TELECOM ITALIA S P A
Form 6-K
July 09, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15D-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

FOR THE MONTH OF JULY 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-_____

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FIRST QUARTER REPORT

AT MARCH 31, 2008

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l CORPORATE BOARDS

Board of Directors

At March 31, 2008, the board of directors of the Company is composed as follows:

Chairman	Gabriele Galateri di Genola
Chief Executive Officer	Franco Bernabé
Directors	César Alierta Izuel
	Paolo Baratta (independent)
	Gilberto Benetton
	Stefano Cao (independent)
	Renzo Capra (independent)
	Domenico De Sole (independent)
	Luigi Fausti (independent)
	Jean Paul Fitoussi (independent)
	Julio Linares López
	Gaetano Miccichè
	Aldo Minucci
	Gianni Mion
	Renato Pagliaro
	Cesare Giovanni Vecchio (independent)
	Luigi Zingales (independent)
Secretary to the Board	Francesco Chiappetta
Strategies Committee	Gabriele Galateri di Genola
	Franco Bernabé
	Paolo Baratta
	Domenico De Sole
	Jean Paul Fitoussi
	Renato Pagliaro

Committee for Internal Control and Corporate Governance	Paolo Baratta - Chairman
	Domenico De Sole
	Luigi Fausti
	Cesare Giovanni Vecchio
Remuneration Committee	Luigi Zingales - Chairman
	Stefano Cao
	Renzo Capra
	Luigi Fausti

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The ordinary shareholders meeting held on April 14, 2008 elected a new 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.

Consequently, the board of directors of the company is now composed as follows:

Chairman	Gabriele Galateri di Genola
Chief Executive Officer	Franco Bernabé
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 board of directors meeting held on April 15, 2008 then amended the Company s Self-Regulatory Code particularly with regard to internal committees. The Strategies Committee was replaced by an Executive Committee, which has the task of monitoring the operating performance of the Company and the Group, approving the macro-organization of the Company and expressing its opinion to the board on the Company s and Group s budget and strategic, industrial and financial plans. The Remuneration Committee was renamed the Nominations and Remuneration Committee and an additional power was assigned, that of proposing candidates to the board in the event of the replacement of an independent director.

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

Executive Committee	Gabriele Galateri di Genola - Chairman
	Franco Bernabé
	Roland Berger
	Julio Linares López
	Gaetano Micciché
	Aldo Minucci
	Gianni Mion
	Renato Pagliaro

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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
	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 the June 30, 2005 decree of the Milan Court (and confirmed by the April 30, 2008 decree of the same Court) 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 the July 8, 2005 decree of the Milan Court (and confirmed by the April 30, 2008 decree of the same Court) after failure to establish the corresponding bondholders meeting.

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

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

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

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

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Manager responsible for preparing the financial reports of the Company

On November 8, 2007, the board of directors appointed Enrico Parazzini (General Manager of the Company and head of the Finance, Administration and Control Function of the Group) as the manager responsible for preparing Telecom Italia s financial reports.

Independent auditors

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

KEY MANAGERS

In the first quarter of 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, were the following:

Directors:	
Gabriele Galateri di Genola	Chairman
Franco Bernabè	Chief Executive Officer
Managers:	
Enrico Parazzini ([1])	General Manager Head of Finance, Administration and Control Chairman of Telecom Italia Media S.p.A.
Luca Luciani	General Manager Head of Domestic Mobile Services
Stefano Pileri	General Manager Head of Technology
Oscar Cicchetti ([2])	Head of Business Strategies & International Development Head of Domestic Fixed Services
Antonio Campo Dall Orto ([3])	Chief Executive Officer Telecom Italia Media S.p.A. Head of Media Business Unit
Massimo Castelli ([4])	Head of Domestic Fixed Services
Gustavo Bracco ([5])	Head of Human Resources, Organization and Industrial Relations
Francesco Chiappetta	Head of General Counsel & Corporate and Legal Affairs
Germanio Spreafico	Head of Purchasing
Paolo Annunziato	Head of Public Affairs
Filippo Bettini ([6])	Head of Strategy
Giampaolo Zambeletti ([6])	Head of International Affairs

([1]) Chairman of Telecom Italia Media S.p.A. to the board of directors of the company held on April 10, 2008

([2]) From February 4, 2008, Head of Business Strategies & International Development and also, from March 10, 2008, Head of Domestic Fixed Services.

([3]) On May 7, 2008, Antonio Campo Dall Orto tendered his resignation from the post of chief executive officer of Telecom Media S.p.A., post in which the Executive Vice Chairman of the company, Giovanni Stella, was appointed; to the same Giovanni Stella, was assigned the responsibility for Business Unit Media.

([4]) To March 9, 2008.

([5]) On May 1, 2008, responsibility for Human Resources, Organization and Industrial Relations was assigned to Antonio Migliardi.

([6]) To February 3, 2008.

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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.

As at March 31, 2008, the following managerial committees are formally operational:

- *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 decisions and investments consistently with business needs, monitors the progress on the most important IT projects, quality of solutions and cost effectiveness;
- *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 for Relations with Telefónica* of the Group, which aims to meet the following objectives:
  - identify areas and business activities suitable for possible industrial synergies between the two Groups;
  - design consequent plans for execution;
  - control consistency with national and international laws, with measures by public authorities and with 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.

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l MACRO-ORGANIZATION CHART AT MARCH 31, 2008 - TELECOM ITALIA GROUP

Starting from April 1, 2008, the Telecom Italia Group made certain changes to its organizational structure and the relative attribution of responsibilities. In particular:

on April 11, 2008, in the Telecom Italia Media Business Unit, Berardino Libonati was appointed *chairman,* Giovanni Stella was appointed *executive vice chairman* and Antonio Campo Dall Orto was appointed *chief executive officer* of Telecom Italia Media S.p.A. On May 7, 2008, Antonio Campo Dall Orto tendered his resignation from the post of *chief executive officer* of Telecom Media S.p.A. and in his place Giovanni Stella was appointed *chief executive office* and *executive vice chairman*; to the same Giovanni Stella was assigned the responsibility for Business Unit Media.

on April 18, 2008, the *Regulatory Affairs* function was entrusted to Alessandro Talotta in the role of Chief Regulatory Officer. On the same date, *National Wholesale Services* was assigned to Riccardo Delleani;

on April 25, 2008, the *Editorial Content Purchases Coordination Steering Committee* of the Group was established with aim of coordinating and conforming the purchase of editorial content for all the platforms of the Telecom Italia Group. The Steering Committee is headed by the vice chairman and chief executive officer of Telecom Italia Media, Giovanni Stella.

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Massimiliano Paolucci will ensure coordination of the actions to execute the decisions taken and will act as the general secretary;

on May 1, 2008, *Human Resources, Organization and Industrial Relations* was entrusted to Antonio Migliardi; on May 7, 2008, this function was renamed *Human Resources and Organization;*

on May 1, 2008, the *External Relations* function of the Group was established and reports directly to the chief executive officer; the function is headed by Carlo Fornaro.

External Relations took over the Group functions of *Advertising, Image & Brand Enrichment and Communication.*

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l INFORMATION FOR INVESTORS

TELECOM ITALIA S.p.A. SHARE CAPITAL AT MARCH 31, 2008

Share capital	euro 10,673,803,169.15
Number of ordinary shares (par value euro 0.55 each)	euro 13,380,794,192
Number of savings shares (par value euro 0.55 each)	6,026,120,661
Number of Telecom Italia ordinary treasury shares	1,272,014
Number of Telecom Italia ordinary shares held by Telecom Italia Finance	124,544,373
Percentage of treasury shares held by the Group to the total share capital	0.65%
Market capitalization (based on March 2008 average prices)	euro 25,328 million

SHAREHOLDERS

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

Shareholders Book at March 31, 2008, in addition to communications

received and other sources of information (ordinary shares)

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

Relative performance

TELECOM ITALIA S.p.A.

1/1/2008 3/31/2008

vs. MIBTEL and DJ Stoxx TLC Indexes

(**) Official prices.

Relative performance

TELECOM ITALIA MEDIA S.p.A.

1/1/2008 3/31/2008

vs. MIBTEL and DJ Stoxx TLC Indexes

(**) Official prices.

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RATINGS AT MARCH 31, 2008

	RATING	OUTLOOK
STANDARD & POOR S	BBB	Stable
MOODY S	Baa2	Negative
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 February 20, 2008, confirmed its rating of Baa2 with a negative outlook.

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

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l SELECTED OPERATING AND FINANCIAL DATA TELECOM ITALIA GROUP

The First Quarter Report at March 31, 2008 of the Telecom Italia Group has been prepared in accordance with art. 154-ter (Financial Reporting) of Legislative Decree 58/1998 (Testo Unico della Finanza - TUF) and subsequent amendments and additions as well as Consob Communication DEM/8041082 dated April 30, 2008 (Quarterly corporate disclosure by listed share issuers with Italy as the member state of origin).

The First Quarter Report has been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union and is unaudited.

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

- inclusion of the companies of the AOL group (AOL Service Germany GmbH, AOL Erste GmbH, AOL Zweite Beteiligungsgesellschaft GmbH and AOL Deutschland GmbH & Co KG) acquired at the end of February 2007, consolidated from March 1, 2007 and merged in the company HanseNet Telekommunikation GmbH in June 2007;

- inclusion of InterNLnet B.V. (a Dutch company acquired by BBNed in July 2007);

- inclusion of the company Shared Service Center (consolidated line-by-line from October 2007) following the acquisition of control by the Parent in the last quarter of 2007. Previously, the company was accounted for in the financial statements using the equity method.

In accordance with IFRS, the income statement and balance sheet data relating to Discontinued operations/Non-current assets held for sale is shown on two separate lines in the balance sheet and on one line in the income statement: Profit (loss) from discontinued operations/non-current assets held for sale . For purposes of presentation in the interim income statements for the first quarter of 2008 and the first quarter of 2007 and in the interim balance sheet at March 31, 2008, the Liberty Surf group is classified as a discontinued operation after taking steps for the disposal of Liberty Surf Group S.A.S. (the holding company for broadband operations in France) in the early months of 2008.

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Revenues *(millions of euro)*

	1st Quarter 2008	1st Quarter 2007
Consolidated Operating and Financial Data (millions of euro)		
Revenues	7,298	7,475
EBITDA[*]	2,966	3,178
EBIT[*]	1,528	1,817
Profit before tax from continuing operations	949	1,396
Profit from continuing operations	557	835
Loss from discontinued operations/non-current assets held for sale	(75)	(60)
Profit for the period	482	775
Profit attributable to the equity holders of the Parent	501	775
Capital expenditures:		
Industrial	1,228	1,128
Financial		669

EBIT *(millions of euro)*

	3/31/2008	12/31/2007 restated (°)	12/31/2007
Consolidated Balance Sheet Data (millions of euro)			
Total assets	85,885	88,176	87,425
Total equity	27,151	26,985	26,985
attributable to the equity holders of the Parent	26,178	25,922	25,922
attributable to the Minority Interest	973	1,063	1,063
Total liabilities	58,734	61,191	60,440
Total equity and liabilities	85,885	88,176	87,425
Share capital	10,605	10,605	10,605
Net financial debt	35,436	35,701	35,701
Debt ratio (Net financial debt / Net invested capital [1])	56.6%	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)	81,865	82,069	83,429
Headcount relating to discontinued operations/non-current assets held for sale	1,356	1,360	

Revenues/Headcount

(thousands di euro)

	1st Quarter 2008	1st Quarter 2007
Headcount, average number in the Group at period end [2]		
Headcount (excluding headcount **relating to** discontinued operations/non-current assets held for sale)	77,374	77,687
Headcount relating to discontinued operations/non-current assets held for sale	1,349	1,320
Consolidated Profit Ratios		
EBITDA[*] / Revenues	40.6%	42.5%
EBIT[*] / Revenues (ROS)	20.9%	24.3%

Revenues/Headcount (average number in the Group, thousands of euro)	94.3	96.2

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

(*) 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.

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l ALTERNATIVE PERFORMANCE MEASURES

In this first quarter report at March 31, 2008, 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 financial reports (interim and annual), 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

EBITDA - 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 first quarter report as well as an analysis of the major non-organic components for the first quarter 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 first quarter report that shows the balance sheet amounts used to calculate the Net Financial Debt of the Group.

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l COMMENTS ON OPERATING AND FINANCIAL PERFORMANCE TELECOM ITALIA GROUP

Profit attributable to the equity holders of the Parent is euro 501 million (euro 482 million before profit attributable to Minority Interest); in the first quarter of 2007 Profit attributable to the equity holders of the Parent was euro 775 million (which was the same as profit before attribution to the Minority Interest).

Briefly, the reduction in the profit attributable to the equity holders of the Parent compared to the first quarter of 2007 can be analyzed as follows:

- lower *operating profit,* euro 289 million;
- lower *share of profits (losses) of associates and joint ventures accounted for using the equity method,* euro 10 million;
- higher *finance expenses*, net of finance income, euro 148 million, including the negative change of euro 123 million from the valuation at fair value of the call options on 50% of share capital of Sofora Telecomunicaciones;
- lower *income tax expenses,* euro 169 million;
- higher *loss from discontinued operations/non-current assets held for sale,* euro 15 million;
- higher *loss attributable to Minority Interest*, euro 19 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 quarter of 2008:

(millions of euro)

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INTERIM CONSOLIDATED INCOME STATEMENTS

(millions of euro)	1st Quarter 2008 (a)	1st Quarter 2007 (b)	Change (a-b)	%
Revenues	7,298	7,475	(177)	(2.4)
Other income	94	73	21	28.8
Total operating revenues and other income	**7,392**	**7,548**	**(156)**	**(2.1)**
Acquisition of goods and services	(3,149)	(3,165)	16	(0.5)
Employee benefits expenses	(991)	(997)	6	(0.6)
Other operating expenses	(449)	(373)	(76)	20.4
Changes in inventories	29	35	(6)	(17.1)
Internally generated assets	134	130	4	3.1
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION, CAPITAL GAINS (LOSSES) REALIZED AND IMPAIRMENT REVERSALS (LOSSES) ON NON-CURRENT ASSETS (EBITDA)	**2,966**	**3,178**	**(212)**	**(6.7)**
Depreciation and amortization	(1,463)	(1,373)	(90)	6.6
Gains (losses) on disposals of non-current assets	25	12	13	108.3
Impairment reversals (losses) on non-current assets				
OPERATING PROFIT (EBIT)	**1,528**	**1,817**	**(289)**	**(15.9)**
Share of profits (losses) of associates and joint ventures accounted for using the equity method	19	29	(10)	(34.5)
Finance income	1,261	1,064	197	18.5
Finance expenses	(1,859)	(1,514)	(345)	22.8
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**949**	**1,396**	**(447)**	**(32.0)**
Income tax expense	(392)	(561)	169	(30.1)
PROFIT FROM CONTINUING OPERATIONS	**557**	**835**	**(278)**	**(33.3)**
Profit or loss from Discontinued operations/Non-current assets held for sale	(75)	(60)	(15)	25.0
PROFIT FOR THE PERIOD	**482**	**775**	**(293)**	**(37.8)**
of which:				
* **Profit attributable to equity holders of the Parent**	**501**	**775**	**(274)**	**(35.4)**
* Profit or loss attributable to Minority Interest	(19)		(19)	

Earnings per share

(euro)	1st Quarter 2008	1st Quarter 2007
Basic and Diluted EPS per:		
Ordinary Share	0.03	0.04

Savings Share	0.04	0.05
Of which:		
From continuing operations		
Ordinary Share	0.03	0.04
Savings Share	0.04	0.05
From Discontinued operations/Non-current assets held for sale		
Ordinary Share		
Savings Share		

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Revenues in the first quarter of 2008 amount to euro 7,298 million, with a decrease of 2.4% compared to euro 7,475 million in the first quarter of 2007 (-euro 177 million). The organic change in revenues is equal to -4.0% (-euro 301 million) and is calculated by:

- excluding the effect of the change in the scope of consolidation (+euro 67 million mainly in reference to the inclusion of the AOL internet businesses in Germany);
- excluding the effect of exchange differences (+euro 57 million, being the balance between the positive exchange differences of the Brazil Mobile Business Unit of euro 72 million, and the negative exchange differences of the Domestic and Olivetti Business Units and Entel Bolivia of euro 15 million).

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 382 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, which is already net of the impact of flexibility (impact of higher traffic volumes as a result of the reduction in average price rate pressure owing to the elimination of top-up charges without increasing the minute rate);
- change in the fixed-mobile termination rates which took place in the second half of 2007, with a negative impact of euro 66 million;
- rate adjustments for international roaming traffic within the EU, in accordance with the decisions of the European Commission (-euro 45 million);
- change in the prices of regulated wholesale bitstream services (interconnection services which consist of the supply, by Telecom Italia, of the transmission capacity between the location of an end customer and an interconnection point of an OLO which, in turn, offers broadband services), unbundling and shared access. The impact is euro 24 million in lower revenues.

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Overall, compared to the prior year, these regulatory changes generated a decrease in revenues of euro 260 million. Furthermore:

in fixed telecommunications, the increase in Internet revenues as a result of the continual and strong growth of Broadband and Content and the increase in national Wholesale service revenues, thanks mainly to regulated services, all the same did not compensate the contraction in Retail Telephone revenues, particularly pertaining to access and traffic. With regard to traffic, this contraction comes from 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 affected 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 by ICT services and products. Revenues from international Wholesale services also record a contraction 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.

The **European BroadBand** Business Unit contributed to the change in revenues with a higher input of euro 39 million.

Growth of the **Brazil Mobile** Business Unit (+euro 52 million) is driven by the expansion of voice and value-added services supported by the continual increase of the client base.

The **Media** Business Unit shows an increase in revenues of euro 16 million, mainly on account of higher Digital Terrestrial revenues following the positive contribution resulting from the agreements reached with Mediaset and Telecom Italia for broadcasting the audio-visual content of Serie A soccer games on the DTT and DVBH platforms.

The revenues of the **Olivetti** Business Unit remained basically unchanged compared to the same period of the prior year (+euro 5 million): the improvement in the special printers segment owing to an important supply contract for postal printers which will be completed in the second quarter is offset by the reduction in the sales of traditional ink-jet products, faxes and accessories.

Foreign revenues (based upon the geographical location of the customers) amount to euro 2,099 million (euro 2,048 million in the first quarter of 2007); 57.6% of foreign revenues comes from Brazil (53.1% in the first quarter of 2007).

(millions of euro)		**1st Quarter 2008 (a)**	**1st Quarter 2007 (b)**	**Change (a - b)**
Italy	**(A)**	**5,199**	**5,427**	**(228)**
Other European countries		615	671	(56)
Latin America		1,291	1,170	121
Other countries		193	207	(14)
Total foreign revenues	**(B)**	**2,099**	**2,048**	**51**
Total	**(A+B)**	**7,298**	**7,475**	**(177)**

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Other income is euro 94 million (euro 73 million in the first quarter of 2007) and comprises:

(millions of euro)	1st Quarter 2008 (a)	1st Quarter 2007 (b)	Change (a -b)
Late payment fees charged for regulated telephone services	27	22	5
Recovery of costs, personnel and services rendered	13	9	4
Capital and operating grants	16	9	7
Damages, penalties and sundry recoveries	18	16	2
Sundry income	20	17	3
Total	**94**	**73**	**21**

EBITDA is euro 2,966 million and decreased by euro 212 million (-6.7%) compared to the first quarter of 2007. The organic change in EBITDA is a negative euro 215 million (-6.7%) and is calculated as follows:

(millions of euro)	1st Quarter 2008 (a)	1st Quarter 2007 (b)	Change (a-b)	Change %
HISTORICAL EBITDA	**2,966**	**3,178**	**(212)**	**(6.7%)**
Effect of change in scope of consolidation		**7**		
Effect of change in exchange rates		**8**		
Non-organic (income) expenses	**12**			
Non-recurring expenses	3			
Non-organic charge for pending litigation	9			
COMPARABLE EBITDA	**2,978**	**3,193**	**(215)**	**(6.7%)**

The percentage of EBITDA to revenues went from 42.5% in the first quarter of 2007 to 40.6% in the first quarter of 2008. At the organic level, the percentage of EBITDA to revenues is 40.8% in the first quarter of 2008 (42.0% in the first quarter of 2007).

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

(millions of euro)

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In greater detail, in addition to the negative impact totaling euro 219 million in connection with the regulatory effects described earlier under Revenues, as a result of the application of the Bersani Decree (-euro 125 million), the reduction in regulated wholesale prices (euro 24 million), the change in termination rates (-euro 38 million) and the rate adjustment for international roaming traffic (-euro 32 million), EBITDA in the first quarter of 2008 is impacted by the following:

acquisition of goods and services, euro 3,149 million, with a decrease of euro 16 million (-0.5%) compared to the first quarter of 2007 (euro 3,165 million). The percentage of the acquisition of goods and services to revenues is 43.1% (42.3% in the first quarter of 2007);

employee benefits expenses, euro 991 million, with a decrease of euro 6 million (-0.6%) compared to the first quarter of 2007 (euro 997 million). The reduction referring to employees in Italy for euro 22 million is countered by an increase of employees outside Italy for euro 16 million due to the inclusion of the AOL internet businesses in Germany and people hired in Brazil.

In greater detail, the decrease relating to employees expenses in Italy is attributable to the reduction in the average number of the salaried workforce (-1,502 people) and lower expenses for termination benefit incentives (-euro 22 million) which is offset in part by the effect of the increase in the minimum labor contract terms from October 2007 established by the July 31, 2007 Agreement for the TLC collective national labor contract, for the two economic years 2007-2008.

A breakdown of the **headcount** at March 31, 2008 is as follows:

(number)	3/31/2008 (a)	12/31/2007 (b)	Change (a b)
Italy	66,753	66,951	(198)
Outside Italy	15,112	15,118	(6)
Total headcount (excluding Non-current assets held for sale) (1)	**81,865**	**82,069**	**(204)**
Non-current assets held for sale - Foreign	1,356	1,360	(4)
Total	**83,221**	**83,429**	**(208)**

(1) Includes persons with temp work contracts: 1,888 at 3/31/2008 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 204 people, compared to December 31, 2007, due to:

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

the hiring of 1,447 people and the termination of 1,556 people at the same time;

the reduction of 81 people with temp work contracts.

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other operating expenses, euro 449 million (euro 373 million in the first quarter of 2007), can be analyzed as follows:

(millions of euro)	1st Quarter 2008 (a)	1st Quarter 2007 (b)	Change (a b)
Impairments and charges connected with non-financial receivables management	206	164	42
Charges for accruals to provisions	40	18	22
Telecommunications fees and charges	79	63	16
Taxes on revenues of South American companies	64	56	8
Indirect duties and taxes	35	41	(6)
Penalties, compensation and administrative sanctions	8	3	5
Association dues and fees, donations, scholarships and traineeships	6	6	
Other expenses	11	22	(11)
Total	**449**	**373**	**76**

The increase in other operating expenses in the first quarter of 2008 compared to the same period of the prior year is mainly due to higher impairment losses relating to the management of the receivables of the Brazil Mobile Business Unit and higher accruals to provisions recorded mainly for pending litigation of the Domestic Business Unit.

EBIT amounts to euro 1,528 million, with a reduction of euro 289 million compared to the first quarter of 2007 (-15.9%). The organic change in EBIT is a negative euro 289 million (-16.0%) and is calculated as follows:

(millions of euro)	1st Quarter 2008 (a)	1st Quarter 2007 (b)	Change (a-b)	Change %
HISTORICAL EBIT	**1,528**	**1,817**	**(289)**	**(15.9%)**
Effect of change in scope of consolidation		**1**		
Effect of change in exchange rates		**(4)**		
Non-organic (income) expenses:	**(13)**	**(10)**		
Non-organic expenses already described under EBITDA	12			
Non-recurring gains on sale of properties	(25)	(10)		
COMPARABLE EBIT	**1,515**	**1,804**	**(289)**	**(16.0%)**

The percentage of EBIT to revenues went from 24.3% in the first quarter of 2007 to 20.9% in the first quarter of 2008. At the organic level, the percentage of EBIT to revenues is 20.8% (23.7% in the first quarter of 2007).

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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** of euro 1,463 million (euro 1,373 million in the first quarter of 2007), with an increase of euro 90 million. This increase refers to the amortization of intangible assets for euro 48 million and the depreciation of tangible assets for euro 42 million. It relates to capitalized Subscriber Acquisition Costs (SAC), European BroadBand development, higher investments in the tangible assets of the domestic telephone network and the effect of the change in exchange rates. Depreciation and amortization charges are compensated by the increase in **gains on disposals of non-current assets** of euro 13 million, equal to euro 25 million in the first quarter of 2008 (euro 12 million in the same period of 2007), and principally referring to disposals of properties.

The **share of profits (losses) of associates and joint ventures accounted for using the equity method** is a profit of euro 19 million (a profit of euro 29 million in the first quarter of 2007). The caption refers to:

(millions of euro)	**1st Quarter 2008 (a)**	**1st Quarter 2007 (b)**	**Change (a-b)**
ETECSA	16	15	1
Sofora Telecomunicaciones S.A.	7	3	4
Tiglio I and Tiglio II	(2)	11	(13)
Other	(2)		(2)
Total	**19**	**29**	**(10)**

Finance income (expenses) show a net expense balance of euro 598 million (a net expense balance of euro 450 million in the first quarter of 2007). The negative change of euro 148 million is particularly affected by a deterioration of euro 123 million in the valuation at fair value of the call options on 50% of the share capital of Sofora Telecomunicaciones (a negative adjustment for euro 30 million in the first quarter of 2008 and a positive adjustment for euro 93 million in the same period of 2007), as well as the effect generated by higher interest rates on floating-rate debt.

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Income tax expense amounts to euro 392 million, with a decrease of euro 169 million compared to the first quarter of 2007 due to the reduction in the taxable base and tax rates.

Loss from discontinued operations/non-current assets held for sale is euro 75 million (a loss of euro 60 million in the first quarter of 2007). The caption includes the loss of the Liberty Surf group which was classified in Non-current assets held for sale after taking steps for its disposal in the early months of 2008.

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INTERIM CONSOLIDATED BALANCE SHEETS

(millions of euro)	3/31/2008 (a)	12/31/2007 restated (1) (b)	Change (a-b)	12/31/2007
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Goodwill	44,097	44,171	(74)	44,420
Intangible assets with a finite useful life	6,542	6,750	(208)	6,985
	50,639	50,921	(282)	51,405
Tangible assets				
Property, plant and equipment owned	15,131	15,338	(207)	15,484
Assets held under finance leases	1,430	1,450	(20)	1,450
	16,561	16,788	(227)	16,934
Other non-current assets				
Investments in associates and joint ventures accounted for using the equity method	475	484	(9)	484
Other investments	66	57	9	57
Securities, financial receivables and other non-current financial assets	933	695	238	695
Miscellaneous receivables and other non-current assets	848	864	(16)	866
Deferred tax assets	118	247	(129)	247
	2,440	2,347	93	2,349
TOTAL NON-CURRENT ASSETS (A)	**69,640**	**70,056**	**(416)**	**70,688**
CURRENT ASSETS				
Inventories	330	307	23	308
Trade and miscellaneous receivables and other current assets	8,622	9,043	(421)	9,088
Current income tax receivables	51	101	(50)	101
Securities	234	387	(153)	390
Financial receivables and other current financial assets	1,182	1,065	117	377
Cash and cash equivalents	5,068	6,449	(1,381)	6,473
CURRENT ASSETS SUB-TOTAL	**15,487**	**17,352**	**(1,865)**	**16,737**
Discontinued operations/Non-current assets held for sale				
of a financial nature	24	33	(9)	
of a non-financial nature	734	735	(1)	
	758	**768**	**(10)**	
TOTAL CURRENT ASSETS (B)	**16,245**	**18,120**	**(1,875)**	**16,737**
TOTAL ASSETS (A+B)	**85,885**	**88,176**	**(2,291)**	**87,425**
EQUITY AND LIABILITIES				
EQUITY				
Equity attributable to equity holders of the Parent	26,178	25,922	256	25,922

Equity attributable to Minority Interest	973	1,063	(90)	1,063
TOTAL EQUITY (C)	**27,151**	**26,985**	**166**	**26,985**
NON-CURRENT LIABILITIES				
Non-current financial liabilities	35,807	37,039	(1,232)	37,051
Employee benefits	1,157	1,151	6	1,151
Deferred tax liabilities	778	584	194	586
Provisions	912	902	10	903
Miscellaneous payables and other non-current liabilities	1,566	1,587	(21)	1,587
TOTAL NON-CURRENT LIABILITIES (D)	**40,220**	**41,263**	**(1,043)**	**41,278**
CURRENT LIABILITIES				
Current financial liabilities	6,294	6,590	(296)	6,585
Trade and miscellaneous payables and other current liabilities	11,076	12,210	(1,134)	12,380
Current income tax payables	148	197	(49)	197
Current liabilities sub-total	**17,518**	**18,997**	**(1,479)**	**19,162**
Liabilities directly associated with Discontinued operations/Non-current assets held for sale				
of a financial nature	776	701	75	
of a non-financial nature	220	230	(10)	
	996	**931**	**65**	
TOTAL CURRENT LIABILITIES (E)	**18,514**	**19,928**	**(1,414)**	**19,162**
TOTAL LIABILITIES (F=D+E)	**58,734**	**61,191**	**(2,457)**	**60,440**
TOTAL EQUITY AND LIABILITIES (C+F)	**85,885**	**88,176**	**(2,291)**	**87,425**

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

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Non-current assets, equal to euro 69,640 million (euro 70,056 million at December 31, 2007), decreased by euro 416 million.

Specifically:

- **intangible assets** decreased by euro 282 million, from euro 50,921 million at the end of 2007 to euro 50,639 million at March 31, 2008.

The decrease of euro 74 million in goodwill is due to the exchange rate differences relating to the Brazilian companies.

Intangible assets with a finite useful life decreased by euro 208 million as a result of:

  - additions (euro 443 million);
  - amortization charge for the period (-euro 598 million);
  - disposals, exchange rate differences, change in the scope of consolidation and other movements (for a net balance of -euro 53 million);

- **property, plant and equipment** decreased by euro 227 million from euro 16,788 million at the end of 2007 to euro 16,561 million at March 31, 2008 as a result of:

  - additions (euro 785 million);
  - depreciation charge for the period (-euro 865 million);
  - disposals, change in the scope of consolidation, exchange rate differences and other movements (for a net balance of -euro 147 million);

- **other non-current assets** increased by euro 93 million from euro 2,347 million at the end of 2007 to euro 2,440 million at March 31, 2008.

Since market capitalization at March 31, 2008 was lower than the consolidated equity of the Group, a review was conducted on the recoverable amount of the cash-generating units to which goodwill was allocated. This review showed that the recoverable amounts were higher than the carrying amounts.

Current assets, equal to euro 15,487 million, decreased by euro 1,865 million compared to December 31, 2007. This reduction is due to lower Cash and cash equivalents for euro 1,381 million partly as a result of the repayment of some bonds.

Discontinued assets/Non-current assets held for sale, equal to euro 758 million (euro 768 million at December 31, 2007), refer to the Liberty Surf group and include:

- financial assets for euro 24 million (euro 33 million at December 31, 2007);
- goodwill for euro 249 million (unchanged compared to December 31, 2007);
- other non-financial assets of euro 485 million (euro 486 million at December 31, 2007).

Liabilities directly associated with discontinued operations/non-current assets held for sale amount to euro 996 million (euro 931 million at December 31, 2007) and include:

- financial liabilities of euro 776 million (euro 701 million at December 31, 2007), of which euro 762 million relates to financial transactions of the Liberty Surf group with Telecom Italia Group companies. The corresponding entry of this amount is in the balance sheet in Financial receivables and other current financial assets (for euro 755 million) and in Cash and cash equivalents (for euro 7 million) for the receivable recognized by the Telecom Italia Group companies from the Liberty Surf group;
- other non-financial liabilities of euro 220 million (euro 230 million at December 31, 2007).

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Equity amounts to euro 27,151 million at March 31, 2008 (euro 26,985 million at December 31, 2007), of which euro 26,178 million is attributable to the equity holders of the Parent (euro 25,922 million at December 31, 2007) and euro 973 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)	3/31/2008	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 Minority interest	482	2,455
Dividends declared by:	(25)	(2,840)
Telecom Italia S.p.A.		*(2,766)*
Other Group companies	*(25)*	*(74)*
Translation differences, changes in the scope of consolidation and other changes	(291)	270
At the end of the period	**27,151**	**26,985**

Specifically, Translation differences, changes in the scope of consolidation and other changes , in the first quarter of 2008 include: the negative effect of translation differences (-euro 254 million), the negative impact of Other gains (losses) taken directly to equity (-euro 61 million) and other positive changes (euro 24 million).

Net financial debt amounts to euro 35,436 million at March 31, 2008, with a decrease of euro 265 million compared to euro 35,701 million at the end of 2007.

In particular, beside the positive cash flows provided by operating activities, in the first quarter of 2008 net financial debt was impacted by the following:

capital expenditures in the first three months of 2008 totaling euro 1,228 million with an increase of euro 100 million compared to the first quarter of 2007 (+8.9%). Details are as follows:

	1st Quarter 2008		1st Quarter 2007		Change
(millions of euro)	(a)	*% of total*	(b)	*% of total*	(a-b)
Domestic	970	*79.0*	867	*76.9*	103
European BroadBand	100	*8.1*	110	*9.7*	(10)
Brazil Mobile	139	*11.3*	116	*10.3*	23
Media, Olivetti and Other Operations	20	*1.6*	35	*3.1*	(15)
Adjustments and eliminations	*(1)*				*(1)*
Total	**1,228**	***100***	**1,128**	***100***	**100**

sale of investments and other disposals of euro 44 million (euro 16 million in the first quarter of 2007) mainly referring to the sale of non-current assets, reimbursements of capital and dividends distributed by associates.

There were no **financial investments** during the first quarter 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.

Transactions for the sale of receivables to factoring companies concluded during the first quarter of 2008 had a positive effect on net financial debt at March 31, 2008 of euro 686 million (euro 755 million at December 31, 2007).

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As required by Consob Communication DEM/6064293 dated July 28, 2006, the following table presents the net financial debt at March 31, 2008 and December 31, 2007, calculated in accordance with the criteria indicated in the Recommendation of CESR (Committee of European Securities Regulators) dated February 10, 2005 *Recommendations for the uniform implementation of the European Commission regulation on disclosures* and also introduced by Consob itself. This table also shows the reconciliation of net financial debt determined according to the criteria of CESR and net financial debt calculated according to the criteria of the Telecom Italia Group (adopted in previous years) and presented here in the first quarter report.

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(millions of euro)		3/31/2008 (a)	12/31/2007 restated (1) (b)	Change (a-b)	12/31/2007
Non-current financial liabilities (*):					
Financial payables		31,169	33,287	(2,118)	33,299
Finance lease liabilities		1,802	1,809	(7)	1,809
Non-current liabilities for hedging derivatives		2,836	1,942	894	1,942
Other financial liabilities			1	(1)	1
	(1)	35,807	37,039	(1,232)	37,051
Less:					
Non-current financial receivables for lessors net investments		*(292)*	*(279)*	*(13)*	*(279)*
Non-current assets for hedging derivatives		*(513)*	*(286)*	*(227)*	*(286)*
		(805)	*(565)*	*(240)*	*(565)*
TOTAL NON-CURRENT FINANCIAL LIABILITIES (*)	**(A)**	**35,002**	**36,474**	**(1,472)**	**36,486**
Current financial liabilities (*):					
Financial payables		5,585	5,948	(363)	5,943
Finance lease liabilities		263	262	1	262
Current liabilities for hedging and non-hedging derivatives		438	372	66	372
Other financial liabilities		8	8		8
	(2)	6,294	6,590	(296)	6,585
Less:					
Current financial receivables for lessors net investments		*(150)*	*(149)*	*(1)*	*(149)*
Current assets for hedging derivatives		*(216)*	*(186)*	*(30)*	*(186)*
		(366)	*(335)*	*(31)*	*(335)*
TOTAL CURRENT FINANCIAL LIABILITIES (*)	**(B)**	**5,928**	**6,255**	**(327)**	**6,250**
Financial liabilities relating to Discontinued operations/Non-current assets held for sale	**(C)(3)**	**776**	**701**	**75**	
TOTAL GROSS FINANCIAL DEBT (*)	**(D=A+B+C)**	**41,706**	**43,430**	**(1,724) a**	**42,736**
Current financial assets (*):					
Securities		(234)	(387)	153	(390)
Financial receivables and other current financial assets		(1,182)	(1,065)	(117)	(377)
Cash and cash equivalents		(5,068)	(6,449)	1,381	(6,473)
	(4)	(6,484)	(7,901)	1,417	(7,240)
Less:					
Current financial receivables for lessors net investments		*150*	*149*	*1*	*149*
Current assets for hedging derivatives		*216*	*186*	*30*	*186*
		366	*335*	*31*	*335*
	(E)	**(6,118)**	**(7,566)**	**1,448**	**(6,905)**
Financial assets relating to Discontinued operations/Non-current assets held for sale	**(F) (5)**	**(24)**	**(33)**	**9**	

TOTAL CURRENT FINANCIAL ASSETS (*)	**(G=E+F)**	**(6,142)**	**(7,599)**	**1,457**	**(6,905)**
NET FINANCIAL DEBT ACCORDING TO CONSOB COMMUNICATION 6064293/2006	**(H=D+G)**	**35,564**	**35,831**	**(267)**	**35,831**
Non-current financial assets (*):					
Securities other than investments		(14)	(9)	(5)	(9)
Financial receivables and other non-current financial assets		(919)	(686)	(233)	(686)
	(6)	(933)	(695)	(238)	(695)
Less:					
Non-current financial receivables for lessors net investments		*292*	*279*	*13*	*279*
Non-current assets for hedging derivatives		*513*	*286*	*227*	*286*
		805	*565*	*240*	*565*
TOTAL NON-CURRENT FINANCIAL ASSETS (*) (°)	(I)	(128)	(130)	2	(130)
NET FINANCIAL DEBT	**(L=H+I)**	**35,436**	**35,701**	**(265)**	**35,701**
COMPOSITION OF NET FINANCIAL DEBT					
Total gross financial debt:					
Non-current financial liabilities	(1)	35,807	37,039	(1,232)	37,051
Current financial liabilities	(2)	6,294	6,590	(296)	6,585
Financial liabilities directly associated with Non-current assets held for sale	(3)	776	701	75	
		42,877	**44,330**	**(1,453)**	**43,636**
Total gross financial assets:					
Non-current financial assets	(6)	(933)	(695)	(238)	(695)
Current financial assets	(4)	(6,484)	(7,901)	1,417	(7,240)
Financial assets included in non-current assets held for sale	(5)	(24)	(33)	9	
		(7,441)	**(8,629)**	**1,188**	**(7,935)**
		35,436	**35,701**	**(265)**	**35,701**

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

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

(°) At March 31, 2008, the item includes: low-rate loans made to employees (euro 64 million), loans made to Aree Urbane S.r.l. (euro 26 million) and securities other than investments (euro 13 million).

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

Bonds

Bonds at March 31, 2008 are carried for an amount of euro 28,939 million (euro 31,562 million at December 31, 2007). Instead, in terms of the nominal repayment amount, bonds total euro 28,212 million, with a decrease of euro 2,500 million compared to December 31, 2007 (euro 30,712 million). The breakdown is as follows: Telecom Italia S.p.A. euro 7,968 million, Telecom Italia Finance S.A. euro 11,007 million and Telecom Italia Capital S.A. euro 9,237 million.

Convertible bonds at March 31, 2008 are carried for an amount of euro 520 million (euro 518 million at December 31, 2007) and refer entirely to convertible bonds issued by Telecom Italia S.p.A. Instead, 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 quarter of 2008:

1) Repayments and conversions

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

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

During the first quarter of 2008 Telecom Italia S.p.A., in execution of the resolution for the purchase and cancellation of own bonds for a maximum amount of euro 1 billion, repurchased its bonds for a total nominal amount of euro 95 million and recorded a gain in the income statement for euro 26 million.

3) Other

- the Telecom Italia S.p.A. 2002-2022 bonds, reserved for subscription by employees of the Group, total euro 323 million (nominal amount) at March 31, 2008 and increased by euro 26 million during the first quarter of 2008 (euro 297 million at December 31, 2007);

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

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Revolving Credit Facility and Term Loan

The composition and draw down of the syndicated committed credit lines available at March 31, 2008 and represented by the Revolving Credit Facility for a total of euro 8 billion expiring August 2014 and the Term Loan of euro 1.5 billion expiring 2010, are presented as follows:

	Term Loan expiring 2010		Revolving Credit Facility expiring 2014		TOTAL	
(billions of euro)	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 3/31/2008	**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 amortized cost included in 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 7.73 years.

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

	maturing by 3/31 of the year						
(millions of euro)	2009 (3)	2010	2011	2012	2013	Beyond 2013	TOTAL
Bonds	4,125	3,553	2,309	4,295	2,849	12,328	29,459
Loans and other financial liabilities	939	1,950	410	411	143	5,757	9,610
Finance lease liabilities	263	246	169	143	112	1,132	2,065
Total	**5,327**	**5,749**	**2,888**	**4,849**	**3,104**	**19,217**	**41,134**
Current financial liabilities	967						967
Total, excluding discontinued operations	**6,294**	**5,749**	**2,888**	**4,849**	**3,104**	**19,217**	**42,101**
Discontinued operations (4)	776						776
Total	**7,070**	**5,749**	**2,888**	**4,849**	**3,104**	**19,217**	**42,877**

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

(2) Financial commitments include accrued expenses and deferred income, of which euro 904 million is in non-current financial liabilities maturing within 1 year and euro 19 million in other current financial liabilities.

(3) Of which euro 501.1 million matures on September 14, 2008 and refers to Telecom Italia Finance S.A. bonds with the right of the bondholders to extend the maturity date by 21 months; last maturity date is March 2012.

(4) Of which euro 762 million represents payables by Liberty Surf to Telecom Italia Group companies.

Maturities of financial liabilities nominal repayment amount:

	maturing by 3/31/ of the year						
(millions of euro)	**2009 (1)**	**2010**	**2011**	**2012**	**2013**	**Beyond 2013**	**TOTAL**
Bonds	3,492	3,574	2,296	4,262	2,850	12,312	28,786
Loans and other financial liabilities	688	1,952	406	402	144	5,615	9,207
Finance lease liabilities	245	246	169	143	112	1,132	2,047
Total	**4,425**	**5,772**	**2,871**	**4,807**	**3,106**	**19,059**	**40,040**
Current financial liabilities	943						943
Total, excluding discontinued operations	**5,368**	**5,772**	**2,871**	**4,807**	**3,106**	**19,059**	**40,983**
Discontinued operations (2)	764						764
Total	**6,132**	**5,772**	**2,871**	**4,807**	**3,106**	**19,059**	**41,747**

(1) Of which euro 499.7 million matures on September 14, 2008 and refers to Telecom Italia Finance S.A. bonds with the right of the bondholders to extend the maturity date by 21 months; last maturity date is March 2012.

(2) Of which euro 750 million, represents payables by Liberty Surf to Telecom Italia Group companies.

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Financial assets amount to euro 7,441 million, of which euro 6,484 million is classified as **current.** This level of current assets, together with the total unused committed credit lines of euro 6.5 billion, permit an ample coverage of the estimated maturities. Furthermore, euro 762 million (of which euro 7 million is classified in Cash and cash equivalents and euro 755 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 decreased by euro 1,417 million compared to the end of 2007 partly as a result of the previously-mentioned repayment of Telecom Italia Finance S.A. bonds.

At March 31, 2008, current financial assets include:

- *cash and cash equivalents* amounting to euro 5,068 million (euro 6,449 million at December 31, 2007). The different technical forms used for the investment of available resources at March 31, 2008, including euro commercial paper for euro 82 million, 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 1,182 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 150 million), derivatives hedging items classified as current assets/liabilities of a financial nature (euro 216 million), non-hedging derivatives (euro 27 million), other current financial assets (euro 21 million) and financial receivables from the Liberty Surf group (euro 755 million);

- *securities*, maturing beyond three months, equal to 234 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.

Non-current financial assets amount to euro 933 million (euro 695 million at December 31, 2007) and include the non-current portion of loans receivable from employees (euro 64 million), the non-current portion of financial receivables for lessors net investments (euro 292 million), the non-current portion of hedging derivatives (euro 513 million), long-term securities other than investments (euro 14 million), non-current assets and financial receivables (euro 50 million).

Covenants and negative pledges relating to outstanding debt positions at March 31, 2008

Bonds

Bonds do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interest etc.) or clauses that would force the early redemption of the bonds in relation to events other than the insolvency of the Telecom Italia Group. Furthermore, the redemption of the bonds and the payment of interest are not covered by specific guarantees nor are there commitments provided relative to the assumption of future guarantees, except for the full and unconditional guarantees provided by Telecom Italia S.p.A. for the bonds issued by Telecom Italia Finance S.A. and Telecom Italia Capital S.A. None of the securities carry any other interest rate structures or structural complexities.

Since these bonds have been placed principally with institutional investors on major world capital markets (Euromarket and the U.S.A.), the terms which regulate the bonds are in line with market practice for similar transactions effected on these same markets; as a result, there are, for example, commitments not to use the company s assets as collateral for loans (negative pledges).

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Loans other than bonds

With reference to loans received by Telecom Italia S.p.A. from the European Investment Bank (EIB), two of them with a nominal amount of euro 350 million and euro 200 million (out of a total of euro 2,106 million at March 31, 2008), is not secured by bank guarantees and there are covenants which cover the following:

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

- if the credit ratings of the company are lower than BBB for S&P s, Baa2 for Moody s and BBB for Fitch Ratings, Telecom Italia shall immediately inform EIB which shall have the right to ask for suitable guarantees to be provided, indicating a date for setting up these guarantees. After that date and if Telecom Italia fails to provide the guarantees, EIB shall have the right to demand immediate repayment of the amount disbursed. It should be noted that on April 3, 2008, the credit rating on the EIB loan for a nominal amount of euro 350 million was modified as indicated above; previously the ratings were BBB+ for S&P s, Baa1 for Moody s and BBB+ for Fitch Ratings.

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

Bank lines

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

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

The syndicated bank lines (as well as an export credit agreement for a residual nominal amount of euro 138 million at March 31, 2008) consider the case where a party, other than the current relative majority shareholder or permitted acquiring shareholders acquires control of Telecom Italia, individually or jointly. In that case, a 30-day period is established during which the parties shall negotiate the terms with which to continue the relationship.

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

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Although there are no financial covenants regarding the Group s loan contracts, it should be noted that at March 31, 2008 none of the other types of covenants, negative pledge clauses or other clause regarding the above-described debt position has been breached or violated in any way.

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INTERIM CONSOLIDATED CASH FLOW STATEMENTS

(millions of euro)	1st Quarter 2008	1st Quarter 2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit from continuing operations	557	835
Adjustments for:		
Depreciation and amortization	1,463	1,373
Impairment losses (reversals) of non-current assets (including investments)	31	(93)
Net change in deferred tax assets and liabilities	343	289
Losses (gains) realized on disposals of non-current assets (including investments)	(26)	(11)
Share of losses (profits) of associates and joint ventures accounted for using the equity method	(19)	(29)
Change in employee benefits	4	(8)
Change in inventories	(23)	(37)
Change in trade receivables and net receivables on construction contracts	511	46
Change in trade payables	(1,003)	(388)
Net change in miscellaneous receivables/payables and other assets/liabilities	96	365