TELECOM ITALIA S P A
Form 6-K
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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 FEBRUARY 2009

TELECOM ITALIA S.p.A.
(Translation of registrant's name into English)

Piazza degli Affari 2
20123 Milan, Italy
(Address of principal executive offices)

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 [ ]

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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]

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PRESS RELEASE

Board of Directors approves results for 2008

TELECOM ITALIA GROUP

- REVENUES: 30,158 MILLION EUROS;  -2.3%, IN ORGANIC TERMS, WITH A PROGRESSIVE IMPROVEMENT IN Q4 ON PREVIOUS QUARTERS

- BERNABÈ:   TELECOM ITALIA   S REVENUES AND MARGINS STAGED A SIGNIFICANT TURNAROUND IN Q4, ENABLING US TO HIT THE TARGETS WE SET FOR 2008

- EBITDA: 11,367 MILLION EUROS (DOWN 301 MILLION EUROS, -2.6% COMPARED WITH 2007);  -4.2% (DOWN 5.5% IN THE PREVIOUS YEAR) IN ORGANIC TERMS

- ORGANIC EBITDA MARGIN EQUAL TO 38.8% OVER THE YEAR, SIGNIFICANTLY EXCEEDING THE 2008 TARGET; IMPRESSIVE PERFORMANCE  PRINCIPALLY ATTRIBUTED TO DOMESTIC OPERATIONS AND EFFECTIVE COST CONTROL

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Q4 ORGANIC EBITDA MARGIN BACK TO GROWTH COMPARED WITH Q4 2007 (+2.2%)

- EBIT: 5,463 MILLION EUROS IN 2008 (-492 MILLION EUROS COMPARED WITH 2007, OF -8.3%); ORGANIC EBIT MARGIN OF 19.1%

- ORGANIC Q4 EBIT: 1,264 MILLION EUROS; POSITIVE VARIATION IN ORGANIC TERMS FOR THE FIRST TIME IN THE YEAR (UP 3.7% COMPARED WITH Q4 2007)

- NET INCOME: 2,214 MILLION EUROS

- NET DEBT OF 34,039 MILLION EUROS, DOWN AROUND 1,700 MILLION EUROS COMPARED WITH YEAR-END 2007; NET DEBT/EBITDA RATIO 2.99 (3.06 AT YEAR-END 2007) IN LINE WITH TARGET

- HIGH LIQUIDITY MARGIN (5.1 BILLION EUROS, NET OF 0.5 BILLION EUROS IN LIQUIDITY FROM BRAZIL), PLUS BROAD ACCESS TO LONG-TERM CREDIT FACILITIES (AROUND 6.5 BILLION EUROS)

- MEMBERS APPOINTED TO SUPERVISORY BOARD TO ENSURE IMPLEMENTATION OF OPEN ACCESS COMMITMENTS AND OPERATIONS

- STEFANO CAO CO-OPTED INTO THE BOARD

- ORDINARY AND EXTRAORDINARY SHAREHOLDERS MEETINGS CONVENED

- PROPOSED DIVIDEND DISTRIBUTION EQUAL TO 5 EURO CENTS FOR ORDINARY SHARES AND 6.1 EURO CENTS FOR SAVING SHARES

Q4 2008

- REVENUES: 7,759 MILLION EUROS; -0.3% IN ORGANIC TERMS COMPARED WITH Q4 2007 - A MARKED IMPROVEMENT ON THE PRECEDING QUARTERS (Q3 2008: -1.5% COMPARED WITH THE SAME PERIOD DURING THE PRECEDING YEAR; Q2 2008: -3.6%, Q1 2008: -4.0%). STRONG REVENUES FROM ICT BUSINESS, WHOLESALE AND INNOVATIVE SERVICES (FIXED LINE BROADBAND AND MOBILE INTERACTIVE VAS)

- ORGANIC EBITDA: 2,739 MILLION EUROS, UP 2.2% COMPARED WITH Q4 2007; TREND REGISTERED DURING THE FIRST THREE QUARTERS OF THE YEAR (Q3 2008: -1.3% COMPARED WITH THE SAME PERIOD DURING THE PRECEDING YEAR; Q2 2008: -9.9%, Q1 2008: -6.7%) TURNED AROUND THANKS TO STRONG DOMESTIC BUSINESS PERFORMANCE

- ORGANIC EBITDA MARGIN UP 0.8 PERCENTAGE POINTS TO 35.3% COMPARED WITH Q4 2007, DUE TO ONGOING COST CONTROL ACTIONS.

- EBIT: UP 3.7% IN ORGANIC TERMS TO 1,264 MILLION EUROS COMPARED WITH Q4 2007, REVERSING THE TREND OVER THE PREVIOUS THREE QUARTERS (Q3 2008: -6.4% COMPARED WITH THE SAME

PERIOD DURING THE PRECEDING YEAR; Q2 2008: -21.6%; Q1 2008: -16%)

- NET INCOME: 444 MILLION EUROS (228 MILLION EUROS IN 2007)

- FREE CASH FLOW FROM OPERATIONS: A 2,182 MILLION EUROS; IMPROVING THE CAPACITY TO CONVERT REVENUES INTO CASH

*This press release contains alternative performance indicators not contemplated under IFRS accounting standards (EBITDA; EBIT; Organic Variation in Revenues, EBITDA and EBIT; and Net Financial Debt). These terms are defined in the appendix.*

*It should be noted that the Outlook for operations in 2009 section of this press release contains forward-looking statements concerning the Group s intentions, beliefs and/or current expectations with regard to future financial results and other aspects of its operations and strategies. Readers of this press release should not rely unduly on such forward-looking statements. The company s actual results may differ significantly from those forecast herein owing to any number of factors that lie beyond the Group s sphere of control, not least current uncertainties associated with the ongoing crisis on the financial markets,.*

*At this time, Telecom Italia Group and Parent company FY 2008 financial statements are still in the process of being audited.*

*Milan, February 27, 2009*

The Telecom Italia Board of Directors, chaired by Gabriele Galateri di Genola, examined and approved the Group and the Parent company FY 2008 financial statements.

Statement by Telecom Italia CEO Franco Bernabè: As 2008 unfolded, the Group staged a significant turnaround. The excellent results we posted in the final quarter of the year enabled us to hit the targets we set ourselves. We have also entered into positive and open dialogue with industry regulators: establishing the Open Access division is a major organizational change that will ensure efficient management of the access network and guarantee equal treatment of all carriers operating in the industry. As stated in our 2009-2011 business plan, we are confident of building on this positive income and financial performance by focusing on the domestic market and Brazil, while at the same time continuing the plan to recuperate efficiency and progressively spinning off non-strategic assets. More robust cash flow generation and a further reduction in levels of debt over the next three years will strengthen Telecom Italia s role as a leading technology development enterprise. In light of the final results and our confidence in the ongoing execution of the Plan, the Board has decided to propose to shareholders the distribution of a 5 euro cents dividend for the ordinary shares. This decision reflects the financial results and represents a prudent approach in light of the current macro economic environment.

**TELECOM ITALIA GROUP**

*The Telecom Italia Group s consolidation area presents the following main changes:*

- *the exclusion of Entel Bolivia from the consolidation area starting from Q2 2008, due to the Bolivian governments decree nationalizing the company. The stake is currently included in current Assets;*

- *the exit from 1 December 2008 of the Pay-Per-View operations, following their disposal by Telecom Italia Media S.p.A.*

*French broadband provider Liberty Surf Group was sold on August 26, 2008, and consequently appears on the statement of income and balance sheet for 2008 and 2007 under* ad hoc *entries for Discontinued Operations .*

**Revenues** in 2008 amounted to **30,158 million euros**, down 2.8% on the figure of 31,013 million euros registered in 2007 (a reduction of 855 million euros). The **organic variation** in consolidated revenues amounted to **-2.3%** (down 724 million euros), though the trend was in improvement as the year progressed. The 301 million euro reduction in Q1 (down 4.0%) came down to a 21 million euro reduction in Q4 (down 0.3%), for the most part as a result of a recovery on the domestic market.

The organic variation in revenues is calculated by:

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Excluding the impact of changes to the consolidation area (-88 million euros, ascribable predominantly to the inclusion of AOL Germany s internet operations from March 1, 2007, and the exclusion of Entel Bolivia in Q2 2008);

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Excluding the impact of exchange rate fluctuations (-51 million euros, owing to unfavourable exchange rate fluctuations worth 29 million euros affecting the Brazilian business unit, and 22 million euros affecting other business units);

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Excluding other non-organic revenues (32 million euros in 2007; 24 million euros in 2008) associated with changes to voice call termination rates following the settlement of pricing disputes with other operators.

Revenues breakdown by operational segment:

| (milions of euros) | **2008** | % | **2007** | % | **Change** Absolute | % | % organic |
|---|---|---|---|---|---|---|---|
| Domestic | 23,268 | *77.2* | 24,220 | *78.1* | (952) | (3.9) | (3.9) |
| Brazil | 5,208 | *17.3* | 4,990 | *16.1* | 218 | 4.4 | 4.9 |
| European BroadBand | 1,274 | *4.2* | 1,151 | *3.7* | 123 | 10.7 | 4.5 |
| Media, Olivetti and other activities | 773 | *2.6* | 922 | *3.0* | (149) | (16.2) | |
| *Adjustments and eliminations* | *(365)* | *(1.3)* | *(270)* | *(0.9)* | *(95)* | *35.2* | |
| **Total** | **30,158** | *100.0* | **31,013** | *100.0* | (855) | (2.8) | (2.3) |

The reduction in organic revenues on the domestic market compared with 2007 was predominantly the result of an ongoing contraction in revenues from traditional services, notably fixed-line network retail voice and traditional data transmission services for business. However, revenues posted a recovery in every quarter of the year, from a 382 million euro drop in Q1 (down 6.4%) to a reduction of 39 million euros in the final quarter of the year (down 0.6%).

Positive trends in revenues were registered in innovative services and domestic wholesale. The impact of some regulatory and contractual changes, which were responsible for around 830 million euros in lower revenues over the

course of the financial year, was gradually attenuated.
Revenue growth at the Brazilian business unit was boosted by value added voice services, following growth in TIM Web s mobile technology broadband connectivity customer base.

**EBITDA** amounted to **11,367 million euros**, down 301 million euros (-2.6%) on 2007 as a result of the above-mentioned changes to the regulatory framework and contractual terms and conditions. The **organic variation in EBITDA** was a negative 512 million euros (down **4.2%**). The **EBITDA margin** rose from 37.6% in 2007 to **37.7%** in 2008. **The organic EBITDA margin** amounted to **38.8%** in 2008 (39.5% in 2007).

In **Q4 2008**, revenues in absolute and percentage terms recovered on previous quarters, and were up 2.2% compared with the same period in 2007. The consolidated organic EBITDA margin rose by around 0.8 percentage points. This impressive turnaround is predominantly ascribable to the domestic market, which achieved organic EBITDA growth of 3.8% in Q4 compared with 2007 as a result of an unwavering focus on identifying, monitoring and rationalizing factors of production.

The following table shows a breakdown of **EBITDA** and revenue percentages by business area:

| (milions of euros) | **2008** | % | **2007** | % | **Change** Absolute | % | % organic |
|---|---|---|---|---|---|---|---|
| Domestic | 9,998 | *88.0* | 10,174 | *87.2* | (176) | *(1.7)* | (4.3) |
| *% of revenues* | *43.0* | | *42.0* | | *+1.0pp* | | |
| Brazil | 1,217 | *10.7* | 1,207 | *10.3* | 10 | 0.8 | 1.4 |
| *% of revenues* | *23.4* | | *24.2* | | *(0.8)pp* | | |
| European BroadBand | 245 | *2.2* | 297 | *2.5* | (52) | (17.5) | (19.4) |
| *% of revenues* | *19.2* | | *25.8* | | *(6.6)pp* | | |
| Media, Olivetti and other activities | (78) | *(0.7)* | (5) | ° | (73) | ° | |
| *Adjustments and eliminations* | *(15)* | *(0.2)* | *(5)* | ° | (10) | ° | |
| **Total** | **11,367** | *100.0* | **11.668** | *100.0* | (301) | (2.6) | (4.2) |

**Depreciation and amortization** amounted to **5,906 million euros** (5,674 million euros in 2007). The 232 million euro rise in this figure breaks down to 148 million euros for the amortization of intangibles, and 84 million euros in depreciation of fixed assets.

An **impairment test** conducted on the recoverable value of Telecom Italia Group cash generating units yielded recoverable values in excess of book values. In consequence, no write-downs were made on the value of goodwill.

**EBIT** amounted to **5,463 million euros**, down 492 million euros compared with 2007 (-8.3%). The **organic EBIT variation** was a negative 736 million euros (-**11.3%**). The **EBIT margin** was down from 19.2% in 2007 to **18.1%** in 2008; the **organic EBIT margin** amounted to **19.1% in 2008** (21.1% in 2007).

**Financial management** and the **administration of equity interests** registered an overall reduction of 935 million euros in 2008 compared with 2007. Though the capital gains realized on sales of equity interests exceeded 460 million euros, at the same time, financial market conditions in 2008 made it necessary to make a 190 million euro write-down on call options for a 50% share capital stake in Sofora Telecomunicaciones (the majority shareholder in Telecom Argentina, previously subject to a 70 million euro write-back in 2007), alongside a prudential write-down of 58 million euros regarding receivables from Lehman Brothers. The impact on financial charges was, however, circumscribed as a result of the Group's prudent financial management approach.

**Taxes** amounted to 653 million euros, down 1,030 million euros compared with 2007; the reduction in taxes may predominantly be ascribed to lower total taxable income, and to the 2008 reduction in tax brackets in Italy. The company also received a net 515 million euro benefit following a fiscal realignment undertaken by a number of Group companies pursuant to Law no. 244 of November 24, 2007, article 1, sub-section 48.

**Results from discontinued operations** amounted to -29 million euros (compared with a net loss of 186 million euros in 2007). The -188 million euro negative contribution of the Liberty Surf Group to the consolidated result up to the date of its sale (-222 million euros over the whole year of 2007) was offset by a 160 million euro gain net of ancillary charges realized from the August 26, 2008 sale of the Telecom Italia Group s entire shareholding in Liberty Surf Group S.A.S. (the holding company for the country's broadband operations in France).

The **net consolidated result** for 2008 amounted to **2,214 million euros** (2,215 million euros before minorities), a reduction of 9.6% compared with 2007 (2,448 million euros).

**Capex** in FY 2008, at **5,365 million euros**, was essentially unchanged compared with the preceding year. A breakdown of Capex follows:

| (millions of euros) | **2008** | % | **2007** | % | **Change** |
|---|---|---|---|---|---|
| Domestic | 3,658 | *68.2* | 4,064 | *75.7* | (406) |
| Brazil | 1,348 | *25.1* | 865 | *16.1* | 483 |
| European BroadBand | 352 | *6.6* | 358 | *6.7* | (6) |
| Media, Olivetti and other activities | 54 | *1.0* | 93 | *1.7* | (39) |
| *Adjustments and eliminations* | *(47)* | *(0.9)* | *(10)* | *(0.2)* | (37) |
| **Total** | **5,365** | ***100.0*** | **5,370** | ***100.0*** | **(5)** |

Capex was equivalent to 17.8% of revenues in 2008, up from 17.3% in 2007.

**Net financial debt** at year-end 2008 amounted to 34,039 million euros, a reduction of 1,662 million euros compared with the year-end 2007 figure of 35,701 million euros (and 1,731 million euros down on September 30, 2008). The reduction may be ascribed to generated cash flow from operations (5,473 million euros), and to the disposal of equity holdings and other sales (a 599 million euro reduction, net of cash flow absorbed by discontinued operations), offsetting dividend payments of 1,665 million euros, other financial, fiscal and non-operating cash requirements worth 2,713 million euros, and 32 million euros in long-term investments and share buybacks, carried out under the stock grant plan, authorized by the April 2007 shareholders meeting.

The **net financial debt to EBITDA** ratio stood at **2.99** (3.06 at year-end 2007).

The Group s **liquidity margin** at year-end 2008 totalled 5.1 billion euros (excluding Brazilian liquidity of 0.5 billion euros), and allows sufficient liquidity margins to be added to existing non-utilized committed credit facilities, for 6.5 billion euros, to cover repayment obligations over the next 18-24 months.

Group **headcount** at year-end 2008 amounted to **77,825** (64,242 in Italy and 13,583 abroad), a reduction of 4,244 compared with year-end 2007 (82,069 employees, of whom 66,951 in Italy and 15,118 abroad). The 4,244 fall in the number of Group employees compared with year-end 2007 was achieved through a 2,674-person **reduction at parent company Telecom Italia S.p.A.**, corresponding to **over 50%** of the Executive Committee s June 4, 2008 **Efficiency Plan target**.

**OUTLOOK FOR OPERATIONS IN 2009**

The Telecom Italia Group confirms the current year earnings and financial targets announced at the end of 2008 on presentation of the Group s 2009-2011 Three-Year Plan.

Headline earnings targets for FY 2009:

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Organic revenues and EBITDA margin (on an equivalent exchange rate and consolidation area basis 2009) stable with 2008;

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Capex of around 4.8 billion euros;

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Net debt/EBITDA ratio of around 2.9.

**Major Risks and Uncertainties**

Forward-looking statements regarding outlook for 2009 might be impacted by risks and uncertainties generated by a series of factors, the majority of which lie outside the Group s control. The following statement examines the main risk factors and/or significant uncertainties that could potentially affect Telecom Italia Group operations in 2009.

From a **macro-economic standpoint**, it should be noted that the crisis sweeping through the world economy a crisis expected to last throughout 2009 is characterized by a general contraction in consumption. This contraction is taking place at different rates in different world regions and on different markets.

It is forecast that the greatest impact of the recession on the **Italian market** will be on demand for investment, and on purchases of durable goods and mass-consumption items. The effects of the recession are expected to be less dramatic on services such as telecommunications. The country s GDP is forecast to fall by around 2% in 2009.

On the **South American market**, most importantly Brazil, the volatility that has beset these economies during past international economic crises would seem to be much reduced this time round. The continent appears to be more favourably placed to weather the storm than in the past for the following reasons:

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Greater political stability as a result of actions to make structural improvements to the economy and social system;

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A fiscal surplus generated by high levels of economic growth, record commodities prices, and an accumulation of currency reserves;

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Firm control of inflationary tendencies, with perhaps the partial exception of Argentina;

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Strong monetary policy discipline;

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Relatively low unemployment rates.

Bearing these factors in mind, after years of sustained growth, modest economic expansion is still predicted for 2009. Wild volatility is not expected to affect any of the main measures of macro-economic progress (inflation rates, interest rates, and exchange rates) in Latin America s largest countries, most notably Brazil. Indeed, Brazil has made significant progress recently, having reached energy break-even and built up solid food reserves. As a result, the country is less exposed to external shocks than it has been in the past.

The **telecommunications market** and industry would appear to be among the least exposed to procyclical trends as our society has increasingly become based on communications; communications have taken on a key role as an enabler and multiplier of productivity. Even now, we are continuing to see growth in demand for mobile telephone-based data services such as access to e-mail and websurfing via widely-adopted 3G technology.

The macroeconomic context may weigh more heavily on **Domestic** market prospects, even if there is no specific evidence of this at the moment, and more specifically on the next phase of value added services penetration. Turnover from business clients (freelance professionals and SMEs) may dip below expectations. If this is the case, it would have repercussions on overall revenues from the sale of telecommunications services and products.

The telecommunications market in South America, and most particularly in **Brazil**, is expected to continue to register growth, especially in mobile telephony and broadband. Indeed, mobile broadband may well emerge as a highly competitive alternative to fixed broadband, given that the fixed-line network requires an extremely expensive upgrade to offer levels of service already available over HSDPA networks such as TIM Brasil s. Upgrading the existing network is a far more onerous process in Brazil than in a country like Italy: territorially, Brazil is far larger, and the existing network is starting from a much lower standard. TIM Brasil will be focusing a portion of its investments on geographically-targeted mobile broadband network development in order to increase its broadband market share; the company shall closely monitor returns on capital invested.

Against this backdrop, and in the knowledge that the deep current world crisis may have as-yet unknown impacts on business performance, the company is closely monitoring the performance of its most exposed businesses, and proceeding with efficiency drives and expense optimization plans to ensure that cash flow generation objectives are met and debt is reduced.

Against a backdrop of highly volatile financial markets hamstrung by uncertainty, in early 2009 Telecom Italia took important steps to limit **financial risks** by refinancing its debt. The company achieved this by issuing a 500 million euro bond, and by signing a 600 million euro financing contract with the EIB.

The Telecom Italia Group has enacted policies to manage financial risks ranging from market risks to credit risks and liquidity risks. Centrally-issued guidelines serve as a reference framework for operational management, identifying the most appropriate financial instruments for achieving the company s goals, monitoring results, and avoiding recourse to speculative derivative financial instruments.

The Group has set an appropriate financial flexibility target level by maintaining a liquidity margin of cash reserves and syndicated committed credit facilities sufficient to cover refunding requirements for at least the next 12 to 18 months.

In view of the current state of the financial markets, the Group has tightened its approach to the above-mentioned policy. By the end of 2008, the Group had raised its liquidity margin to a level sufficient to cover debt repayments over the next 24/24 months. The Telecom Italia Group is well-placed to wait for the most advantageous time to access the financial markets, and can maintain its objective of refinancing the portion of debt due to reach maturity in 2009, and still maintain a higher liquidity ratio in case of unexpected tensions on the market.

**TELECOM ITALIA S.p.A. RESULTS**

**Revenues** amounted to **22,025 million euros**, down 3.6% (822 million euros) compared with FY 2007. The **organic variation in revenues** also registered a 3.6% drop.

The reduction in revenues was predominantly the result of an ongoing contraction in revenues from traditional businesses such as retail voice (down 807 million euros, predominantly ascribable to a reduction in revenues from call traffic and access), and from traditional data transmission services for business (down 67 million euros). Growth was, however, registered in revenues from innovative services such as Broadband (up 173 million euros), mobile business interactive VAS (up 263 million euros), and ICT services (up 117 million euros).

Revenue performance continued to be impacted by market conditions, specifically changes to the regulatory framework and contractual terms and conditions that occurred in 2007. In 2008, these changes had an overall negative impact of around 670 million euros on revenues.

**EBITDA** of **9,577 million euros** was down just 153 million euros (1.6%) compared with 2007.

The **organic variation in EBITDA** was a negative **4.2%** (down 434 million euros). The **EBITDA margin** amounted to 43.5% (42.6% in FY 2007); at an organic level 44.9% (45.2% in 2007).

**Depreciation and amortization** amounted to 4,426 million euros (4,259 million euros in 2007). The 167 million euro increase breaks down as 81 million euros in amortization of intangibles, and 86 million euros in depreciation of fixed assets.

**EBIT** amounted to **5,166 million euros**, down 269 million euros (-4.9%) compared with 2007. The **organic variation in EBIT** was a negative 9.5% (down 575 million euros). **The EBIT margin** reached 23.5% (23.8% in FY 2007), at an organic level 24.8% in 2008 (26.4% in 2007).

**Financial management** and the **administration of equity interests** registered an overall reduction of 1,083 million euros in 2008 compared with 2007. This may be attributed to one-off capital gains realized in 2007 (-146 million euros), a capital loss on the disposal of the Liberty Surf Group S.A.S. (-480 million euros), write-downs on equity stakes held by Telecom Italia Media, Telecom Italia Capital and Olivetti, for 240 million euros, and higher financial charges.

**Tax on income** amounted to **674 million euros**, down 970 million euros compared with 2007 as a result of the factors noted under the Group section.

Telecom Italia S.p.A. s **net result** was **1,500 million euros**, down 382 million euros compared with 2007 (1,882 million euros).

**Headcount** at year-end 2008 numbered **57,285**, including employees on outsourced contracts. The 2,674 reduction compared with December 31, 2007 (59,959) corresponds to more than 50% of the target figure stated in the Efficiency Plan adopted by the Executive Committee on June 4, 2008.

**BUSINESS UNIT RESULTS**

Performance data is broken down into the following areas of operation:

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The **Domestic** business unit consists of the Group s fixed-line telecommunications operations in Italy (sub-divided into Retail voice, Internet, Business data and Wholesale), Mobile operations, and ancillary support services;

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The **Brazil** business unit runs Group telecommunications operations in Brazil;

- The **European Broadband** business unit provides broadband services in Germany and the Netherlands;

- The **Media** business unit is in charge of Group television and news operations;

- The **Olivetti** business unit is responsible for digital print system and office product manufacture and sales;

- **Other operations** include finance companies and other minor companies not strictly associated with the Telecom Italia Group s core business.

For information purposes, it should be noted that Telecom Italia Media s FY 2008 results were announced in a press release dated February 26, 2009, which was issued upon approval by the company Board of Directors.

## DOMESTIC

This table presents the headline results for the Domestic Business Unit in FY 2008, compared with data from 2007.

| (millions of euros) | **2008** | **2007** | **Change** | | |
|---|---|---|---|---|---|
| | | | absolute | % | % organic |
| Revenues | 23,268 | 24,220 | (952) | (3.9) | (3.9) |
| **EBITDA** | 9,998 | 10,174 | **(176)** | **(1.7)** | **(4.3)** |
| *% of Revenues* | *43.0* | *42.0* | | | |
| EBIT | 5,444 | 5,751 | (307) | **(5.3)** | (9.5) |
| *% of Revenues* | *23.4* | *23.7* | | | |
| Industrial Investments | 3,658 | 4,064 | (406) | (10.0) | |
| Headcount | 61,816 | 64,362 | (2,546) | (4.0) | |

**Fixed-line telecommunications**

In 2008, **revenues** reached **15,000 million euros**, down 727 million euros (4.6%) on the preceding year. Excluding the impact of currency fluctuations, changes to the area of consolidation and non-organic items, organic revenues were down 664 million euros (4.2%). It should be noted that 2008 was characterized by a positive revenue trend: by Q4 2008, revenues were only 2.3% down on the corresponding quarter in 2007.

In detail:

**Retail voice revenues** in 2008 amounted to **7,529 million euros** (down 9.9% compared with 2007), as the customer base and traffic volumes continued to contract due to a competitive marketplace. The introduction of new methods of access to the Telecom Italia network for customers who had previously operated on a carrier selection or pre-selection basis prompted a fall in the number of retail lines supplied by Telecom Italia in 2008. As observed in most markets, the migration of fixed-line/mobile calls to mobile/mobile solutions continues. Revenues were further impacted by the regulatory reduction of fixed-line/mobile termination rates, and by changes to the regulations governing Premium Services.

**Internet revenues** rose by 162 million euros (up 11.0%) in 2008 to **1,630 million euros**. The **domestic market retail broadband access** portfolio expanded by 327,000 over the year to **6.8 million**. **Flat-rate packages** apply to **77%** of the entire retail broadband customer portfolio, up 677,000 on the end of 2007. The portfolio of **VoIP customers** is now **around 2 million**, corresponding to around **30%** of all retail broadband accesses. The **IPTV service** continues to increase its penetration in the consumer market, with a portfolio of 329,000 customers, up 249,000 on the end of 2007. **Web** operations and new developments continue to be rolled out through the Virgilio/Alice portals. Positive sales trends in the sector enabled the company to grow its revenues by 13.4% (186 million euros) over the preceding year.

**Business Data revenues** of 1,720 million euros registered a **47 million euro** (2.8%) **increase** on 2007. This highlights Telecom Italia s capability to offset a contraction in the provision of corporate data transmission services and connectivity by developing revenues from ICT services, which were up 115 million euros (17.9%).

**Revenues** from **Wholesale** services generated **3,771 million euros**, a slight decrease of 0.4% (-15 million euros) on 2007. At year-end 2008, Telecom Italia s Wholesale division supplied around 5 million voice service accesses and 1.3 million broadband service accesses. Despite being impacted by a reduction in incoming traffic, **Domestic Wholesale revenues** rose 74 million euros (3.1%) on the preceding year.

The Telecom Italia Group conducts its **international wholesale services** through Telecom Italia Sparkle and its subsidiaries. The 89 million euro (6.3%) drop in revenues compared with 2007 is wholly attributable to lower transit revenues following the end of several large contracts from Q2 2007 onwards (worth a total of 166 million euros). Excluding this one-off item, revenues continued to move upwards, following the trend registered in previous years.

**Mobile telecommunications**

**Revenues** in 2008 reached **9,729 million euros**, down 193 million euros. This was predominantly the result of the above-mentioned changes to the underlying market. It is worth pointing out that the organic variation of revenues in Q4 2008 was +2.4% over the corresponding quarter in 2007.

**Revenues from outgoing voice** amounted to **4,965 million euros**, down 276 million euros (-5.3%).

In Q4, this revenue stream was boosted by a consumer re-pricing which made it possible to close the quarter in line with the same period last year (1,248 million euros, up 1 million euros on 2007).

**Revenues from incoming voice** of **1,356 million euros** were down 158 million euros (-10.4%), as a result of mobile termination rate reductions (-12% compared with 2007).

**Revenues from value-added services (VAS)** amounted to **2,173 million euros**, up 12.7% compared with 2007, thanks to a continuous increase of broadband customers that rose to 2.6 million, up 1.4 million during the course of the year. Interactive VAS services posted growth in excess of 30% (an additional 263 million euros), being the most important driver of VAS growth. Traditional VAS revenues remained more or less in line with last year s figures. VAS revenues now account for around 25% of all service revenue (22% in 2007).

**Revenues from handset sales** generated **860 million euros**, (up 86 million euros compared with 2007). Thanks to the increasing weight of high-end products (3G, Netbooks, and internet keys, generated more than 60% of all terminal sales volumes) that lead to higher average price (up 24%). Such focus on high-end products has been a key element in improving innovative VAS penetration.

Overall Domestic Business Unit **EBITDA** amounted to **9,998 million euros,** down 176 million euros compared with 2007. The **EBITDA margin** was equal to 43.0% (up one percentage point compared with the previous year). The **organic variation in EBITDA** compared with 2007 was reduced by 460 million euros (**-4.3%**); the organic EBITDA margin came in at 44.3% (44.5% in 2007).

**EBIT** amounted to **5,444 million euros**, down 307 million euros (5.3%) compared with 2007. The EBIT margin reached 23.4% (23.7% the preceding year). The **organic variation in EBIT** was minus 604 million euros (down **9.5%** compared with 2007); the organic EBIT margin was equal to 24.7% (26.2% the preceding year).

**Capex** amounted to **3,658 million euros** (down 406 million euros compared with FY 2007). Capital expenditure corresponded to 15.7% of revenues (16.8% in 2007).

**Headcount** totalled **61,816**, down 2,546 compared with December 31, 2007. This figure includes 638 workers on outsourced contracts (compared with 1,278 at year-end 2007).

At year-end 2008, Telecom Italia had a 68% share of the **retail voice** market (down on the year-end 2007 figure of 69%), while the market share in the mobile segment stood at 38.0% (down from 40.3% at year-end 2007, and 38.6% at September 30, 2008; confirming the position as Italian market leader).

**BRAZIL**

**(Average euro/real exchange rate: 0.37332)**

The following table presents headline data for the 2008 financial year. Data are compared with 2007 financial year results.

| | (milions of euros) | | (milions of reais) | | | | |
|---|---|---|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** | **Change** | | |
| | (a) | (b) | (c) | (d) | Absolute | % | % |
| | | | | | (c-d) | (c-d)/d | organic |
| Revenues | 5,208 | 4,990 | 13,951 | 13,293 | 658 | **4.9** | **4.9** |
| EBITDA | 1,217 | 1,207 | 3,259 | 3,214 | 45 | 1.4 | 1.4 |
| *% of Revenues* | *23.4* | *24.2* | *23.4* | *24.2* | | | |
| EBIT | 189 | 150 | 507 | 399 | 108 | 27.1 | 27.1 |
| *% of Revenues* | *3.6* | *3.0* | *3.6* | *3.0* | | | |
| Industrial Investments | 1,348 | 865 | 3,612 | 2,305 | 1,307 | 56.7 | |
| Headcount | 10,285 | 10,030 | 10,285 | 10,030 | 255 | 2.5 | |

TIM Brasil Group **revenues** in 2008 amounted to **13,951 million reais** (5,208 million euros), **up 4.9% compared with 2007**; (revenues from services alone increased 6.1%). Average revenue per user (ARPU) remains the highest on the Brazilian market, despite gradual erosion as the customer base grows and the market remains under intense competitive pressure.

**EBITDA** of **3,259 million reais** was **up 45 million reais** (1.4%) compared with FY 2007. The **EBITDA margin** was **equal to 23.4%,** down 0.8 percentage points on FY 2007. This was achieved by rigourous cost control, as the competitive scenario in the Brazilian market created a downward pressure on prices and per-unit service margins.

**EBIT** amounted to **507 million reais, a 108 million reais increase** on 2007 (up 27.1%). This result may be ascribed to improved **EBITDA**, and to lower depreciation and amortization on completion of TDMA network amortization.

**Capex** amounted to **3,612 million reais** (2,305 million reais in 2007), which was spent principally on 3G license acquisition (1,239 million reais), customer base expansion, 3G network infrastructure and IT investments.

On 31 December 2008, company **headcount** stood at **10,285**, an increase of 255 from year-end 2007.

The TIM Brasil Group s **market share is 24.2%** (compared with 25.8% at year-end 2007). The company supplies 36.4 million lines (up 16.5% on year-end 2007).

**EUROPEAN BROADBAND**

The following table shows the FY 2008 headline results for the business unit, broken down by geographical area of operations, and compared with data from 2007 reconstructed on an equivalent-terms basis:

| (millions of euros) | **2008** | **2007** | **Change** absolute | % | % organic |
|---|---|---|---|---|---|
| Revenues | 1,274 | 1,151 | 123 | 10.7 | 4.5 |
| **EBITDA** | 245 | 297 | **(52)** | **(17.5)** | **(19.4)** |
| *% of Revenues* | *19.2* | *25.8* | | | |
| EBIT | (30) | 122 | (152) | (124.6) | (107.2) |
| *% of Revenues* | *(2.4)* | *10.6* | &nbs | | |