

<p>Item 1. Identity of Directors, Senior Management and Advisers / Item 2. Offer Statistics and Expected Timetable Item 3. Key Information</p>	<p>Risk Factors</p>
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PART I

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable

Item 3. KEY INFORMATION

3.1 RISK FACTORS

In addition to the other information contained in this Annual Report, investors should carefully consider the risks described below before making any investment decision. The risks described below are not the only ones we face. Additional risks not known to us or that we currently deem immaterial may also impair our business and results of operations. Our business, financial condition, results of operations and cash flows could be materially adversely affected by any of these risks, and investors could lose all or part of their investment.

RISKS RELATED TO THE TELECOM ITALIA GROUP

Our business will be adversely affected if we are unable to successfully implement our strategic objectives. Factors beyond our control may prevent us from successfully implementing our strategy.

On December 3, 2008, we set out our strategic priorities for the 2009-2011 period. Our strategy is aimed at improving revenues and selective growth, while maintaining financial discipline. To achieve this goal, we will focus on:

- our leading competitive position in the domestic market, developing innovative services (BroadBand and closely related businesses), improving efficiency and reducing debt levels, including through disposals of non-core assets. More specifically, the 2009-2011 strategic plan pursues a return to growth in our domestic market through:
 - changing our organization from a technology-based approach (fixed and mobile TLC) to a customer-centric approach (consumer, business and Top Client);
 - reducing **Digital Divide** through decreasing the gap between BroadBand and fixed-line penetration levels;
 - developing mobile BroadBand;
 - developing innovative and closely related businesses to increase customer share;
 - reorganizing our brand architecture to engender a more consistent perception of convergent offerings and customer-centric approach;
 - seeking new cost-efficiencies in identified business and support areas, including IT, Network Operations, Building and Energy rationalization, Sales and Distribution reengineering, Customer Operations and Delivery and Assurance programs;
- internationally, on our Brazilian operations, strengthening our position in Brazil by leveraging mobile telephony to enable BroadBand growth and exploiting opportunities arising from fixed-line/mobile migration; and
- realizing value from the disposal of non-core assets.

Telecom Italia's ability to implement and achieve these strategic objectives may be influenced by certain factors, including factors outside of its control, such as:

- regulatory decisions and changes in the regulatory environment in Italy and other countries in which Telecom Italia operates;
- increasing numbers of new competitors in the Italian telecommunications market which could cause Telecom Italia to lose further market share;
- increasing and stronger market competition in its principal markets with a consequent decline in the prices of services;

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<ul style="list-style-type: none"> Telecom Italia's ability to strengthen its competitive position in Italy through its focus on related markets and in international markets, particularly in Brazil for mobile telecommunications; Telecom Italia's ability to develop and introduce new technologies which are attractive to the market, to manage innovation, to supply value added services and to increase the use of its fixed and mobile networks; the success of "disruptive" new technologies which could cause significant reductions in revenues from fixed and mobile telephony; Telecom Italia's ability to manage costs; the effect of the global credit crisis and recessionary conditions in the major markets in which the Telecom Italia Group operates; Telecom Italia's ability to refinance existing indebtedness when due under the current uncertain conditions in the capital and bank markets as credit markets worldwide have experienced a severe reduction in liquidity and term funding; Telecom Italia's ability to attract and retain highly qualified employees; the effect of exchange rate fluctuations on the operating revenues, margins and financial management of Telecom Italia. 	

As a result of these uncertainties there can be no assurance that the objectives identified by management can effectively be attained in the manner and within the time-frames described.

The crisis currently affecting the global economy could adversely affect our businesses and therefore could have a negative impact on our operating results and financial condition.

From a macroeconomic standpoint, the crisis currently affecting the global economy, which is expected to continue for at least the whole of 2009, includes a general contraction in consumer spending, with the impact on consumer spending varying between geographical areas and different markets.

In Italy, the recession is expected to have the greatest impact on the demand for investments and on the purchase of consumer durable goods and articles of mass-consumption, whereas it is expected to have less impact on services like telecommunications. In 2009, Gross Domestic Product ("GDP") is expected to decline by approximately 2%.

Telecommunications is proving to be one of the industrial segments least affected by pro-cyclical trends since our society has an increasing need to communicate. However, recessionary conditions may weigh heavily on the development prospects of our domestic market, particularly with regard to the penetration of the next phase of value-added services and the volume of business. This applies particularly to the business clientele segment (professionals and small and medium-size businesses), where it is more likely that recessionary conditions could have a negative effect on revenues.

With respect to the South American market, and especially Brazil, it is important to highlight that, at least through the date hereof, the volatility that has been typical of emerging market economies during international economic crises is much less pronounced than in the past. In this context, the outlook for 2009 is for modest economic growth compared with the rapid growth of the past several years.

The global economic crisis creates significant uncertainty and will adversely impact consumer spending, including on telecommunication services. If we fail to successfully implement our plans to improve efficiency and optimize expenditures, our results of operations and financial condition could be adversely affected.

Our leverage is such that deterioration in cash flow generation can change the expectations on the Group's ability to repay its debt and the inability to reduce our debt could have a material adverse effect on our business. Existing and worsening conditions in the international credit markets may limit our ability to refinance our financial debt.

Our gross financial debt was €42,794 million at December 31, 2008 compared with €43,636 million at December 31, 2007 and our total net financial debt was €34,039 million at December 31, 2008 compared with €35,701 million as of December 31, 2007.

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Due to the competitive environment and the economic conditions in which we operate, there could be deterioration in the statement of income and balance sheet measures (such as EBITDA, with EBITDA calculated for these purposes as Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets and Net Financial Debt). Ratios derived from these same measures are used by the rating agencies, such as Moody's and Standard & Poor's, which base their ratings on the Group's ability to repay its debt.

Although ratings downgrades do not have an immediate impact on outstanding debt, except for outstanding debt instruments that specifically contemplate ratings in order to determine interest payments, or on its relative cost to Telecom Italia, downgrades could lead to a greater risk with respect to refinancing existing debt or higher refinancing costs.

The volatility characterizing the wholesale capital markets could make it more difficult for us to access the bond markets. In addition, our credit risk could lead to an increase in our refinancing costs. A prolonged duration of the credit downturn with the consequent higher refinancing costs could have a material adverse effect on the Group's results of operations and financial condition.

Factors which are beyond our control such as deterioration in the performance by the telecommunications sector, unfavorable fluctuations in interest rates and/or exchange rates, continuing disruptions in the capital markets, particularly debt capital markets, and, in a broader sense, deterioration in general economic conditions also as a result of the current financial crisis, could have a significant effect on our ability to reduce our debt, or the ability of the Group to refinance existing debt through further access to the financial markets.

The management and further development of our business will require us to make further investments. We may therefore incur additional debt in order to finance such investment. Our future results of operations may be influenced by our ability to enter into such transactions, which in turn will be determined by market conditions and factors that are outside our control. In addition, if such transactions increase our leverage it could adversely affect our credit ratings.

System failures could result in reduced user traffic and reduced revenue and could harm our reputation.

Our technical infrastructure (including our network infrastructure for fixed-line and mobile telecommunications services) is vulnerable to damage or interruption from information and telecommunication technology failures, power loss, floods, windstorms, fires, terrorism, intentional wrongdoing, human error and similar events. Unanticipated problems at our facilities, system failures, hardware or software failures, computer viruses or hacker attacks could affect the quality of our services and cause service interruptions. Any of these occurrences could result in reduced user traffic and reduced revenue and could harm our reputation.

Our business depends on the upgrading of our existing networks.

We must continue to upgrade our existing networks in a timely and satisfactory manner in order to retain and expand our customer base in each of our markets, to enhance our financial performance and to satisfy regulatory requirements. Among other things, we could be required to:

- upgrade the functionality of our networks to permit increased customization of services;
- increase coverage in some of our markets;
- expand and maintain customer service, network management and administrative systems; and
- upgrade older systems and networks to adapt them to new technologies.

Many of these tasks are not entirely under our control and may be affected by applicable regulation. If we fail to execute them successfully, our services and products may be less attractive to new customers and we may lose existing customers to our competitors, which would adversely affect our business, financial condition and results of operations.

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We are continuously involved in disputes and litigation with regulators, competition authorities, competitors and other parties. The ultimate outcome of such proceedings is generally uncertain. When finally concluded, they may have a material adverse effect on our results of operations and financial condition.

We are subject to numerous risks relating to legal, competition and regulatory proceedings in which we are currently a party or which could develop in the future. Legal, competition and regulatory proceedings are inherently unpredictable. Legal, competition and regulatory proceedings in which we are, or may become, involved (or settlements thereof) may have a material adverse effect on our results of operations and/or financial condition. Furthermore, our involvement in legal, competition and regulatory proceedings may adversely affect our reputation.

The Italian Collective Action for Damages for the Protection of Consumers passed in December 2007 is currently undergoing substantial modifications by the Italian Parliament and will enter into force on July 1, 2009. The law will allow collective action lawsuits and is similar in many respects to common law class actions. Contracts between public utilities and consumers and the business practices of companies that provide public services (such as Telecom Italia) are covered by the Collective Action law. Therefore there will be a risk of claims against Telecom Italia by consumers' associations on behalf of broad classes of consumers.

For information concerning the most important legal, competition and regulatory proceedings in which we are involved, see "Note-Contingent liabilities and assets, other information, commitments and guarantees" of the Notes to the Consolidated Financial Statements included elsewhere in this Annual Report.

Risks associated with Telecom Italia's ownership chain.

Telco—a company in which interests are held by Generali group (28.1%), Intesa SanPaolo S.p.A. (10.6%), Mediobanca S.p.A. (10.6%), Sintonia S.A. (8.4%) and Telefónica S.A. (**Telefónica**) (42.3%)—is Telecom Italia's largest shareholder, holding an interest of approximately 24.5% of the voting rights.

Although Telco does not own a controlling interest in Telecom Italia's voting shares, Telco may exert a significant influence on all matters to be decided by a vote of shareholders, including appointment of directors (in the Shareholders' Meeting on April 14, 2008 12 out of 15 Board members were elected, as a result of Telco's proposal). In principle, the interests of Telco in deciding shareholder matters could be different from the interests of Telecom Italia's other Ordinary Shareholders, and it is possible that certain decisions could be taken that may be influenced by the needs of Telco. In addition, Telefónica is the largest shareholder of Telco. Presently Telefónica and Telecom Italia are direct competitors in certain countries outside of their respective domestic markets; nevertheless, the agreement among the above mentioned parties provides that the Telecom Italia and Telefónica groups will be managed autonomously and independently. Such agreements provide that the directors designated by Telefónica in Telco and Telecom Italia shall be directed by Telefónica to neither participate nor vote at board of directors meetings which discuss matters relating to members of the Group in countries where Telefónica and Telecom Italia compete. Specific additional matters have been agreed with respect to Telecom Italia's operations in Brazil. For further information, please see "Item 7 Major Shareholders and Related-Party Transactions-7.1 Major Shareholders-7.1.1 The Shareholders' Agreements" and "Item 10. Additional Information-10.1 Corporate Governance". See also "Note-Contingent liabilities and assets, other information, commitments and guarantees" of the Notes to the Consolidated Financial Statements included elsewhere herein.

Telco is a holding company and the sole operating company in which it has an interest is Telecom Italia. Therefore, should Telco be unable to obtain funding from its shareholders, present or future, or from other sources, its cash flows would be entirely dependent upon the dividends paid on the Telecom Italia shares for its funding needs.

The Italian State, through the Treasury, is in a position to exert certain powers with respect to Telecom Italia.

Although no shareholder is in a position to prevent a takeover of Telecom Italia, the Italian State, through the Treasury, is in a position to exert certain powers with respect to Telecom Italia through the exercise of the special powers included in Telecom Italia's Bylaws pursuant to compulsory legal provisions. The exercise of such powers could make a merger with or takeover of Telecom Italia more difficult or discourage certain bidders from making an offer.

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On March 26, 2009, the European Court of Justice declared that Italy through the special powers, failed to comply with its obligations under the EC Treaty. According to the Court's ruling, the alleged infringement of the EC Treaty arises due to the applicable Italian legal provisions not making sufficiently clear the conditions for the exercise of the Treasury's special powers, so that investors are not in a position to know in what situations the powers will be used. Although such ruling may be relevant and binding for the Italian Government, the ruling does not have any immediate, direct impact on the aforementioned provisions and on the Company's bylaws.

For further information, please see "Item 7 Major Shareholders and Related-Party Transactions–7.1 Major Shareholders–7.1.3 Continuing Relationship with the Italian Treasury".

RISKS RELATED TO THE TELECOMMUNICATIONS INDUSTRY AND FINANCIAL MARKETS

The value of our operations and investments may be adversely affected by political and economic developments in Italy or other countries. The current global economic crisis could reduce purchases of our products and services and adversely affect our results of operations, cash flows and financial condition.

Our business is dependent to a large degree on general economic conditions in Italy and our other principal markets such as Brazil, including levels of interest rates, inflation, taxes and general business condition. A significant deterioration in economic conditions could adversely affect our business and results of operations. We may also be adversely affected by political developments in other countries where we have made significant investments. Certain of these countries have political and legal systems that are unpredictable. Political or economic upheaval or changes in laws or their application in these countries may harm the operations of the companies in which we have invested and impair the value of these investments.

Uncertainty about current global economic conditions poses a significant risk as consumers and businesses may postpone spending in response to tighter credit, negative financial news (including high levels of unemployment) or declines in income or asset values, which could have a material negative effect on the demand for our products and services. Economic difficulties in the credit markets and other economic conditions, such as a recession currently being experienced or the risk of a potential recession, may reduce the demand for or the timing of purchases of our products and services. A loss of customers or a reduction in purchases by our current customers could have a material adverse effect on our financial condition, results of operations and cash flow and may negatively affect our ability to meet our growth targets. Other factors that could influence customer demand include access to credit, consumer confidence and other macroeconomic factors.

Because we operate in heavily regulated business environments, regulatory decisions and changes in the regulatory environment could materially adversely affect our business.

Telecom Italia's fixed and mobile telecommunications operations, as well as its BroadBand services and television broadcasting businesses, are subject to extensive regulatory requirements in Italy and its international operations and investments are subject to regulation in their host countries.

As a member of the European Union (the **EU**), Italy has adapted its telecommunications regulatory framework to the legislative and regulatory framework established by the EU for the regulation of the European telecommunications market. Included within the EU framework is the obligation on the part of the Italian regulator responsible for the regulation of the telecommunications, radio and television broadcasting sector (the **Italian Communications Authority** or **AGCom**) to identify operators with "significant market power" ("**SMP**") based on a market analysis in relevant separate retail and wholesale markets, identified in an EC Recommendation, in which it is considered necessary to intervene to protect free competition. The framework established criteria and procedures for identifying remedies applicable to operators with "significant market power".

During 2006 and 2007, AGCom concluded the first round of the analysis of the markets and introduced regulatory measures as a result of this analysis. Since the end of 2007 AGCom conducted various proceedings to carry out a second round of market analyses to determine whether to maintain, amend or withdraw the obligations in force relating to competition. During 2008 AGCom concluded the second round of analyses of the mobile markets. In particular, as to the mobile call termination market, AGCom set a four year "**glide path**" (i.e. a gradual declining reduction in tariffs) of the maximum termination rates for each operator such that by 2012 all termination rates

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will be the same on each network. As to the mobile access and call origination market, AGCom has confirmed that the market is competitive and does not warrant ex ante regulation. The market analysis proceedings on the fixed markets were suspended until the AGCom approval of the Telecom Italia Undertakings in December 2008 (for further information please see “Item 4 Information on the Telecom Italia Group”—Item 4.2 Business Units): they are now underway and should be closed by the year 2009.

In Italy, Telecom Italia is subject to universal service obligations, which require it to provide fixed-line public voice telecommunications services in non-profitable areas. Telecom Italia is the only operator in Italy which has this obligation.

In addition, in the first round of market analysis, the AGCom identified Telecom Italia as an operator having significant market power in all the relevant fixed markets and in the mobile termination market. As a result, we are subject to a number of regulatory constraints, including:

- a requirement to conduct our business in a transparent and non-discriminatory way;
- a requirement to have our retail prices for fixed voice telephony services subject to a price cap (i.e. the mechanism which adjusts the operator’s prices according to the price cap index that reflects the overall rate of inflation in the economy and the ability of the operator to gain efficiencies; the basic formula is RPI-X, where RPI is the retail price index and X represents the expected efficiency of operator) or ex ante price tests in order to assess the “replicability” of the offer (i.e. the possibility for an efficient competitor to match Telecom Italia’s retail prices using Telecom Italia’s wholesale access services in the most efficient way). These price control mechanisms place certain limits on our ability to change our prices for certain services; and
- a requirement to provide interconnection services, leased lines and unbundled access to the local loop to other operators at cost-orientated prices, subject to specific network caps.

These constraints have had an adverse impact on Telecom Italia’s fixed line network pricing and service offerings and future regulatory decisions may continue to have an adverse impact on its market shares and margins.

In December 2008, AGCom approved Telecom Italia’s voluntary undertakings to improve the equality of treatment in the provision of access services where Telecom Italia has SMP. In addition, the majority of the retail markets and a few of the wholesale markets have been removed from the EC Recommendation which, together with the impact of Telecom Italia’s undertakings on competition developments, could lead AGCom to reduce the regulatory burden, mainly in the retail markets.

The limited predictability inherent in regulatory interventions and the evaluation by the European Commission of the impact of Telecom Italia’s undertakings on the competitive developments of the markets, expected by April 2009, could however result in some limitations in realizing any such benefits.

We are unable to predict the impact of any proposed or potential changes in the regulatory environment in which we operate both in Italy and internationally. Changes in laws, regulation or government policy could adversely affect our business and competitiveness. In particular, our ability to compete effectively in our existing or new markets could be adversely affected if regulators decide to expand the restrictions and obligations to which we are subject or extend them to new services and markets. Finally, decisions by regulators regarding the granting, amendment or renewal of licences, to Telecom Italia or to third parties, could adversely affect our future operations in Italy and in other countries where we operate.

We operate under licenses, authorizations and concessions granted by government authorities.

Many of our activities require licenses, authorizations or concessions from governmental authorities. These licenses, authorizations and concessions specify the types of services permitted to be offered by the operating company holding such license, authorization or concession. The continued existence and terms of our licenses, authorizations and concessions are subject to review by regulatory authorities and to interpretation, modification or termination by these authorities. Although license, authorization and concession renewal is not usually guaranteed, most licenses, authorizations and concessions do address the renewal process and terms. Moreover, licenses, authorizations and concessions as well as their renewal terms and conditions may be affected by political

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and regulatory factors. As licenses, authorizations and concessions approach the end of their terms, we intend to pursue their renewal to the extent provided by the relevant licenses, authorizations or concessions, although we cannot guarantee that we will always complete this process successfully.

Many of these licenses, authorizations and concessions are revocable for public interest reasons. The rules of some of the regulatory authorities with jurisdiction over our operating companies require us to meet specified network build-out requirements and schedules. In particular, our existing licenses, authorizations and concessions typically require us to satisfy certain obligations, including minimum specified quality, service and coverage conditions and capital investment. Failure to comply with these obligations could result in the imposition of fines or revocation or forfeiture of the license, authorization or concession for the relevant area. In addition, the need to meet scheduled deadlines may require us to expend more resources than otherwise budgeted for a particular network build-out.

Strong competition in Italy may further reduce Telecom Italia's core market share for telecommunication services and may cause further reductions in prices and margins thereby having an adverse effect on its results of operations.

Strong competition exists in all of the principal telecommunications business areas in Italy in which Telecom Italia operates, including, most significantly, the fixed-line and mobile voice telecommunications and BroadBand businesses. The use of the single European currency and the liberalization of the Italian telecommunication market (since January 1998) have intensified competition by facilitating international operators' entry into the Italian market and direct competition with Telecom Italia's fixed-line and mobile telephony businesses, particularly in the local and long-distance markets, and BroadBand.

Competition has continued to intensify. As of the date of this Annual Report, there are a number of significant competitors offering fixed-line and BroadBand services and three other operators (in addition to Telecom Italia) offering mobile services in the Italian domestic market. Some virtual mobile operators have been operating in the Italian mobile market since 2007 as a result of commercial agreements reached with operators of mobile networks, some of which "originated" from fixed line operators.

Moreover convergence creates economic links among Telecommunications (TLC), Information Technology (IT), Media and Devices/Consumer Electronic (Devices/CE) markets, enabling lateral competition for different participants in these markets (from competition within the same technology to competition on the whole value chain). The ability to compete will determine value transfer among markets.

This competition may further increase due to the consolidation and globalization of the telecommunications industry in Europe, including Italy, and elsewhere.

We anticipate that in the short to medium-term there may be a stronger entry of peer-level international competitors into markets with existing operators, increasing the direct competition we face in our Italian domestic fixed-line and mobile telephony businesses, in the local and long-distance markets, and BroadBand.

Competition in Telecom Italia's principal lines of business could lead to:

- further price and margin erosion for its products and services;
- a loss of market share in core markets;
- loss of existing or prospective customers and greater difficulty in retaining existing customers;
- obsolescence of existing technologies and more rapid deployment of new technologies;
- an increase in costs related to investments in new technologies that are necessary to retain customers and market share; and
- difficulties in reducing debt and funding strategic and technological investments if it cannot generate sufficient profits and cash flow.

Although we have taken a number of steps to realize additional efficiencies and to rebalance revenue mix through the continuing introduction of innovative and value added services to enhance domestic growth, and although our

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plans take into account that we face significant competition from a number of operators in all the markets in which we operate, if any or all of the events described in the preceding paragraph should occur, the impact of such factors could materially adversely affect our results of operations and financial condition.

Our business may be adversely affected and we may be unable to increase our revenues if we are unable to continue the introduction of new services to stimulate increased usage of our fixed and wireless networks.

In order to sustain growth in revenues despite increased competition and lower prices, particularly in our core Italian domestic market, our strategy has been to introduce new services in our fixed-line, wireless and BroadBand business and in new addressable closely related markets (**IPTV, ICT, Online advertising, Digital Home and Service Exposure**). In recent years our strategy to increase revenues has been to focus on increasing the loyalty of our customer base, increasing penetration of the BroadBand retail market and IPTV and fostering the growth of mobile interactive services. These markets have been growing in recent years in line with increased use of the Internet and the enhanced services offered by mobile operators. However, if these markets do not continue to expand, our revenues may not grow, or may even decrease, as revenues from other parts of our business, particularly our traditional fixed-line business, may decline due to competition or other price pressures.

In addition, these strategic initiatives have required, and will continue to require, substantial expenditure. Although these initiatives are core to our strategy, we may be unable to introduce commercially these new products and services and, even if we introduce them, there can be no assurance they will be successful.

Continuing rapid changes in technologies could increase competition, reduce usage of traditional services or require us to make substantial additional investments.

Many of the services we offer are technology-intensive and the development or acceptance of new technologies may render such services non-competitive, replace such services or reduce prices for such services. In addition, as the convergence of services accelerates, we make and will have to make substantial additional investments in new technologies to remain competitive. The new technologies we choose may not prove to be commercially successful. In addition, Telecom Italia may not receive the necessary licenses to provide services based on new technologies in Italy or abroad, or may be negatively impacted by unfavorable regulation regarding the usage of these technologies (for example, uncertainty on Next Generation Access Networks regulatory requirements). Furthermore, our most significant competitors in the future may be new entrants to our markets who do not have to maintain an installed base of older equipment.

As a result, we could lose customers, fail to attract new customers or incur substantial costs in order to maintain our customer base or to maintain revenues from such customer base.

The mobile communications markets have matured in recent years and competition has increased.

In recent years, although mobile communications business has largely offset the decreased revenues in our Italian fixed-line business, mobile communications markets are approaching maturity levels in the voice services segment although the data and value-added services segments are growing.

Continued growth in the mobile telecommunications markets in which we operate will depend on a number of factors, many of which are outside our control. These factors include:

- the activities of our competitors;
- competitive pressures and regulations applicable to retail and wholesale prices;
- the development and introduction of new and alternative technologies for mobile telecommunications products and services and their attractiveness to our customers;
- the success of new disruptive or substitutive technologies; and
- the development of the mobile communications markets.

In addition, as our core domestic Italian market has become increasingly saturated, the focus of competition has shifted to customer retention from customer acquisition, and increasing the value of existing customers. Such focus could result in increased expenses to retain customer loyalty or if we are unable to satisfactorily offer better value to our customers our market share and revenues could decline.

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If the mobile telecommunications markets in which we operate do not continue to expand, or we are unable to retain our existing customers or stimulate increases in customer usage, our financial condition and results of operations may be harmed.

We may be adversely affected if we fail to successfully implement our Internet and BroadBand strategy.

The development of Internet and BroadBand services is an important element of our growth strategy and means to increase the use of our networks in Italy and abroad. Our strategy is to replace the mature, traditional voice services with value added content and services to consumers and small and medium-sized companies. Telecom Italia's ability to successfully implement this strategy may be affected if:

- Internet usage in Italy grows more slowly than anticipated, for reasons such as changes in Internet users' preferences or lower than expected PC penetration rate growth;
- BroadBand penetration does not grow as we expect;
- competition increases, for reasons such as the entry of new competitors, consolidation in the industry or technological developments introducing new platforms for Internet access and/or Internet distribution or other operators can provide BroadBand connections superior to those that we can offer; and
- we experience any network interruptions or related problems with network infrastructure.

Any of the above factors may adversely affect the successful implementation of our strategy, our business and results of operations.

We may be adversely affected if we fail to successfully implement our Information and Communications Technology (ICT) strategy.

We intend to focus on IT-TLC convergence by addressing the ICT market, in particular offering network and infrastructure management, as well as application management and professional services. We expect to experience increasing competition in this market as additional competitors (mainly Telco operators through acquisition and partnership with IT operators) also enter this market.

We will need to make additional investments in this market as Italy has significantly lower IT investment over GDP compared with the U.S. and other European countries.

There is no assurance that the services offered will be successful; as a result we could fail to attract sufficient customers which would allow this market to become profitable.

Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to litigation or decreased mobile communications usage.

The effects of, and any damage caused by, exposure to an electromagnetic field were and are the subject of careful evaluations by the international scientific community, but until now there is no scientific evidence of harmful effects on health. We cannot rule out that exposure to electromagnetic fields or other emissions originating from wireless handsets will not be identified as a health risk in the future.

Our mobile communications business may be harmed as a result of these alleged health risks. For example, the perception of these health risks could result in a lower number of customers, reduced usage per customer or potential consumer liability. In addition, although Italian law already requires strict limits in relation to transmission equipment, these concerns may cause regulators to impose greater restrictions on the construction of base station towers or other infrastructure, which may hinder the completion of network build-outs and the commercial availability of new services and may require additional investments.

Fluctuations in currency exchange and interest rates may adversely affect Telecom Italia's results.

In the past, we have made substantial international investments, primarily in U.S. dollars, and have significantly expanded our operations outside of the Euro zone, particularly in Latin America.

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We generally hedge our foreign exchange exposure, but do not cover translation risk relating to our foreign subsidiaries. Movements in exchange rates of the Euro relative to other currencies (in particular Brazilian Real) may adversely affect our consolidated results. A rise in the value of the Euro relative to other currencies in certain countries in which we operate or have made investments will reduce the relative value of the revenues or assets of our operations in those countries and, therefore, may adversely affect our operating results or financial position.

In addition, we have raised, and may raise in an increasing proportion in the future, financing in currencies other than the Euro, principally the U.S. dollar and British pound. We systematically hedge the foreign currency risk exposure relating to non-Euro denominated liabilities, through cross-currency and interest rate swaps.

Furthermore, we enter into derivative transactions to hedge our interest exposure and to diversify debt parameters in order to reduce debt cost and volatility within predefined target boundaries. However, no assurance can be given that fluctuations in interest rates will not adversely affect our results of operations or cash flows.

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3.2 EXCHANGE RATES

We publish our consolidated financial statements in euros. References to “€”, “euro” and “Euro” are to the euro, the single unified currency that was introduced in Italy and 10 other member states of the EU on January 1, 1999. References to “U.S. dollars”, “dollars”, “U.S.\$” or “\$” are to U.S. dollars, the currency of the United States of America.

For convenience only (except where noted otherwise), certain euro figures have been translated into dollars at the rate (the “Euro/Dollar Exchange Rate”) of €1.00= U.S.\$1.3919, using the noon buying rate in The City of New York for cable transfers in foreign currencies as announced by the Federal Reserve Bank of New York for customs purposes (the “Noon Buying Rate”) on December 31, 2008.

These translations should not be construed as a representation that the euro amounts actually represent such dollar amounts or have been or could be converted into dollars at the rate indicated.

For the purpose of this Annual Report, “billion” means a thousand million.

The following table sets forth for the years 2004 to 2008 and for the beginning of 2009 certain information regarding the Noon Buying Rate for Dollars expressed in U.S.\$ per € 1.00.

Calendar Period	High	Low	Average(1)	At Period end
2004	1.3625	1.1801	1.2438	1.3538
2005	1.3476	1.1667	1.2448	1.1842
2006	1.3327	1.1860	1.2563	1.3197
2007	1.4862	1.2904	1.3705	1.4603
2008	1.6010	1.2446	1.4726	1.3919
2009 (through April 1, 2009)	1.3730	1.2547	1.3023	1.3223
Monthly Rates	High	Low	Average(1)	At Period end
October 2008	1.4058	1.2446	1.3267	1.2682
November 2008	1.3039	1.2525	1.2744	1.2694
December 2008	1.4358	1.2634	1.3511	1.3919
January 2009	1.3718	1.2804	1.3208	1.2804
February 2009	1.3064	1.2547	1.2797	1.2662
March 2009	1.3730	1.2549	1.3050	1.3261
April 2009 (through April 1, 2009)	1.3223	1.3223	1.3223	1.3223

(1) Average of the rates for each month in the relevant period, except for April 2009 for which the dates used are through April 1, 2009.

The Ordinary Shares, par value €0.55 (the “**Ordinary Shares**”) and Savings Shares, par value €0.55 (the “**Savings Shares**”) of Telecom Italia trade on *Mercato Telematico Azionario* (“**Telematico**”), managed by Borsa Italiana S.p.A. (“**Borsa Italiana**”) in euro. Fluctuations in the exchange rate between the euro and the U.S. dollar will affect the U.S. dollar equivalent of the euro price of the Ordinary Shares and the Savings Shares and the price of the Ordinary Share American Depositary Shares (“**Ordinary Share ADSs**”) and the Savings Share American Depositary Shares (“**Savings Share ADSs**”), on the New York Stock Exchange (“**NYSE**”). Cash dividends are paid in euro. Exchange rate fluctuations will affect the U.S. dollar amounts received by owners of Ordinary Share ADSs and Savings Share ADSs upon conversion by the Depositary of cash dividends paid in euro on the underlying Ordinary Shares and Savings Shares. See “Item 10. Additional Information–10.5 Description of American Depositary Receipts”.

On completion of the Merger, Telecom Italia (formerly Olivetti) became a successor registrant to Old Telecom Italia under the Securities Exchange Act of 1934, as amended (the “**1934 Act**”) and, therefore, became subject to and continues to file periodic reports under the 1934 Act required for a foreign private issuer. Telecom Italia (formerly Olivetti) obtained a listing of the Ordinary Shares and Savings Shares issued at completion of the Merger, on the NYSE where such Ordinary Shares and Savings Shares trade in the form of ADSs.

Item 3. Key Information	Selected Financial And Statistical Information
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3.3 SELECTED FINANCIAL AND STATISTICAL INFORMATION

The summary selected financial data set forth below are consolidated financial data of the Telecom Italia Group as of and for each of the years ended December 31, 2008, 2007, 2006, 2005 and 2004, which have been extracted or derived from the Consolidated Financial Statements of the Telecom Italia Group prepared in accordance with IFRS as issued by IASB and which have been audited by the independent auditor Reconta Ernst & Young S.p.A..

Until December 31, 2004, Telecom Italia prepared its consolidated financial statements and other interim financial information in accordance with Italian GAAP.

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

The selected financial data below should be read in conjunction with the Consolidated Financial Statements and notes thereto included elsewhere in this Annual Report.

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Item 3. Key Information		Selected Financial And Statistical Information					
		Year ended December 31,					
		2008(1) (millions of U.S. dollars, except percentages and per share amounts)(2)	2008(1)	2007(1)	2006(1) (millions of Euro, except percentages and per share amounts)	2005(1)	2004(1)
Income Statement Data:							
Revenues		41,977	30,158	31,013	31,037	29,794	28,292
Operating profit		7,604	5,463	5,955	7,635	7,631	7,603
Profit before tax from continuing operations		4,032	2,897	4,324	5,723	5,673	5,606
Profit from continuing operations		3,123	2,244	2,641	3,203	3,277	2,952
Profit (loss) from Discontinued operations/Non-current assets held for sale		(40)	(29)	(186)	(200)	413	(118)
Profit for the year		3,083	2,215	2,455	3,003	3,690	2,834
· Profit attributable to equity holders of the Parent(3)		3,082	2,214	2,448	3,014	3,216	1,815
Capital Expenditures:							
· Industrial		7,468	5,365	5,370	4,877	5,097	5,002
· Financial		8	6	637	206	14,934	868
Financial Ratios:							
– Revenues/Employees (average number in Group) (thousands of €)(4)		552.1	396.7	396.2	394.6	376.7	355.4
– Operating profit/Revenues (ROS)(%)		18.1%	18.1%	19.2%	24.6%	25.6%	26.9%
– Ratio of earnings to fixed charges(5)		2.21	2.21	2.75	3.27	3.20	3.39
Employees, average number in the Group, including personnel with temp work contracts:							
Employees (excluding employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale) (average number)		76,028	76,028	78,278	78,652	79,085	79,602
Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale (average number)		757	757	1,350	1,620	5,262	11,248
Basic and Diluted earnings per Share (EPS)(6):							
– Ordinary Share		0.15	0.11	0.12	0.15	0.17	0.11
– Savings Share		0.17	0.12	0.13	0.16	0.18	0.12
Of which:							
– From continuing operations:							
· Ordinary Share		0.15	0.11	0.13	0.16	0.15	0.12
· Savings Share		0.17	0.12	0.14	0.17	0.16	0.13
– From Discontinued operations/Non-current assets held for sale:							
· Ordinary Share		–	–	(0.01)	(0.01)	0.02	(0.01)
· Savings Share		–	–	(0.01)	(0.01)	0.02	(0.01)
Dividends:							
· per Ordinary Share		0.0696	0.0500(7)	0.0800	0.1400	0.1400	0.1093
· per Savings Share		0.0849	0.0610(7)	0.0910	0.1510	0.1510	0.1203

Item 3. Key Information		Selected Financial And Statistical Information					
		As of December 31,					
		2008 (millions of U.S. dollars, except percentages and employees)(2)	2008	2007	2006 (millions of Euro, except percentages and employees)	2005	2004
Balance Sheet Data:							
Total Assets		119,195	85,635	87,425	89,457	96,010	81,834
Equity:							
· Equity attributable to equity holders of the Parent		36,365	26,126	25,922	26,018	25,662	16,248
· Equity attributable to Minority Interest		1,016	730	1,063	1,080	1,323	4,550
Total Equity		37,381	26,856	26,985	27,098	26,985	20,798
Total liabilities		81,814	58,779	60,440	62,359	69,025	61,036
Total equity and liabilities		119,195	85,635	87,425	89,457	96,010	81,834
Share capital(8)		14,742	10,591	10,605	10,605	10,599	8,809
Net Financial Debt(9)		47,379	34,039	35,701	37,301	39,858	32,862
Net invested capital(10)		84,760	60,895	62,686	64,399	66,843	53,660
Financial Ratios:							
· Net financial debt(9)/Net invested capital(10) (debt ratio)(%)		55.9%	55.9%	57.0%	57.9%	59.6%	61.2%
Employees, number in the Group at year-end, including personnel with temp work contracts:							
· Employees (excluding employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale) (number at year-end)		77,825	77,825	82,069	81,927	84,174	82,620
· Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale (number at year-end)		—	—	1,360	1,282	2,357	11,402

Item 3. Key Information		Selected Financial And Statistical Information				
		As of December 31,				
		2008(1)	2007(1)	2006(1) (thousands)	2005(1)	2004(1)
Statistical Data:						
Domestic Fixed:						
Fixed network connections in Italy		20,031	22,124	23,698	25,049	25,957
Physical accesses (Consumer and Business)		17,352	19,221	20,540	21,725	22,429
BroadBand accesses in Italy		8,134	7,590	6,770	5,707	4,010
Of which retail BroadBand accesses		6,754	6,427	5,600	3,920	2,629
Domestic Mobile:						
Mobile telephone lines in Italy		34,797	36,331	32,450	28,576	26,259
Brazil:						
Mobile telephone lines in Brazil		36,402	31,254	25,410	20,171	13,588
European BroadBand:						
BroadBand accesses in Europe		<u>2,510</u>	<u>2,537</u>	<u>1,138</u>	<u>801</u>	<u>412</u>
<p>(1) Starting from January 1, 2008, the Liberty Surf group has been treated as a Discontinued operations/Non-current asset held for sale; the sale was completed on August 26, 2008. All periods presented for comparison purposes have been restated.</p> <p>(2) For the convenience of the reader, Euro amounts for 2008 have been converted into U.S. dollars using the Euro/Dollar Exchange Rate in effect on December 31, 2008, of €1.00 = U.S.\$ 1.3919.</p> <p>(3) For the purposes of IFRS, "Parent", as used in this Annual Report, means Telecom Italia S.p.A..</p> <p>(4) The average number of employees in the Group (excluding employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale and including personnel with temp work contracts) was 76,028, 78,278, 78,652, 79,085 and 79,602 in 2008, 2007, 2006, 2005 and 2004, respectively.</p> <p>(5) For purposes of calculating the ratio of "earnings to fixed charges":</p> <ul style="list-style-type: none"> • "Earnings" is calculated by adding: <ul style="list-style-type: none"> - profit before tax from continuing operations; - "fixed charges" (as defined below); - amortization of capitalized interest and issue debt discounts or premiums; - dividends from associates and joint ventures accounted for using the equity method; and - share of losses of associates and joint ventures accounted for using the equity method and then subtracting: <ul style="list-style-type: none"> - capitalized interest for the applicable period; and - share of earnings of associates and joint ventures accounted for using the equity method. • "Fixed charges" is calculated by adding: <ul style="list-style-type: none"> - interest expenses (both expensed and capitalized); - issue costs and any original issue debt discounts or premiums; and - an estimate of the interest within rental expense for operating leases. <p>(6) In accordance with IAS 33 (<i>Earnings per share</i>), basic earnings per Ordinary Share is calculated by dividing the Group's profit available to shareholders by the weighted average number of shares outstanding during the year, excluding treasury shares. Since Telecom Italia has both Ordinary and Savings Shares outstanding, the calculations also take into account the requirement that holders of Savings Shares are entitled to an additional dividend equal to 2% of the par value of shares above dividends paid on the Ordinary Shares.</p> <p>For the purpose of these calculations, the weighted average number of:</p> <ul style="list-style-type: none"> • Ordinary Shares was 13,246,643,947 for the year ended December 31, 2008, 13,254,934,303 for the year ended December 31, 2007, 13,254,860,233 for the year ended December 31, 2006, 12,283,195,845 for the year ended December 31, 2005 and 10,208,327,613 for the year ended December 31, 2004; • Savings Shares was 6,026,120,661 for the years ended December 31, 2008, 2007 and 2006, 5,930,204,164 for the year ended December 31, 2005 and 5,795,921,069 for the year ended December 31, 2004. <p>For diluted earnings per share the weighted average number of shares outstanding is adjusted assuming conversion of all dilutive potential shares. Potential shares are those securities that, if converted into shares, would increase the total number of shares outstanding and reduce the earnings attributable to each share. Potential shares include options, warrants and convertible securities. The Group's profit is also adjusted to reflect the impact of the conversion of potential shares net of the related tax effects.</p> <p>(7) Telecom Italia's dividend coupons for the year ended December 31, 2008, will be clipped on April 20, 2009 and will be payable from April 23, 2009.</p> <p>(8) Share capital represents share capital issued net of the par value of treasury shares.</p> <p>(9) Net Financial Debt is a "Non-GAAP Financial Measure" as defined in Item 10 of Regulation S-K under the 1934 Act. For further details please see "Item 5. Operating and Financial Review and Prospects-5.3 Results of Operations for the Three Years Ended December 31, 2008-5.3.2 Non-GAAP Financial Measures".</p> <p>(10) Net invested capital is equal to Total Equity plus Net financial debt.</p>						

Item 3. Key Information	Dividends
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3.4 DIVIDENDS

The determination of our future dividend policy, and the amounts thereof, will depend upon a number of factors, including but not limited to our earnings, financial condition and cash requirements, prospects and such other factors as may be deemed relevant at the time.

The following table sets forth the dividends per Ordinary Share and per Savings Share declared by Telecom Italia with respect to each of the last five fiscal years and the aggregate dividends paid in such years. Actual dividends paid are rounded to the nearest whole cent.

Year ended December 31,	Dividends on Ordinary Shares			Dividends on Savings Shares		
	Euro per Share	U.S. dollars per Share(1)	(millions of Euro)	Euro per Share	U.S. dollars per Share(1)	(millions of Euro)
2004	0.1093	0.1431	1,225.99	0.1203	0.1575	697.25
2005	0.1400	0.1753	1,873.12	0.1510	0.1891	909.94
2006	0.1400	0.1903	1,873.13	0.1510	0.2052	909.94
2007	0.0800	0.1253	1,070.36	0.0910	0.1426	548.38
2008(2)	0.0500	0.066115	669.04	0.0610	0.08066	367.59

(1) Euro amounts have been translated into U.S. dollars using the Noon Buying Rate in effect on the respective payment dates. As far as year ended December 31, 2008 is concerned, Euro amounts have been translated into U.S. dollars using the Noon Buying Rate in effect on April 1, 2009.

(2) Approved at the Annual Shareholders' Meeting held on April 8, 2009. Pursuant to Italian Stock Exchange rules, dividends on the Ordinary Shares and the Savings Shares are payable from the fourth trading day after the third Friday of each month, and in any case, at least four business days after the Shareholders' Annual Meeting approving the dividends. Telecom Italia's dividend coupons for the year ended December 31, 2008 will be clipped on April 20, 2009, and will be payable from April 23, 2009.

Payment of annual dividends is subject to approval by the holders of Ordinary Shares at the annual general shareholders' meeting, which must be held within 120 days after the end of the financial year to which it relates. In addition, Article 21 of the Company's Bylaws gives the Board of Directors the power to approve the distribution of "interim dividends". Pursuant to Italian law, the distribution may be approved after the final approval of the preceding year's financial statements, and the interim dividends may not exceed the lower of (i) the difference between profits from the preceding fiscal year and amounts required to be attributed to legal and statutory reserves and (ii) available reserves. Once paid in compliance with applicable laws, shareholders cannot be required to repay interim dividends to the Company if the shareholders collected such dividends in good faith. Dividends not collected within five years from the date they become payable will be forfeited in favor of the Company. If profits are not fully distributed, additional reserves are created.

According to the Italian Civil Code, before dividends may be paid with respect to any year, an amount equal to 5% of the profit of the Company for such year must be set aside to the legal reserve until the legal reserve, including amounts set aside during prior years, is at least equal to one-fifth of the par value of the Company's issued share capital. This legal reserve is not available for payment of dividends. Such restriction on the payment of dividends applies, on a non-consolidated basis, to each Italian subsidiary of the Telecom Italia Group. The Company may also pay dividends out of available retained earnings from prior years or other reserves.

Dividends in respect of Ordinary Shares and Savings Shares held with Monte Titoli S.p.A. ("**Monte Titoli**") are automatically credited to the accounts of the beneficial owners with the relevant participant of Monte Titoli, without the need for presentation by such beneficial owners of any documentation. See "Item 10. Additional Information-10.4 Description of Capital Stock".

Arrangements between Euroclear or Clearstream and Monte Titoli permit the shareholders to collect the dividends through Euroclear or Clearstream. Holders of American Depositary Receipts ("**ADRs**") are entitled to receive payments in respect of dividends on the underlying Ordinary Shares and Savings Shares, as the case may be, in accordance with the relevant Deposit Agreement.

Dividends payable on the Company's Ordinary Shares and Savings Shares may be subject to deduction of Italian withholding tax. See "Item 10. Additional Information-10.5 Taxation". Italian regulations do not contain any specific restrictions on the payment of dividends to non-residents of Italy. See "Item 10. Additional Information-10.2 Exchange Controls and Other Limitations Affecting Security Holders".

Item 3. Key Information	Dividends
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Pursuant to Italian law, in connection with the payment of dividends, participants of Monte Titoli are required to supply to the Italian tax authorities certain information concerning the identity of non-resident shareholders holding Ordinary Shares or Savings Shares. Shareholders are required to provide their Italian tax identification number, if any, or alternatively, in the case of legal entities, their name, country of establishment and address, or in the case of individuals, their name, address and place and date of birth, or in the case of partnerships, the information required for legal entities and the information required for individuals with respect to one of their representatives. In the case of Ordinary Share ADSs and Savings Share ADSs owned by non-residents of Italy, Telecom Italia understands that the provision of information concerning the Depositary, in its capacity as holder of record of the Ordinary Shares and Savings Shares, as the case may be, will satisfy these requirements.

The Depositary, in accordance with Telecom Italia, will provide information to beneficial owners of Ordinary Share ADSs and Savings Share ADSs, that are considered U.S. residents for purposes of applicable law. To the extent such owners wish to benefit from reduced withholding tax rates on dividends under an income tax convention, claims for such benefits must be accompanied by the required information. See “Item 10. Additional Information–10.6 Taxation”.