to the company s call centres (around 140 sites) has been completed.

Evaluation of exposure to natural radioactivity: the three-yearly campaign to detect natural radioactivity in the relevant company sites has continued. The operation has involved around 50% of more than 1,700 company sites scheduled in 2008.

Risk Assessment Dossier Update: the updating of Telecom Italia s Risk Assessment Dossier. and those of companies run by Telecom Italia s Service of Prevention, Protection and the Environment (SPPA) has continued (24 new Telecom Italia departments have been updated).

Training: the SPPA has provided more than 50,000 hours of training on matters relating to safety at work and the protection of the environment. The Drive Safely campaign has also continued with the creation of 12 editions of an educational/training course (432 employees taking part).

Project Site Sharing; unified procedures for managing safety-at-work issues in shared Radio Base stations have been completed, in agreement with Vodafone.

Industrial relations

Given the expiry (December 31, 2007) of the agreement on the Productivity Bonus for Telecom Italia S.p.A. personnel stipulated on June 5, 2007, the Company signed, on May 14, 2008, along with SLC-CGIL, FISTEL-CISL, UILCOM-UIL and the National Coordinating Committee of the RSU, and on May 15, 2008, with UGL Telecommunications, an agreement that validates the new Productivity Bonus up until December 31, 2011.

The amount of the Bonus, distributed every six months, is made up of 70% based on the company s economic performance (EBITDA) and the remaining 30% on the level of customer satisfaction, and it envisions an annual distribution at the fifth level of the scale, until 100% of the target is reached, equal to 2,870 euros.

In addition, negotiations are underway with the Trade Union Organisations to define a third parameter of quality/productivity, graded for large-scale organisational areas, which will be introduced from January 1, 2009.

The union agreement on the Productivity Bonus of Telecom Italia S.p.A. has been extended to Elettra Tlc S.p.A., IT Telecom S.r.l., Path.Net S.p.A., Telecom Italia Audit and Compliance Services S.c.a.r.l.. These agreements have been reached in the wider context of the company s negotiations that have also witnessed the signing of the renewal of the company s regulations of reconciliation with the collective National Work Contract.

It should be noted that the agreement on the second level of negotiations of Telecom Italia S.p.A. has been extended to IT Telecom S.r.l., Path.Net S.p.A., Telecom Italia Audit and Compliance Services S.c.a.r.l..

At the end of a wide phase of discussions within the joint Company-Union Commission, on May 14, 2008 an agreement was reached with SLC-CGIL, FISTEL-CISL, UILCOM-UIL and the National Coordinating Committee of the RSU on the subject of well-being in the call centres. On May 15, 2008, the understanding was also signed by UGL Telecommunications.

On June 18, 2008, the understanding on the renewal of the Productivity Bonus and the second level of negotiation for Telecom Italia Sparkle S.p.A. were signed with SLC-CGIL, FISTEL-CISL, UILCOM-UIL, UGL Telecommunications and the RSU.

Finally, on June 30, the mobility procedure ex-lege 223/1991 regarding a total of 5,000 workers distributed across the whole country was begun.

Stock Options

Stock options have been used within the Telecom Group in order to retain and give incentives to members of management in the long term.

At June 30, 2008, the Group s existing stock option Plans were related to options entitling to the subscription of Telecom Italia S.p.A. and Telecom Italia Media S.p.A. shares.

In the first six months of 2008:

- the period for exercising the following options expired:
  - the first batch of Telecom Italia s Stock Option 2002 Plan;
  - the first batch of Telecom Italia s Stock Option 2002 Top Plan;
  - the first batch of Telecom Italia s Stock Option 2003-2005 Plan;
  - all batches of Telecom Italia Media s Stock Option Key People Plan.
- the exercising of options of Plans in operation was suspended during the Shareholders Meetings in accordance with the relevant Regulations:
  - for the Telecom Italia options from March 31, 2008, to April 18, 2008;
  - for the Telecom Italia Media options from March 27, 2008, to April 12, 2008.

In addition, a new stock option plan has been initiated by Telecom Italia S.p.A., approved by the Shareholders Meeting on April 14, 200, the implementation of which was considered by the Board of Directors in the meeting of April 15, 2008.

The Plan is reserved to the Top Executives of the Company and consists in granting options to acquire ordinary shares in Telecom Italia S.p.A., up to 3,000,000 for the President and 8,400,000 for the Managing Director, at the price of euro 1.95. The Plan envisages the maturation of the right of acquisition of shares in the course of three years from their being assigned, an exercise-of-option period of three years duration and, for 25% of the options, the ability to exercise the option is based on the relative performance of Telecom Italia s Total Shareholder Return measured against the 10 main companies of the DJ STOXX TLC index.

The essential points in Telecom Italia and Telecom Italia Media s stock option plans are comprehensively covered in the Note Telecom Italia Group s stock option Plans in the Six-monthly Report.

SHAREHOLDERS

Financial reporting

In the course of the first half of 2008, the most important financial reporting event was the annual meeting with the stock market that was held in Milan on March 7th. During this meeting, Telecom Italia detailed the Group s strategies and objectives for 2008 and the three-year period, 2008-2010.

In the first six months of 2008, the company organised more than 100 formal meetings with the market (financial analysts, institutional and individual investors) consisting of *conference calls, road shows* and participation in telecommunications sector conferences, in addition to regular contacts through face-to-face meetings and telephone conversations.

Of particular importance was the financial reporting aimed at investors with a specific focus on Socially Responsible Investing (SRI), conducted in concert with the Group Sustainability department. In their choice of investments, SRI investors favour those companies that can demonstrate that they pay particular attention to ethical, social and environmental issues, without detriment to economic considerations. One road show was aimed specifically at these investors and was put on in Paris and Frankfurt.

With regard to the relationship with individual shareholders (retail) who thus far represent, as sole possessors of ordinary shares, nearly 700,000 investors, Telecom Italia s strategy is aimed at widening the channels of financial reporting, in such a way as to respond in an effective manner to the ever-growing requests for information and speedy updates on the Group.

A key tool in this strategy is the shareholders Club TI Alw@ys ON (www.telecomitaliaclub.it), a virtual meeting place for the company and its individual investors with more than 9,000 members. Admission to the club allows free access to certain economic-financial information services, among which are: monthly and three-monthly newsletters, weekly stock market reports, SMS and email alerts.

An electronic postal address is dedicated to all shareholders, investitori.individuali@telecomitalia.it, which regularly deals with requests for clarification on the performance of Telecom Italia shares on the stock market and other indicators of various types.

l REPORT ON CORPORATE GOVERNANCE HALF-YEARLY UPDATE

The aim of the half-yearly update of Telecom Italia s Report on Corporate Governance is to provide information on the changes and additions made to the Company s system of corporate governance compared with that described in detail in the Corporate Governance section of the Annual Report for 2007.

1. In view of the expiry of the mandate of the Board of Directors appointed on April 16, 2007, the shareholders meeting convened on April 14, 2008 was invited to adopt the consequent resolutions.

As a first step, the meeting established the number of members of the Board of Directors at 15 and the duration of the mandate at three financial years (i.e. until the meeting convened to approve the annual financial statements for the year ending December 31, 2010)

The meeting then elected the new Board using the slate system. Slates were presented by the following shareholders: Telco S.p.A., Findim Group S.A. and Arca SGR S.p.A. (the latter jointly with other asset management companies).

The results of the votes in the meeting are shown below:

	Number of votes	% of the capital represented in the meeting	% of all the shares entitled to vote
IN FAVOUR OF SLATE 1 (1)	3,588,317,001(*)	67.92	26.82
IN FAVOUR OF SLATE 2 (2)	385,290,381	7.29	2.88
IN FAVOUR OF SLATE 3 (3)	670,887,342	12.70	5.01
OPPOSED TO ALL THE SLATE S	377,348,506	7.14	2.82
ABSTAINED/DID NOT VOTE	261,528,396	4.95	1.95

(1) Slate presented by Telco S.p.A.

(2) Slate presented by: Arca SGR S.p.A., UBI Pramerica SGR S.p.A., BNP Paribas Asset Management SGR S.p.A., Monte Paschi Asset Management SGR S.p.A., Eurizon Investimenti SGR S.p.A., Pioneer Investment Management SGR p.A., Pioneer Asset Management S.A., Eurizon Capital SGR S.p.A., Eurizon Capital S.A., Fideuram Investimenti SGR S.p.A., Fideuram Gestions S.A., and Interfund Sicav)

(3) Slate presented by Findim Group S.A.

(*) of which 3,278,702,623 expressed by Telco S.p.A.

The following directors were accordingly elected from the Teleco slate: Cesar Alierta Izuel, Tarak Ben Ammar, Franco Bernabè, Elio Cosimo Catania, Jean Paul Fitoussi, Gabriele Galateri di Genola, Berardino Libonati, Julio Linares Lopez, Gaetano Micciché, Aldo Minucci, Gianni Mion and Renato Pagliaro. In addition, Paolo Baratta and Roland Berger were elected from the Findim slate and Luigi Zingales from the Arca SGR slate.

As in the past, the CVs of the directors are available on the Company s website. On the basis of these documents and/or the declarations deposited at the Company together with the slates, Paolo Baratta, Roland Berger, Elio Cosimo Catania, Jean Paul Fitoussi and Luigi Zingales meet the requirements for independent directors set out in the Consolidated Law on Finance and Borsa Italiana s Corporate Governance Code which the Company s Self-Regulatory Code takes over entirely in this respect.

In its meeting on April 15, 2008 the Board of Directors verified that the individual directors satisfied the relevant requirements and that the Board as a whole satisfied the composition requirements (at least two directors satisfying the independence requirements laid down by law for the members of the Board of Statutory Auditors).

On the same occasion the Board of Directors took note of the confirmation of the undertaking by the directors César Alierta Izuel and Julio Linares López with regard to matters concerning the Brazilian telecommunications market and markets marked by conditions analogous to those prevailing in Brazil. Accordingly, these two directors will not participate in either the discussion or the vote in the Board of Directors or the Executive Committee (see below) on proposals or matters concerning the activity of Telecom Italia and its subsidiaries in the Brazilian and Argentinian telecommunications markets.

2. On April 15, 2008 the Board of Directors appointed Gabriele Galateri di Genola as Chairman and Franco Bernabè as CEO.

The Chairman in addition to legal representation of the Company was entrusted with:

- supervising the drawing up of strategic, business and financial plans, and their implementation and development;
- supervising the specification of the organizational arrangements;
- supervising the operating results and financial condition; and
- overseeing the examination and definition of the guidelines for the internal control system.

The CEO in addition to legal representation of the Company and all the powers, to be exercised with a single signature, needed to carry out all the acts involved in the Company s activities, with no exceptions was entrusted with responsibility for the overall governance of the Company and the Group and, in particular, with:

- responsibility for drawing up and submitting strategic, business and financial plans to the Board of Directors and for their subsequent implementation and development;
- responsibility for specifying the organizational arrangements;
- all the organizational responsibilities involved in ensuring the operation and growth of the business, by coordinating the organizational aspects not entrusted to the Chairman;
- responsibility as employer for workers health and security at the workplace in relation to the entire configuration of the Company;
- responsibility for the handling of data in the light of the laws and regulations governing privacy.

3. In its meeting on April 15, 2008 the Board of Directors made the necessary changes to the Company s Self-Regulatory Code and created the following board committees:

- an Executive Committee charged with monitoring the performance of operations, approving the executive directors proposals for macro organizational arrangements, submitting opinions to the Board on the budget and strategic, business and financial plans and performing any other tasks delegated by the Board of Directors. The Committee comprises Gabriele Galateri di Genola and Franco Bernabè (executive directors), Roland Berger (independent director) and Julio Linares Lopez, Gaetano Micciché, Aldo Minucci, Gianni Mion and Renato Pagliaro (non-executive directors) and is chaired by the Chairman of the Board, Gabriele Galateri di Genola;
- an Internal Control and Corporate Governance Committee made up of non-executive directors, of whom the majority must be independent, and at least one must be chosen from a minority slate and another have adequate know-how in the fields of accounting and finance. At present the Committee comprises Paolo Baratta (independent director elected from a minority slate), Jean Paul Fitoussi and Elio Cosimo Catania (independent directors), and Aldo Minucci (non-executive director). The Committee has appointed Paolo Baratta as its Chairman.

a Nomination and Remuneration Committee entrusted, in addition to the duties of the earlier Remuneration Committee, with the task (previously performed by the Internal Control and Corporate Governance Committee) of proposing candidates when independent directors have to be replaced. The Committee must be made up of non-executive directors, of whom the majority must be independent, and at least one chosen from a minority slate. At present the Committee comprises Elio Cosimo Catania (independent director), Luigi Zingales (independent director elected from a minority slate) and Berardino Libonati (non-executive director). The Committee is chaired by Elio Catania.

4. In Telecom Italia the Supervisory Panel set up pursuant to and for the purposes of Article 6 of Legislative Decree 231/2001 remains in office until the expiry of the Board of Directors that appointed it and is made up of a member of the Internal Control and Corporate Governance Committee, a statutory auditor and the person representing vis-à-vis Telecom Italia the consortium company Telecom Italia Audit and Compliance Services s.c.a.r.l., which is charged with the Company s internal audit function. In its meeting on April 15, 2008 the Board of Directors confirmed this arrangement. In order to allow the panel to continue its work without a break, the Board of Directors also confirmed the composition of the panel: Ferdinando Superti Furga (statutory auditor), Paolo Baratta (director) and Federico Maurizio D Andrea (Chairman of Telecom Italia Audit and Compliance Services).

5. Pursuant to the first paragraph of Article 2389 of the Civil Code, the shareholders meeting held on April 14, 2008 fixed a limit of euro 2,200,000 for the total annual remuneration of the Board of Directors.

The Board subsequently divided this amount as follows:

euro 110,000 to be paid to each director in office;

an additional euro 35,000 to be paid to each member of the Executive Committee;

an additional euro 45,000 to be paid to each member of the Internal Control and Corporate Governance Committee;

an additional euro 20,000 to be paid to each member of the Nomination and Remuneration Committee;

an additional euro 20,000 to be paid to the director appointed to the Supervisory Panel set up under Legislative Decree 231/2001.

As regards the Chairman and the CEO, the Board of Directors confirmed the pay packages established by the previous Board and described in detail in the Corporate Governance Report for 2007. The stock options provided for in the plan approved by the shareholders meeting held on April 14, 2008 have also been awarded: 3,000,000 to the Chairman and 8,400,000 to the CEO. A detailed description of the plan can be found in the information document published pursuant to Article 84-*bis* of Consob Regulation 11971/1999 on issuers.

6. The Company s internal organization also saw the Board of Directors meeting on August 8, 2008 ratify the choice of the independent directors to appoint Paolo Baratta as the Lead Independent Director, the position created in Telecom Italia in 2004 to provide a point of reference and coordination for the needs and inputs of the independent directors.

7. The shareholders meeting held on April 14, 2008 approved some fine tuning amendments to the Company s bylaws that mainly concerned the Board of Directors and the Board of Statutory Auditors.

The first amendment made to Article 9 of the bylaws reduced the maximum number of directors from 23 to 19 (paragraph 1). The amendments that followed inserted suitable reminders of the need to comply with the applicable laws and regulations in the part of the procedure for electing the Board of Directors that precedes the shareholders meeting (paragraphs 2 and 9(b)), while at the same time aligning the bylaw mechanisms with the rules laid down by Consob for the election of the Board of Statutory Auditors. For this body it is worth recalling that the applicable regulatory provisions were incorporated into the bylaws with a resolution adopted by the Board of Directors on July 24, 2007, since in that case the alignment with the new legislation was mandatory.

For the Board of Directors, the procedures for publishing the slates of candidates were simplified by eliminating their publication in daily newspapers at shareholders expense (paragraph 4); at the same time the difference between the time limit for filing slates and that for demonstrating ownership of the shares needed to legitimate the filing was eliminated (paragraph 6).

As regards the Board of Statutory Auditors (Article 17 of the bylaws), the number of alternates was increased to four, of whom two are to be chosen from the so-called Majority Slate and two from the so-called Minority Slates. The amendment serves to facilitate compliance with the principle of the necessary representation of minorities in the event of a Statutory Auditor chosen from the Minority Slates ceasing to perform the function by allowing the shareholders meeting to confirm the alternate chosen from the same slates. The change in the number of alternates (paragraph 1) impinges on the procedures of the slate voting system (paragraph 10) and on the mechanisms for the selection of the alternate for replacement purposes (according to age) pursuant to Article 2401 of the Civil Code (paragraph 13).

Lastly, Article 18.1 of the bylaws was eliminated since it was incompatible with a new provision of the Consolidated Law on Finance (Article 154-*ter*, which makes it obligatory for issuers to approve their annual financial statements and publish their annual report within 120 days of the close of their fiscal year). None of the above-mentioned amendments will result in dissenting shareholders being entitled to withdraw.

8. As noted in the Corporate Governance Report for 2007, the internal rules for related party transactions were revised by the Board of Directors in its meeting on March 6, 2008 with the introduction of a more comprehensive set of procedures. The new rules, fully effective as of July 7, 2008, diversify the decision-making roles and responsibilities according to the type of activity in question (whether or not deemed to be part of the ordinary course of business) and the manner of determining the relationships with related

parties (distinguishing between unalterable other-directed conditions, competitive procedures, and benchmarking procedures for ascertaining their market comparability).

To encourage the correct application of the new rules, guidelines have been drawn up that eligible users can consult via the Internet/intranet to verify the nature of the relationship with Telecom Italia and the applicable authorization procedure and, once the transaction has been completed, to ensure the transmission of the information needed for the preparation of periodic reports.

9. Subsequent to the Board of Directors initial adoption (March 6, 2008) of the plan to bring the Company into line with the listing conditions established in Article 36 of the Consob Regulation on markets for Italian issuers controlling companies set up in and subject to the laws of non-EU countries (effective as of November 16, 2008), the regulatory framework was significantly altered, with effect from July 1, 2008, by Consob Resolution no. 16530 of June 25, 2008.

Telecom Italia took note of the changes to the regulations and the change in the scope of the provisions and amended its alignment plan accordingly.

In view of the intervening changes, to comply with Consob s prescriptions it will basically be sufficient to supplement the pre-shareholders meeting financial report disclosures with the deposit of the so-called reporting packages (consisting of the balance sheet and income statement) received from the main companies alone (currently Tim Brasil Serviços e Participações S.A., Tim Celular S.A., Tim Nordeste S.A., Tim Participações S.A.) and a declaration by these companies when the documents are transmitted to the parent company attesting that they have provided its auditor with the information needed to carry out the audit of its accounts. The checks already started on the system of internal controls on financial reporting of the Group s non-EU subsidiaries will continue and the opportunity will be taken to determine the need for improvements.

10. At June 30, 2008 Telco S.p.A. was the largest Telecom Italia shareholder with a holding equal to 23.59% of the ordinary share capital. In turn Telco is owned by Intesa San Paolo S.p.A. (10.6%), Mediobanca S.p.A. (10.6%), Sintonia S.A. (8.4%), companies belonging to the Generali Group (28.1%) and Telefónica S.A. (42.3%).

At the same date, on the basis of the shareholders register, notifications to Consob and the Company pursuant to Article 120 of Legislative Decree 58/1998 and other information, there were the following significant holdings of Telecom Italia s ordinary share capital:

Declarant	**Type of holding**	**% of the ordinary share capital**	**% of the voting share capital**
Telco S.p.A.	Direct	24.503%	24.503%
Findim Group S.A.	Direct	4.451%	4.451%

At June 30, 2008 the following had also declared their ownership of Telecom Italia ordinary shares in their capacity of asset management companies:

Brandes Investment Partners, LP, for a total of 545,945,668 ordinary shares, corresponding to 4.080% of Telecom Italia s total ordinary share capital, held directly;

Barclays Global Investors UK Holdings Ltd., for a total of 272,766,107 ordinary shares, corresponding to 2.038% of Telecom Italia s total ordinary share capital, held indirectly through Barclays Global Investors NA (0.819%), Barclays Global Investors Ltd. (0.611%), Barclays Global Fund Advisors (0.366%) and Barclays Global Investors (Deutschland) AG (0.242%).

TELECOM ITALIA GROUP

HALF-YEARLY CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS

AT JUNE 30, 2008

The Half-yearly condensed consolidated financial statements at June 30, 2008 have been translated from those issued 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.

HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TELECOM ITALIA GROUP

AT JUNE 30, 2008

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HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2008

TELECOM ITALIA GROUP

CONSOLIDATED BALANCE SHEETS

(millions of euro)	note	6/30/2008	*of which related parties*	12/31/2007	*of which related parties*
ASSETS					
NON-CURRENT ASSETS					
Intangible assets					
Goodwill	4)	44,222		44,420	
Intangible assets with a finite useful life	5)	7,052		6,985	
		51,274		51,405	
Tangible assets	6)				
Property, plant and equipment owned		15,029		15,484	
Assets held under finance leases		1,412		1,450	
		16,441		16,934	
Other non-current assets					
Investments in associates and joint ventures accounted for using the equity method	7)	472		484	
Other investments	7)	59		57	
Securities, financial receivables and other non-current financial assets	7)	741	*31*	695	*25*
Miscellaneous receivables and other non-current assets	7)	786	*6*	866	*7*
Deferred tax assets		238		247	
		2,296		2,349	
TOTAL NON-CURRENT ASSETS (A)		**70,011**		**70,688**	
CURRENT ASSETS					
Inventories		327		308	
Trade and miscellaneous receivables and other current assets	8)	8,953	*497*	9,088	*534*
Current income tax receivables		104		101	
Investments		39			
Securities other than investments		166		390	*7*
Financial receivables and other current financial assets		1,124	*10*	377	*13*
Cash and cash equivalents		4,413	*337*	6,473	*278*
CURRENT ASSETS SUB-TOTAL		**15,126**		**16,737**	
Discontinued operations/Non-current assets held for sale	9)				
of a financial nature		30			
of a non-financial nature		701			
		731			
TOTAL CURRENT ASSETS (B)		**15,857**		**16,737**	
TOTAL ASSETS (A+B)		**85,868**		**87,425**	

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EQUITY AND LIABILITIES

(millions of euro)	note	6/30/2008	*of which related parties*	12/31/2007	*of which related parties*
EQUITY	10)				
Share capital issued		10,674		10,674	
Less: Treasury shares		(69)		(69)	
Share Capital		10,605		10,605	
Paid-in capital		1,689		1,689	
Other reserves and retained earnings (accumulated losses), including profit for the period		13,278		13,628	
Equity attributable to equity holders of the Parent		25,572		25,922	
Equity attributable to Minority Interest		886		1,063	
TOTAL EQUITY (A)		**26,458**		**26,985**	
NON-CURRENT LIABILITIES					
Non-current financial liabilities	11)	37,226	*893*	37,051	*860*
Employee benefits	13)	1,350		1,151	
Deferred tax liabilities		109		586	
Provisions	14)	775		903	
Miscellaneous payables and other non-current liabilities	16)	1,629	*26*	1,587	*24*
TOTAL NON-CURRENT LIABILITIES (B)		**41,089**		**41,278**	
CURRENT LIABILITIES					
Current financial liabilities	11)	5,597	*426*	6,585	*305*
Trade and miscellaneous payables and other current liabilities	15)	11,183	*494*	12,380	*341*
Current income tax payables	16)	501		197	
Current liabilities sub-total		**17,281**		**19,162**	
Liabilities directly associated with Discontinued operations/Non-current assets held for sale	9)				
of a financial nature		823			
of a non-financial nature		217			
		1,040			
TOTAL CURRENT LIABILITIES (C)		**18,321**		**19,162**	
TOTAL LIABILITIES (D=B+C)		**59,410**		**60,440**	
TOTAL EQUITY AND LIABILITIES (A+D)		**85,868**		**87,425**	

CONSOLIDATED INCOME STATEMENTS

(millions of euro)	note	1st Half 2008	*of which related parties*	1st Half 2007	*of which related parties*
Revenues		14,838	*520*	15,337	*169*
Other income		158	*6*	164	*1*
Total operating revenues and other income		**14,996**		**15,501**	
Acquisition of goods and services		(6,610)	*(369)*	(6,739)	*(90)*
Employee benefits expenses		(2,274)	*(70)*	(1,893)	*(28)*
Other operating expenses		(865)		(824)	
Changes in inventories		17		21	
Internally generated assets		271		269	
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION, CAPITAL GAINS (LOSSES) REALIZED AND IMPAIRMENT REVERSALS (LOSSES) ON NON-CURRENT ASSETS (EBITDA)		**5,535**		**6,335**	
of which net impact of non-recurring items	25)	***(290)***		***(20)***	
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 (EBIT)		**2,608**		**3,554**	
of which net impact of non-recurring items	25)	***(265)***		***(10)***	
Share of profits (losses) of associates and joint ventures accounted for using the equity method		37		58	
Finance income	20)	1,515	*31*	1,256	*7*
Finance expenses	21)	(2,731)	*(69)*	(2,225)	*(24)*
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**1,429**		**2,643**	
of which net impact of non-recurring items	25)	***(264)***		***(9)***	
Income tax expense	16)	(173)		(1,018)	
PROFIT FROM CONTINUING OPERATIONS		**1,256**		**1,625**	
Profit or loss from Discontinued operations/Non-current assets held for sale	9)	(148)		(123)	
PROFIT FOR THE PERIOD		**1,108**		**1,502**	
of which net impact of non-recurring items	25)	***(194)***		***(15)***	

of which:		
* **Profit attributable to equity holders of the Parent**	**1,140**	**1,500**
* Profit (loss) attributable to Minority Interest	(32)	2

Basic and Diluted Earnings Per Share (EPS)

(euro)	**1st Half 2008**	**1st Half 2007**
Basic and Diluted EPS per:		
Ordinary Share	0.06	0.07
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		

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

CHANGES IN EQUITY IN THE FIRST HALF OF 2007

	Equity attributable to the equity holders of the Parent						
(millions of euro)	**Share capital**	**Paid-in capital**	**Exchange differences on translating foreign operations**	**Other reserves and retained earnings, including profit for the period**	**Total**	**Equity attributable to Minority Interest**	**Total equity**
Balance at December 31, 2006	**10,605**	**1,689**	**686**	**13,038**	**26,018**	**1,080**	**27,098**
Changes in equity in the first half of 2007							
Available-for-sale financial assets:							
Valuation gains or losses taken to equity				(17)	**(17)**		**(17)**
Gains or losses transferred to the income statement				1	**1**		**1**
Cash flow hedges:							
Valuation gains or losses taken to equity				39	**39**		**39**
Gains or losses transferred to the income statement				39	**39**		**39**
Exchange differences on translating foreign operations			241		**241**	64	**305**
Tax on items taken directly to or transferred from equity				(17)	**(17)**		**(17)**
Net income (loss) recognized directly in equity			**241**	**45**	**286**	**64**	**350**
Profit for the period				1,500	**1,500**	2	**1,502**
Total recognized income and expense for the period			**241**	**1,545**	**1,786**	**66**	**1,852**

Dividends approved				(2,766)	**(2,766)**	(73)	**(2,839)**
Other changes				(9)	**(9)**	(1)	**(10)**
Balance at June 30, 2007	**10,605**	**1,689**	**927**	**11,808**	**25,029**	**1,072**	**26,101**

CHANGES IN EQUITY IN THE FIRST HALF OF 2008

	Equity attributable to the equity holders of the Parent						
(millions of euro)	**Share capital**	**Paid-in capital**	**Exchange differences on translating foreign operations**	**Other reserves and retained earnings, including profit for the period**	**Total**	**Equity attributable to Minority Interest**	**Total equity**
Balance at December 31, 2007	**10,605**	**1,689**	**834**	**12,794**	**25,922**	**1,063**	**26,985**
Changes in equity in the first half of 2008							
Available-for-sale financial assets:							
Valuation gains or losses taken to equity				4	**4**		**4**
Gains or losses transferred to the income statement							
Cash flow hedges:							
Valuation gains or losses taken to equity				(363)	**(363)**		**(363)**
Gains or losses transferred to the income statement				381	**381**		**381**
Exchange differences on translating foreign operations			94		**94**	29	**123**
Tax on items taken directly to or transferred from equity				(3)	**(3)**		**(3)**
Net income (loss) recognized directly in equity			**94**	**19**	**113**	**29**	**142**
Profit for the period				1,140	**1,140**	(32)	**1,108**
Total recognized income and expense for the period			**94**	**1,159**	**1,253**	**(3)**	**1,250**
Dividends approved				(1,609)	**(1,609)**	(59)	**(1,668)**
Change in the scope of consolidation						(117)	**(117)**
Other changes				6	**6**	2	**8**

Balance at June 30, 2008	**10,605**	**1,689**	**928**	**12,350**	**25,572**	**886**	**26,458**

CONSOLIDATED CASH FLOW STATEMENTS

(millions of euro)	note	1st Half 2008	1st Half 2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit from continuing operations		1,256	1,625
Adjustments for:			
Depreciation and amortization		2,952	2,793
Impairment losses (reversals) on non-current assets (including investments)		111	(103)
Net change in deferred tax assets and liabilities		(466)	925
Losses (gains) realized on disposals of non-current assets (including investments)		(26)	(14)
Share of losses (profits) of associates and joint ventures accounted for using the equity method		(37)	(58)
Change in employee benefits		292	(31)
Change in inventories		(21)	(26)
Change in trade receivables and net receivables on construction contracts		56	(503)
Change in trade payables		(1,076)	(180)
Net change in miscellaneous receivables/payables and other assets/liabilities		580	(77)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)		**3,621**	**4,351**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of intangible assets on an accrual basis	5)	*(1,432)*	*(1,003)*
Purchase of tangible assets on an accrual basis	6)	*(1,524)*	*(1,409)*
Total purchase of intangible and tangible assets on an accrual basis (*)		(2,956)	(2,412)
Change in amounts due to fixed asset suppliers		*3*	*(313)*
Total purchase of intangible and tangible assets on a cash basis		(2,953)	(2,725)
Acquisition of subsidiaries and businesses, net of cash acquired			(669)
Change in financial receivables and other financial assets		113	405
Proceeds from sale of subsidiaries, net of cash disposed of			1
Proceeds from sale/repayment of intangible, tangible and other non-current assets		60	41
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)		**(2,780)**	**(2,947)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Change in current financial liabilities and other		(226)	(413)
Proceeds from non-current financial liabilities (including current portion)		1,918	1,454
Repayments of non-current financial liabilities (including current portion)		(2,997)	(3,230)
Dividends paid (*)		(1,664)	(2,830)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)		**(2,969)**	**(5,019)**
CASH FLOWS FROM (USED IN) DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE (D)	9)	**(26)**	**52**
AGGREGATE CASH FLOWS (E=A+B+C+D)		**(2,154)**	**(3,563)**
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD (F)		**6,204**	**6,960**
Net foreign exchange differences on net cash and cash equivalents (G)		7	21

NET CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (H=E+F+G)	**4,057**	**3,418**

(*) of which related parties

(millions of euro)	**1st Half 2008**	**1st Half 2007**
Total acquisitions of intangible and tangible assets on an accrual basis	(173)	(233)
Dividends paid	(267)	(344)

ADDITIONAL CASH FLOW INFORMATION:

(millions of euro)	**1st Half 2008**	**1st Half 2007**
Income taxes (paid) received	(84)	(67)
Interest expense paid	(1,728)	(2,230)
Interest income received	418	805
Dividends received	22	13

ANALYSIS OF NET CASH AND CASH EQUIVALENTS:

(millions of euro)	1st Half 2008	1st Half 2007
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD:		
Cash and cash equivalents from continuing operations	6,449	7,260
Bank overdrafts repayable on demand from continuing operations	(275)	(258)
Cash and cash equivalents from Discontinued operations/Non-current assets held for sale	30	5
Bank overdrafts repayable on demand from Discontinued operations/Non-current assets held for sale		(47)
	6,204	**6,960**
NET CASH AND CASH EQUIVALENTS AT END OF THE PERIOD:		
Cash and cash equivalents from continuing operations	4,413	3,662
Bank overdrafts repayable on demand from continuing operations	(360)	(254)
Cash and cash equivalents from Discontinued operations/Non-current assets held for sale	20	14
Bank overdrafts repayable on demand from Discontinued operations/Non-current assets held for sale	(16)	(4)
	4,057	**3,418**

NOTE 1 FORM AND CONTENT AND OTHER GENERAL INFORMATION

Form and content

Telecom Italia S.p.A. is a corporation organized under the laws of the Republic of Italy. Telecom Italia S.p.A. and its subsidiaries (the Telecom Italia Group or the Group) operate mainly in Europe, the Mediterranean Basin and South America.

The Group is engaged principally in the communications sector and, particularly, in telephone and data services on fixed lines, for final retail customers and other national wholesale providers, in the development of fiber optic networks for wholesale customers, in broadband services, in Internet services, in domestic and international mobile telecommunications (especially in Brazil), in the television sector using both analog and digital terrestrial technology and in the office products sector.

The head office of the Parent, Telecom Italia, is located in Milan, Italy.

The half-yearly condensed consolidated financial statements of the Telecom Italia Group are expressed in millions of euro which is also the currency of the primary economies in which the Group operates. Foreign subsidiaries are included in the half-yearly condensed consolidated financial statements in accordance with the accounting policies described in the Note Accounting policies in the consolidated financial statements at December 31, 2007.

The half-yearly condensed consolidated financial statements at June 30, 2008 of the Telecom Italia Group have been prepared in accordance with IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (IFRS) and the legislation and regulations in force in Italy.

In the first half of 2008, the Group did not elect the early adoption of any IFRS.

The half-yearly condensed consolidated financial statements at June 30, 2008 of the Telecom Italia Group have been prepared in accordance with IAS 34 (Interim Financial Reporting) and, as permitted by this standard, do not include all the information that would be required in annual financial statements; accordingly, these financial statements should be read together with the 2007 consolidated financial statements of the Telecom Italia Group.

For purposes of comparison, the balance sheet at December 31, 2007, the income statement and cash flows statement in the first half of 2007 as well as the statement of changes in equity in the first half of 2007 have been presented in accordance with IAS 1 (Presentation of Financial Statements).

Financial statement formats

The financial statement formats adopted are consistent with those indicated in IAS 1. In particular:

- the consolidated balance sheet has been prepared by classifying assets and liabilities according to current and non-current criterion and separately indicating on two lines Discontinued operations/Non-current assets held for sale and Liabilities directly associated with Discontinued operations/Non-current assets held for sale as required by IFRS 5;

- the consolidated income statement has been prepared by classifying the operating expenses by nature of expense, since this form of presentation is considered more appropriate and representative of the specific business of the Group, conforms to internal reporting and is in line with the industrial sector of reference. Moreover, results from continuing operations are shown separately from the Profit (loss) from discontinued operations/Non-current assets held for sale as required by IFRS 5;

the consolidated cash flows statement has been prepared by presenting cash flows from operating activities according to the indirect method , as permitted by IAS 7, and separately showing cash flows from Discontinued operations/Non-current assets held for sale , as required by IFRS 5.

Furthermore, as required by Consob resolution 15519 dated July 27, 2006, in the income statement by nature, income and expenses relating to non-recurring transactions or events which infrequently occur during the normal course of business operations and the relative effects have been shown separately at the main intermediate result levels.

Non-recurring events and transactions are identified basically according to the nature of the transactions. Specifically, non-recurring income / expenses include events or transactions which by their very nature do not occur continuously during the normal course of operations and refer to:

- income / expenses from the sale of properties;
- income / expenses from the sale of business segments and investments included under non-current assets;
- any income / expenses from reorganizations connected with extraordinary corporate-related transactions (mergers, demergers, acquisitions and other corporate-related transactions);
- any income / expenses from fines levied by regulatory agencies (the National Regulatory Authority (NRA), the Antitrust Authority etc.).

Again in reference to the above Consob resolution, the amounts of balances or transactions with related parties are shown separately by the caption in the balance sheet, income statement and cash flow statement.

Segment information

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: includes Television and News activities;
- **Olivetti** Business Unit: includes activities 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.

Seasonal factors affecting revenues

Domestic

The trend of revenues from basic subscription charges and traffic relating to fixed telecommunications was not significantly affected by seasonal factors in the comparison between the first half of 2008 and the first half of 2007.

The trend of voice traffic relating to domestic mobile telephony in the comparison of the first half of 2008 and the first half of 2007 was not influenced by seasonal factors associated with marketing campaigns, which, however have an effect on the level of revenues from sales and marginally also on revenues from Valued-Added Services (VAS). Nevertheless, there are seasonal phenomena in connection with changes in the number of holidays during the months or periods in the reporting calendar.

Brazil Mobile

The trend of revenues relating to the Brazil Mobile business was only marginally affected by seasonal factors connected with marketing campaigns but was influenced by seasonal phenomena relating to changes in the number of holidays during the months or periods in the reporting calendar.

Scope of consolidation

The changes in the scope of consolidation at June 30, 2008, excluding discontinued operations/non-current assets held for sale (analyzed later in the notes) are listed below.

Compared to December 31, 2007:

a) no changes in the scope of consolidation;

b) exclusions from the scope of consolidation:

- Entel S.A. Empresa Nacional de Telecomunicaciones Bolivia (together with its subsidiary Datacom S.A.), classified, as Available-for-sale financial assets, in Current assets (effective April 2008);
- Mediterranean Nautilus Inc. (liquidated and cancelled from the register of companies in May 2008);
- Milano Design Studio S.r.l. (sold in January 2008);
- Olivetti Colombiana S.A. (liquidated and cancelled from the register of companies in the early months of 2008);
- Saturn Venture Partners LLC (liquidated in May 2008);
- SCS Comunicazione Integrata S.p.A. (liquidated and cancelled from the register of companies in March 2008);
- Telsi Unlimited (liquidated in May 2008);

c) merged:

- Telecom Italia America Latina S.A. merged with Telecom Italia Latam S.A. ex-Olivetti do Brasil S.A. (effective January 2008);
- Tiemme Sistemi S.r.l. merged with Olivetti S.p.A. (effective April 2008);
- Tim International N.V. merged with Telecom Italia International N.V. (effective January 2008).

Compared to June 30, 2007, in addition to the above mentioned information:

a) inclusions in the scope of consolidation:

- InterNLnet B.V. (acquired in July 2007);
- Milano Design Studio S.r.l. (set up in December 2007);
- Shared Service Center S.r.l. (for the acquisition of 50% of the company from the other shareholder after the end of the reorganization process in October 2007);

b) exclusions from the scope of consolidation:

- Olivetti Chile S.A. (liquidated and cancelled from the register of companies in July 2007);
- Olivetti Mexicana S.A. (liquidated and cancelled from the register of companies at the end of 2007);
- Liberty Surf Communications Ltd (liquidated and cancelled from the register of companies in August 2007);
- O&B Costruzioni Generali S.r.l. (liquidated and cancelled from the register of companies in November 2007);
- Trainet S.p.A. (liquidated and cancelled from the register of companies in December 2007);

c) merged:

- Consorzio Mael merged with Olivetti S.p.A. (effective August 2007);
- HMC S.p.A. and HMC Pubblicità S.p.A. merged with Telecom Italia Media S.p.A. (effective July 2007);
- Progetto Italia S.p.A. merged with Telecom Italia S.p.A. (effective October 2007).

At June 30, 2008 and December 31, 2007, Telecom Italia subsidiaries, associates and joint ventures can be broken down as follows:

	6/30/2008		
Companies:	**Italy**	**Foreign**	**Total**
subsidiaries consolidated line-by-line (*)	36	71	107
joint ventures accounted for using the equity method	2	1	3
associates accounted for using the equity method	18	8	26
Total companies	**56**	**80**	**136**

	12/31/2007		
Companies:	**Italy**	**Foreign**	**Total**
subsidiaries consolidated line-by-line (*)	38	80	118
joint ventures accounted for using the equity method	2	1	3
associates accounted for using the equity method	20	8	28
Total companies	**60**	**89**	**149**

(*) Including the companies held for sale.

For further details, see the Note List of companies of the Telecom Italia Group .

Entel Bolivia Group

Following the enactment, on May 1, 2008, of a decree whereby the Bolivian government authorized the nationalization of the shares of Entel Bolivia S.A., the investment in that company was excluded from the scope of consolidation and classified as an available-for-sale financial asset under current assets, specifically, in investments. The carrying amount of this investment, equal to euro 39.5 million, corresponds to the carrying amount, considered recoverable, which this investment had in the interim consolidated financial statements at March 31, 2008.

The data used for purposes of the consolidation of Entel Bolivia S.A. and its subsidiary Datacom S.A. (Entel Bolivia group) is as follows:

income statement data for the first half of 2008, for the first half of 2007 and for the year 2007;

net financial position at June 30, 2007 and December 31, 2007.

(millions of euro)	**1st Half 2008 (3 months)**	**1st Half 2007**	**Year 2007**
Revenues	52	102	210
EBITDA	24	47	98
Profit for the period, including the profit (loss) attributable to Minority Interest	10	27	60

(millions of euro)	**6/30/2007**	**12/31/2007**
Net financial position: debt/(cash)	(67)	(101)

For additional details on the nationalization of Entel Bolivia and the resulting dispute with the Bolivian government, reference should be made to the Note Contingent Assets and Liabilities, Commitments and other Guarantees .

NOTE 2 ACCOUNTING POLICIES

The accounting policies and principles of consolidation adopted for the preparation of the half-yearly condensed consolidated financial statements at June 30, 2008 have been applied on a basis consistent with those used for the annual consolidated financial statements at December 31, 2007, to which reference should be made, except for the changes required for purposes of interim financial reporting.

Specifically, in the half-yearly condensed consolidated financial statements at June 30, 2008, the income taxes of the individual consolidated companies are calculated according to the best possible estimate based on available information and on a reasonable forecast of performance up to the end of the tax period. Conventionally, the income tax liabilities (current and deferred) on the income for the interim period of the individual consolidated companies are recorded net of advances and tax receivables (excluding receivables for which refunds have been requested) as well as deferred tax assets, and classified in Deferred tax liabilities ; if the balance between deferred tax assets and deferred tax liabilities is an asset it is conventionally recognized in Deferred tax assets .

New Standards and Interpretations endorsed by the EU and in force beginning January 1, 2008

As required by IAS 8 (*Accounting Policies, Changes in Accounting Estimates and Errors*), IFRS in force beginning January 1, 2008 are reported and briefly summarized below.

IFRIC 11 (*IFRS 2 Group and treasury share transactions)*

On June 1, 2007, EC Regulation 611-2007 was published endorsing IFRIC 11 *(IFRS 2 Group and Treasury Share Transactions).*

This interpretation clarifies, among other things that share-based payment transactions in which an entity receives services (for example, from employees) as consideration for its own equity instruments shall be accounted for as equity-settled. This applies regardless of whether the entity chooses or is required to buy those equity instruments from another party to satisfy its obligations to its employees under the share-based payment arrangement.

The application of this interpretation did not have any effect on the half-yearly condensed consolidated financial statements at June 30, 2008.

New Standards and Interpretations endorsed by the EU and not yet in force

IFRS 8 (*Operating Segments*)

On November 21, 2007, EC Regulation 1358-2007 was published endorsing IFRS 8 (Operating Segments).

IFRS 8 requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments for which discrete financial information is available that is regularly reviewed by the entity s Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and to assess its performance. Generally, financial information is required to be reported on the basis that is used for internal reporting provided to the chief operating decision maker.

IFRS 8 will come into force for annual periods beginning 2009 and supersedes IAS 14 (*Segment Reporting*). Prior years segment information presented as comparative information in the year of transition must be restated to conform to IFRS 8 requirements, unless the necessary information is unavailable and the cost to develop it would be excessive.

NOTE 3 FINANCIAL RISK MANAGEMENT

The Telecom Italia Group is exposed to the following financial risks in the ordinary course of its business operations:

- liquidity risk: connected with the need to meet short-term financial commitments;
- credit risk: representing the risk of the non-fulfillment of the obligations undertaken by the counterpart with regard to the liquidity investments of the Group;
- market risk: stemming from changes in interest rates and exchange rates in connection with financial assets that have been originated and financial liabilities that have been assumed.

Liquidity risk and credit risk

With regard to liquidity risk, the Group pursues the objective of achieving an adequate level of financial flexibility which is expressed by maintaining a margin of current treasury resources which allows it to cover refinancing requirements at least for the next 12 months using irrevocable bank lines and liquidity.

Specifically, current financial assets at June 30, 2008 amounting to euro 5,703 million, together with unused committed credit lines totaling euro 6.5 billion, ensure a broad coverage of short-term financial commitments.

As for credit risk, the Group s liquidity is invested in deposits, generally for periods of less than three months, with high-credit-quality banking and financial institutions, with at least an A rating (according to Standard & Poor s or an equivalent rating by another agency).

Market risk

The Group normally hedges its exposure in foreign currency, but not the risk of investment in foreign operations expressed in foreign currency. Therefore, fluctuations in the euro exchange rates against other currencies (especially the Brazilian real) could impact the results of the Group. The increase in the value of the euro against other currencies in specific countries in which the Group operates or has made investments would reduce the relative amount of revenues or assets of the Group in those countries and, therefore, could negatively impact the results or financial position of the Group.

The Group utilizes, or could further utilize in future, loans denominated in currencies other than the euro, mainly U.S. dollar or Pound sterling. The Group systematically hedges its exposure to exchange rate risk on liabilities denominated in currencies other than the euro using Cross Currency and Interest Rate Swaps (CCIRS).

The Telecom Italia Group also concluded derivative transactions to hedge the risk of fluctuations in interest rates and to diversify debt parameters in order to reduce borrowing costs and volatility to within pre-set limits.

The Group defines an optimum fixed-rate and floating-rate debt composition and uses derivative financial instruments to achieve that prefixed composition. Taking into account the Group s operations in various sectors, in terms of risk, volatility and the amount of expected operating cash flows, the optimum blend of medium/long-term non-current financial liabilities has been established, on the basis of the nominal amount, at 60%-70% for the fixed-rate component and 30%-40% for the floating-rate component.

An improper management of financial risks could negatively impact the Group s margins.

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NOTE 4 GOODWILL

Compared to December 31, 2007, goodwill went from euro 44,420 million to euro 44,222 million. The amount reclassified to Non-current assets held for sale (Discontinued Operations) for euro 249 million refers to the Liberty Surf group.

Details of goodwill by business segment and the changes during the period are presented in the following tables:

(millions of euro)	12/31/2007	Discontinued operations	Exchange differences	6/30/2008
Domestic	**41,953**			41,953
European BroadBand	**942**	(249)		693
Brazil Mobile	**1,295**		51	1,346
Media	**230**			230
Total	**44,420**	**(249)**	**51**	**44,222**

Goodwill under IAS 36 is not amortized but is tested for impairment annually or more frequently if specific events or circumstances indicate that it may be impaired. To test for impairment, goodwill must be allocated to cash-generating units or groups of cash-generating units which must not be at a level higher than the business segment determined in accordance with IAS 14. The criteria followed for the allocation of goodwill considers the lowest level at which goodwill is monitored for internal management purposes. The business units (or groups of units) to which goodwill was allocated are as follows:

Sector	**Group of units**
Domestic	Fixed Mobile
European BroadBand	Hansenet BBNed
Brazil Mobile	Tim Brasil
Media	Telecom Italia Media

The recoverable amount is the higher of the value in use and the fair value less costs to sell.

The configuration of value used to determine the recoverable amount of the business units (or groups of units) to which the goodwill was allocated was the following:

ü for Domestic (fixed and mobile) and for Brazil Mobile, the value in use;

ü for Telecom Italia Media, the fair value calculated on the market capitalization at June 30, 2008;

ü for Hansenet and BBNed, the fair value net of costs to sell as estimated on the basis of current stock market multiples of a sample of comparable European companies (value map).

The most representative basic assumptions for the calculation of the value in use of each group of cash-generating units are presented in the following table:

Domestic Fixed	Domestic Mobile	Brazil Mobile
Ebitda margin (Ebitda/ sales) during the period of the plan	Ebitda margin (Ebitda/ sales) during the period of the plan	Growth rate of sales during the explicit forecast period (2008-2010)
Investments to maintain profit capability (in proportion to sales)	Investments to maintain profit capability (in proportion to sales)	Ebitda margin (Ebitda/ sales) during the period of the plan
		BRL/euro exchange rate
Cost of capital	Cost of capital	Cost of capital
Long-term growth rate	Long-term growth rate	Long-term growth rate

To determine the value in use, the Group used the 2008 forecast data and the 2009/2010 plan data adjusted to take into account only negative changes in the forecast results. The 2009/2010 plan data used as the basis for determining the value in use are taken from the 2008/2010 plan approved by the board of directors meeting held on March 6, 2008 and do not consider the benefits arising from the efficiency and employee reduction plan announced on June 4, 2008.

The nominal growth rates used to estimate the end amount are the following (the growth rate of Brazil refers to flows in Brazilian reais):

Domestic Fixed	Domestic Mobile	Brazil Mobile
-0.5%	+0.5%	+2.92%

Such rates fall within the range of growth rates applied by the analysts following Telecom Italia stock (as can be seen from the reports published after the announcement of the Group s first-quarter 2008 results).

The cost of capital was estimated by considering the following:

a) the criteria for the estimate of the cost of capital CAPM Capital Asset Pricing Model (the same criteria used by the Group to estimate the value in use and referred to in Annex A of IAS 36);

b) the Beta coefficient for business segments arrived at by using the Beta coefficients of the European multibusiness incumbents, including Telecom Italia itself, adjusted to take into account the target financial structure;

c) the average credit spread of Telecom Italia in the second quarter of 2008.

On the basis of these elements, the post-tax Weighted Average Cost of Capital and the capitalization rate (WACC post-tax g) were estimated for each business unit (Brazilian reais are used for Brazil) as follows:

	Domestic		Brazil
	Fixed	Domestic Mobile	Mobile
WACC post-tax	7.1%	7.4%	11.72%
WACC post-tax g	7.6%	6.9%	8.8%

Having considered the nominal flows of the result for the estimate of the value in use, the discount rates are also expressed in nominal terms (in Brazilian reais for Brazil).

The capitalization rate (WACC post-tax g) was then compared with the corresponding rate:

a) used by other telephone operators to check the recoverability of the value of goodwill;

b) used by equity analysts who follow the Telecom Italia stock, in relation to the principal business sectors of the Group.

A sensitivity analysis of the results was also carried out for those units for which the value in use was estimated: for all CGUs, the value in use remains higher than the carrying amounts up to an increase in the weighted average cost of capital of 50 basis point (hundredths of a percentage point), with the exception of the Domestic Mobile CGU for which the value in use would be equal to the carrying amount in the financial statements with an increase in the weighted average cost of capital of 36 basis points. The excess of the value in use over the carrying amount of the CGU at June 30, 2008 would be equal to about euro 1.2 billion.

The second level of impairment testing was effected by considering the total recoverable amount of the entire Domestic segment consisting of the Domestic Fixed, Domestic Mobile and Domestic Central Functions business units. Specifically, the recoverable amount of the Domestic Central Functions (corporate) unit was negative since this unit is a cost center. The total recoverable amount of the Domestic segment was compared to the carrying amount of the total operating capital referring to the same group of units. There was no impairment at this second level of testing either.

Finally, a third level of impairment testing was effected by considering the total recoverable amount of all the business units of the Group, including those without any goodwill allocation (Olivetti, Central Functions and Other operations). The total recoverable amount of all the business units of the Group was compared to the carrying amount of the total operating capital referring to the same units/segments. There was no impairment at this last level of testing either.

NOTE 5 INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

Intangible assets with a finite useful life increased from euro 6,985 million at December 31, 2007 to 7,052 million. Details on the composition and movements during the period are as follows:

(millions of euro)	**12/31/2007**	Discontinued Operations	Additions	Amortization	Disposals	Exchange differences	Other changes	**6/30/2008**
Industrial patents and intellectual property rights	**2,796**	(42)	427	(880)	(2)	18	444	**2,761**
Concessions, licenses, trademarks and similar rights	**3,089**	(149)	571	(163)		34	26	**3,408**
Other intangible assets	**363**	(25)	150	(172)		2	1	**319**
Work in progress and advance payments	**737**	(19)	284				(438)	**564**
Total	**6,985**	(235)	1,432	(1,215)	(2)	54	33	**7,052**

Additions made during the first half of 2008 include euro 171 million of internally generated assets (euro 158 million in the first half of 2007).

Industrial patents and intellectual property rights at June 30, 2008 consist almost entirely of applications software purchased outright and user license rights acquired for an indefinite time period (amortized over the period of useful benefit, estimated in three years). They mainly refer to Telecom Italia S.p.A. (euro 2,145 million) and to Brazil Mobile (euro 486 million).

Concessions, licenses, trademarks and similar rights at June 30, 2008 mainly refer to:

ü the residual unamortized cost of the mobile licenses for 3G services throughout the Brazilian territory equal to euro 488 million (euro 477 million of additions gross of the amortization charge of euro 5 million plus the positive exchange effect of euro 16 million);

ü the residual unamortized cost of UMTS and PCS licenses (euro 1,823 million for Telecom Italia S.p.A. and euro 576 million for the Brazil Mobile Business Unit);

ü Indefeasible Rights of Use-IRU (euro 181 million);

ü TV frequencies of the Media Business Unit (euro 141 million);

ü costs incurred by the European BroadBand companies for Local Loop Unbundling (euro 160 million).

Other intangible assets at June 30, 2008 mainly include:

ü euro 212 million for the capitalization of subscriber acquisition costs referring to some sales offerings of Telecom Italia S.p.A. (euro 152 million), the Tim Brasil group (euro 58 million) and Hansenet (euro 2 million);

ü euro 97 million for the residual amount attributed to the customer relationship (euro 86 million) and the audience agreement (euro 11 million) of the AOL German companies;

ü euro 1 million for the customer list of InterNLnet B.V.

NOTE 6 TANGIBLE ASSETS (OWNED AND UNDER FINANCE LEASES)

Property, plant and equipment owned

Property, plant and equipment owned decreased from euro 15,484 million at December 31, 2007 to euro 15,029 million. Details on the composition and movements during the period are as follows:

(millions of euro)	12/31/2007	Discontinued Operations	Additions	Depreciation	Disposals	Exchange differences	Other changes	6/30/2008
Land	**131**				(2)		(6)	**123**
Buildings (civil and industrial)	**551**		1	(22)	(1)	1	(12)	**518**
Plant and equipment	**12,957**	(129)	1,016	(1,433)	(2)	38	111	**12,558**
Manufacturing and distribution equipment	**48**		4	(13)			3	**42**
Aircrafts and ships	**41**			(4)				**37**
Other	**965**		147	(202)	(3)	11	56	**974**
Construction in progress and advance payments	**791**	(17)	331			1	(329)	**777**
Total	**15,484**	(146)	1,499	(1,674)	(8)	51	(177)	**15,029**

Additions in the first half of 2008 include euro 100 million of internally generated assets (euro 111 million in the first half of 2007).

Other changes include euro 166 million due to the exclusion of the Entel Bolivia group from the scope of consolidation.

Assets held under finance leases

Assets held under finance leases decreased from euro 1,450 million at December 31, 2007 to euro 1,412 million. Details on the composition and changes are as follows:

(millions of euro)	12/31/2007	Additions	Depreciation	Other changes	6/30/2008
Buildings (civil and industrial)	**1,361**	2	(51)	7	**1,319**
Plant and equipment					
Aircrafts and ships	**6**		(2)		**4**
Other	**30**	3	(10)		**23**
Construction in progress and advance payments	**53**	20		(7)	**66**
Total	**1,450**	25	(63)		**1,412**

NOTE 7 OTHER NON-CURRENT ASSETS

Other non-current assets decreased from euro 2,349 million at December 31, 2007, to euro 2,296 million and include:

(millions of euro)	**6/30/2008**	**12/31/2007**
Investments accounted for using the equity method:		
Associates	419	446
Joint ventures	53	38
	472	**484**
Other investments	**59**	**57**
Securities, financial receivables and other non-current financial assets:		
Securities other than investments	14	9
Financial receivables and other non-current financial assets	727	686
	741	**695**
Miscellaneous receivables and other non-current assets		
Miscellaneous receivables	274	382
Medium/long-term prepaid expenses	512	484
	786	**866**
Deferred tax assets	**238**	**247**
Total	**2,296**	**2,349**

Investments in associates accounted for using the equity method include the investments in ETECSA (euro 279 million), the Italtel Group (euro 39 million), Tiglio I (euro 58 million) and Tiglio II (euro 4 million).

Investments in joint ventures accounted for using the equity method include the investments in Sofora Telecomunicaciones S.A., Perseo S.r.l. and Consorzio Tema Mobility, in which 50% stakes are held.

Financial receivables and other non-current financial assets amount to euro 727 million (euro 686 million at December 31, 2007). The composition is as follows:

(millions of euro)	**6/30/2008**	**12/31/2007**
Financial receivables for lessors net investments	281	279
Loans to employees	62	67
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature	334	286
Other financial receivables	50	54
Total	**727**	**686**

The total amount (non-current and current portion) of Financial receivables for lessors net investments can be analyzed as follows:

(millions of euro)	6/30/2008	12/31/2007
Non-current portion	281	279
Current portion	147	149
Total	**428**	**428**

Hedging derivatives relating to hedged items classified in non-current assets and liabilities of a financial nature refer to the mark-to-market component.

Additional information is provided in the Note Derivatives .

Miscellaneous receivables and other non-current assets amount to euro 786 million (euro 866 million at December 31, 2007, of which euro 2 million relates to the Liberty Surf group).

They include:

- the fair value of the two call options on 50% of Sofora Telecomunicaciones capital for euro 150 million (euro 260 million at December 31, 2007);
- medium/long-term prepaid expenses relating to the deferral of costs in conjunction with the recognition of revenues of euro 512 million (euro 484 million at December 31, 2007).

NOTE 8 TRADE AND MISCELLANEOUS RECEIVABLES AND OTHER CURRENT ASSETS

Trade and miscellaneous receivables and other current assets decreased from euro 9,088 million at December 31, 2007 to euro 8,953 million and consist of the following:

(millions of euro)	**6/30/2008**	**12/31/2007**
Amounts due on construction contracts	26	23
Trade receivables:		
Receivables from customers	5,262	5,446
Receivables from other telecommunication operators	1,910	1,864
	7,172	7,310
Miscellaneous receivables and other current assets:		
Other receivables	1,193	1,294
Trade and miscellaneous prepaid expenses	562	461
	1,755	1,755
Total	**8,953**	**9,088**

Trade receivables amount to euro 7,172 million (euro 7,310 million at December 31, 2007), and are net of the provision for bad debts of euro 958 million (euro 1,064 million at December 31, 2007).

Other receivables amount to euro 1,193 million (euro 1,294 million at December 31, 2007), and are net of a provision account for euro 45 million (euro 50 million at December 31, 2007). Details are as follows:

(millions of euro)	**6/30/2008**	**12/31/2007**
Advances to suppliers	38	76
Receivables from employees	37	40
Tax receivables	259	268

Receivables from factoring companies	377	457
Sundry receivables	482	453
Total	**1,193**	**1,294**

NOTE 9 DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE

In the balance sheet at June 30, 2008, Discontinued operations/Non-current assets held for sale and Liabilities directly associated with discontinued operations/non-current assets held for sale include the Liberty Surf group (which operates in the Broadband segment in France), classified in Discontinued Operations following the start of the steps taken for its disposal in the early months of 2008.

Discontinued operations/non-current assets held for sale amount to euro 731 million and include:

assets of a financial nature for euro 30 million;

goodwill for euro 249 million;

other assets of a non-financial nature for euro 452 million.

Liabilities directly associated with discontinued operations/non-current assets held for sale amount to euro 1,040 million and include:

liabilities of a financial nature for euro 823 million. These comprise euro 811 million relating to financial transactions of the Liberty Surf group with other companies of the Telecom Italia Group. The corresponding entry of this amount in the balance sheet is to Financial receivables and other current financial assets (for euro 795 million) and Cash and cash equivalents (for euro 16 million) for the receivables recognized by the companies of the Telecom Italia Group from the Liberty Surf group. On July 31, 2008, the liabilities of a financial nature of the Liberty Surf group were partly reduced by a capital increase on the part of Telecom Italia for euro 630 million;

other liabilities of a non-financial nature for euro 217 million.

The impact on the income statement from discontinued operations/non-current assets held for sale can be represented as follows:

(millions of euro)		1st Half 2008	1st Half 2007
Economic impact from discontinued operations/non-current assets held for sale:			
Revenues		235	183
Other income		2	3
Operating expenses		(274)	(226)
Amortization and depreciation, capital gains/losses realized and impairment losses on non-current assets		(86)	(65)
Operating loss (EBIT)		**(123)**	**(105)**
Finance income (expenses)		(23)	(14)
Loss before tax from discontinued operations/non-current assets held for sale		**(146)**	**(119)**
Income tax benefit (expense)		1	1
Loss after tax from discontinued operations/non-current assets held for sale	**(A)**	**(145)**	**(118)**
Economic effect on the seller entities:			
Impairment losses/charges for accruals relating to non-current assets held for sale			(5)
Transaction costs on the expected sale of Liberty Surf		(1)	
Income tax expense			1
	(B)	**(1)**	**(4)**
Adjustments and eliminations	**(C)**	**(2)**	**(1)**
Loss from discontinued operations/non-current assets held for sale	**(A+B+C)**	**(148)**	**(123)**

The Loss after tax from discontinued operations/non-current assets held for sale (A) refers entirely to the Liberty Surf group, whereas the **Economic effect on the seller entities (B)** in the first half of 2007 included euro 4 million of charges for accruals and expenses in connection with the disposal of Digitel Venezuela and the Buffetti group in 2006.

In the cash flow statement, the net cash flows used in such activities refer entirely to the Liberty Surf group. Details are as follows:

(millions of euro)	1st Half 2008	1st Half 2007
Cash flows from operating activities	29	97
Cash flows from investing activities	(4)	(149)
Cash flows from financing activities	1	
	26	(52)

The negotiations for the disposal of Liberty Surf Group S.A.S. (the holding company of the broadband segment in France), begun in the early months of 2008, took concrete form in May 2008 when a letter of exclusivity was signed with the company Iliad S.A., France s third most important supplier of internet services.

On June 7, 2008, the agreements (Share Purchase Agreement, Transitional Services Agreement, Trademark License and Phase Out Agreement) with Iliad S.A. were finalized and on June 27, 2008, Iliad s commitment to sign a purchase contract became irrevocable.

The signing of the agreement and the simultaneous transfer of the shares are expected to take place by the end of September 2008.

The sale price will be finalized on the basis of the net financial position at the closing date and will take into account price adjustment mechanisms such as the failure to utilize tax loss carryforwards.

At June 30, 2008, considering an Enterprise Value of euro 800 million and an estimated net financial debt at the time of sale of approximately euro 300 million, which already benefits from the recapitalization on the part of Telecom Italia S.p.A. of euro 630 million effected on July 31, 2008, we expect a positive impact on the Group net financial debt of approximately euro 750 million.

NOTE 10 EQUITY

Equity includes:

(millions of euro)	6/30/2008	12/31/2007
Equity attributable to equity holders of the Parent	25,572	25,922
Equity attributable to Minority Interest	886	1,063
Total	**26,458**	**26,985**

The following refers to the **Equity attributable to the equity holders of the Parent**.

The movements in **share capital** during the first half of 2008 are presented in the following tables:

RECONCILIATION BETWEEN THE NUMBER OF SHARES OUTSTANDING AT DECEMBER 31, 2007 AND JUNE 30, 2008

Number of shares	At 12/31/2007	Share issued as a result of bond conversions	At 6/30/2008
Ordinary shares	13,380,776,313	18,162	13,380,794,475
Less: treasury shares	(125,816,387)		(125,816,387)
Outstanding ordinary shares	13,254,959,926	18,162	13,254,978,088

Outstanding savings shares	6,026,120,661		6,026,120,661
Total shares issued by Telecom Italia S.p.A.	**19,406,896,974**	**18,162**	**19,406,915,136**
Less: treasury shares	(125,816,387)		(125,816,387)
Total shares of Telecom Italia S.p.A. outstanding	**19,281,080,587**	**18,162**	**19,281,098,749**

RECONCILIATION BETWEEN THE VALUE OF SHARES OUTSTANDING AT DECEMBER 31, 2007 AND JUNE 30, 2008

(millions of euro)	**Share capital at 12/31/2007**	**Change in share capital as a result of bond conversions**	**Share capital at 6/30/2008**
Ordinary shares	7,360	o o	7,360
Less: treasury shares	(69)		(69)
Outstanding ordinary shares	7,291	o o	7,291
Outstanding savings shares	3,314		3,314
Total shares issued by Telecom Italia S.p.A.	**10,674**	o o	**10,674**
Less: treasury shares	(69)		(69)
Total shares of Telecom Italia S.p.A.	**10,605**	o o	**10,605**

The share capital subscribed to and paid-in amounts to euro 10,673,803,324,80 at June 30, 2008, divided into 13,380,794,475 ordinary shares of par value euro 0.55 each, equal to 68.95% of share capital, and 6,026,120,661 savings shares of par value euro 0.55 each, equal to 31.05% of share capital. The shares are listed with Borsa Italiana S.p.A..

The ordinary and savings shares of the Company are listed on the NYSE in the form of American Depositary Shares, each of which corresponds to 10 shares of ordinary or savings shares, respectively, represented by ADRs issued by JPMorgan Chase Bank.

Paid-in capital is euro 1,689 million at June 30, 2008 and unchanged compared to December 31, 2007.

Exchange differences on translating foreign operations show a positive balance of euro 928 million at June 30, 2008 and increased by euro 94 million compared to December 31, 2007. These mainly refer to exchange differences in euro from the translation of the financial statements of the Brazilian mobile telephone companies.

Other reserves and retained earnings (accumulated losses), including profit for the period and excluding **Exchange differences on translating foreign operations** at June 30, 2008 amount to euro 12,350 million and decreased by euro 444 million compared to December 31, 2007 mainly due to the sum of the following:

- profit for the period attributable to the equity holders of the Parent, equal to euro 1,140 million (euro 1,500 million in the first half of 2007),

- dividends approved for euro 1,609 million (euro 2,766 million in the first half of 2007). Dividends payable to ordinary and savings shareholders are, respectively, euro 1,061 million (euro 0.08 per share) and euro 548 million (euro 0.091 per share).

Equity attributable to Minority Interest of euro 886 million decreased by euro 177 million compared to December 31, 2007 basically due to the sum of the result for the period (-euro 32 million), dividends approved (-euro 59 million), the positive change in Exchange differences on translating foreign operations (euro 29 million) and the negative change in the scope of consolidation due to Entel Bolivia (euro 117 million). The Equity attributable to Minority Interest consists mainly of the equity attributable to the minority interests of the mobile telephone companies in Brazil and the Media Business Unit.

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Future potential changes in share capital

The following table shows the future potential changes in share capital by reason of the conversion of bonds and the exercise of options in the stock option plans still outstanding at June 30, 2008:

	Outstanding bonds/options rights at 6/30/2008	**Conversion/ grant ratio**	**Number of maximum shares issuable**	**Par value** (thousands of euro)	**Paid-in capital** (thousands of euro)	**Subscription price per share** (euro)
Additional increases approved (ord. sh.)						
Bonds Telecom Italia 1.5% 2001 2010	484,838,696	0.471553	228,627,141	125,745	359,094	
Stock Option Plan 2002 Top	5,100,000,67	3.300871	16,834,436	9,259	37,676	2.788052
Stock Option Plan 2002	10,426,104,58	3.300871	34,414,996	18,929	81,036	
of which grants March-2002	9,957,104,28	3.300871	32,866,892	18,077	78,158	2.928015
grants August-2002	469,000,30	3.300871	1,548,104	852	2,878	2.409061
Stock Option Plans 2000-2002 ex-TIM						