

TELECOM ITALIA S P A
Form 424B3
September 21, 2005
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Registration Nos. 333-127351
333-127351-01

The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not offers to sell these securities and are not solicitations of an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED SEPTEMBER 20, 2005

PROSPECTUS SUPPLEMENT

(To prospectus dated August 30, 2005)

TELECOM ITALIA CAPITAL

\$ % Guaranteed Senior Notes due

\$ % Guaranteed Senior Notes due

Guaranteed on a senior, unsecured basis by Telecom Italia S.p.A.

Interest on the notes will be paid on _____ and _____ of each year, beginning on _____, 2006. The _____ notes will mature on _____, _____ and the _____ notes will mature on _____, _____.

Telecom Italia Capital, a *société anonyme*, or TI Capital, and Telecom Italia S.p.A., or Telecom Italia, may redeem some or all of the notes at any time at the redemption prices described in this prospectus supplement. The notes may also be redeemed at 100% of their principal amount in whole but not in part upon the occurrence of certain tax events described in this prospectus supplement and the accompanying prospectus.

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The notes will be unsecured obligations and will rank equally with TI Capital's other unsecured senior indebtedness. The notes will be fully, unconditionally and irrevocably guaranteed by Telecom Italia. The notes will be issued in minimum denominations of \$2,000 and integral multiples of \$1,000.

Application will be made to list the notes on the regulated market of the Luxembourg Stock Exchange.

Investing in the notes involves risks that are described in the Risk Factors section beginning on page S-20 of this prospectus supplement.

	Per •		Per •	
	Note	Total	Note	Total
Public Offering Price(1)	%	\$	%	\$
Underwriting Discount	%	\$	%	\$
Proceeds, before expenses, to Telecom Italia Capital.	%	\$	%	\$

(1) Plus accrued interest from _____, 2005, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We expect the notes will be ready for delivery in book-entry form only through The Depository Trust Company and its participants including Euroclear Bank S.A./N.V., as operator of the Euroclear System and Clearstream Banking, *société anonyme* Luxembourg, on or about _____, 2005.

Joint Bookrunners

JPMorgan

Lehman Brothers

Credit Suisse First Boston

Goldman Sachs International

Merrill Lynch & Co.

Morgan Stanley

The date of this prospectus supplement is _____, 2005.

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date later than the date on the front of this prospectus supplement.

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IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS

SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of the notes being offered. The second part, the base prospectus, gives more general information, some of which may not apply to the notes being offered. Generally, when we refer only to the prospectus, we are referring to both parts combined and, when we refer to the accompanying prospectus, we are referring to the base prospectus.

If the description of notes varies between the prospectus supplement and the accompanying prospectus, you should rely on the information in the prospectus supplement.

CERTAIN DEFINED TERMS

In this prospectus supplement and the accompanying prospectus, references to the **Issuer** and **TI Capital** refer to Telecom Italia Capital. References to the **Guarantor** and **Telecom Italia** refer to Telecom Italia S.p.A. References to **we**, **us** and **our** refer to Telecom Italia Capital if the context so requires, also to Telecom Italia S.p.A. and, if the context so requires, its consolidated subsidiaries (including TI Capital). References to **Telecom Italia Group** refer to Telecom Italia S.p.A. and its consolidated subsidiaries (including TI Capital). References to **Old Telecom Italia** refer to Telecom Italia S.p.A. and its consolidated subsidiaries as they existed immediately prior to August 4, 2003, the effective date of the merger (the **Merger**) between Olivetti S.p.A. (**Olivetti**) and Old Telecom Italia. References to IFRS and EU GAAP refer to International Financial Reporting Standards (**IFRS**) as adopted by the European Commission for use in the European Union effective, or issued and early adopted, at June 30, 2005.

WHERE YOU CAN FIND MORE INFORMATION

Telecom Italia

Telecom Italia is subject to the informational requirements of the Securities and Exchange Act of 1934, as amended (the **Exchange Act**), applicable to foreign private issuers and files annual reports and other information with the U.S. Securities and Exchange Commission (**SEC**). You may read and copy any document Telecom Italia files with the SEC at its public reference facilities at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. Since November 4, 2002, Telecom Italia has been required to file and furnish its documents to the SEC on EDGAR, the SEC's electronic filing system. All such filings made since such date can be reviewed on EDGAR by going to the SEC's website: <http://www.sec.gov>.

On completion of the Merger on August 4, 2003, Olivetti changed its name to Telecom Italia S.p.A. and succeeded to the Exchange Act information requirements of Old Telecom Italia. All annual reports on Form 20-F and reports on Form 6-K filed or furnished with the SEC prior to August 4, 2003, were so filed or furnished by Old Telecom Italia. As a foreign private issuer, Telecom Italia is exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and Telecom Italia's officers, directors and controlling shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

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Telecom Italia's ordinary share ADSs and savings share ADSs are listed on the New York Stock Exchange and you can inspect Telecom Italia's reports and other information at the New York Stock Exchange Inc., 20 Broad Street, New York, New York.

TI Capital

TI Capital is a directly and indirectly wholly-owned subsidiary of Telecom Italia, organized under the laws of Luxembourg. TI Capital does not, and will not, file separate reports with the SEC.

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INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference the information we file with the SEC in other documents, which means:

incorporated documents are considered part of this prospectus;

Telecom Italia can disclose important information to you by referring you to those documents; and

information in this prospectus automatically updates and supersedes information in earlier documents that are incorporated by reference in this prospectus, and information that Telecom Italia files with the SEC after the date of this prospectus automatically updates and supersedes this prospectus. In all cases, you should rely on the information contained in a document that was filed later over differing information included in this prospectus or the prospectus supplement.

We are incorporating by reference the following documents:

Telecom Italia's Annual Report on Form 20-F for the year ended December 31, 2004 (the **Telecom Italia Annual Report**) (File No. 001-13882) filed with the SEC on May 27, 2005; and

Telecom Italia's report on Form 6-K filed with the SEC on September 19, 2005, which includes Telecom Italia's unaudited interim consolidated financial statements for the six-month period ended June 30, 2005 and the related management's discussion and analysis of financial condition and results of operations.

We also incorporate by reference each of the following documents that Telecom Italia will file with the SEC after the date of this prospectus until such time as all of the notes covered by this prospectus supplement have been sold:

reports filed under Section 13(a), 13(c) or 15(d) of the Exchange Act; and

any future reports filed on Form 6-K that indicate they are incorporated by reference in this prospectus.

You may obtain a copy of any of the documents referred to above (excluding exhibits) at no cost by contacting Telecom Italia or TI Capital at the following respective addresses:

Telecom Italia S.p.A.

Piazza degli Affari 2

20123 Milan

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Italy

(+39-02-85951)

Attention: Alex Bolis

Telecom Italia Capital

287-289 route d Arlon

L-1150

Luxembourg

(+352-4560601)

Attention: Adriano Trapletti

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NOTICE TO INVESTORS

You understand that the notes will only be offered and sold to investors who are resident for income tax purposes in countries listed in the Decree of the Ministry of Finance of Italy of September 4, 1996 as amended. A copy of the decree can be obtained from the website of the Ministry of Finance of Italy at www.finanze.it. See Description of the Debt Securities and Guarantees Transfer Restrictions in the accompanying prospectus and Description of Notes and Guarantees Transfer Restrictions in this prospectus supplement. You also understand that it is the intention of Telecom Italia that the notes will be held only by investors resident in countries identified in the above mentioned decree. If Telecom Italia becomes the obligor under the notes due to substitution or otherwise (see Description of Debt Securities and Guarantees Mergers and Similar Events in the accompanying prospectus) and Telecom Italia was obligated to withhold on any payments made on the notes, there would be no obligation to gross up such payments to investors resident in the countries identified in the above Decree (including investors resident in the United States) who do not furnish the required certifications under applicable Italian tax requirements. See Description of Notes and Guarantees Payment of Additional Amounts in this prospectus supplement and Description of Debt Securities and Guarantees Payment of Additional Amounts in the accompanying prospectus.

EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) the notes have not been offered and will not be offered to the public in that Relevant Member State except that the notes may, with effect from and including the Relevant Implementation Date, be offered to the public in that Relevant Member State (provided that the notes have not been and will not be offered, sold or delivered in Italy or to investors resident in Italy):

in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;

at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43,000,000 and (3) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts; or

at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the foregoing, the expression an offer of notes to the public in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

NOTICE TO INVESTORS IN ITALY

The notes have not been and will not be offered, sold or delivered in Italy or to investors resident in Italy and copies of this prospectus or any materials relating to the notes may not be distributed in Italy. Trading in the notes on the secondary market in Italy may be subject to restrictions pursuant to Italian law. In particular, sales of the notes in Italy by professional investors to persons who are not professional investors may be void if an Italian regulatory prospectus is not used. In addition, in case of insolvency of the issuer, any professional investors involved in such sales into Italy may be held liable vis-a-vis the holders of the notes. Furthermore, in the case an Italian investor were to purchase the notes on the secondary market and were holding the notes at the time of the

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optional redemption (see Description of the Notes and Guarantees Redemption at TI Capital's Option on page S-35 of this prospectus supplement), in certain cases there may be adverse tax consequences including the application of a 20% surtax. Italian investors holding the notes will be responsible for such adverse tax consequences and no additional amounts will be paid in connection therewith by TI Capital or Telecom Italia.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

The prospectus is being distributed in the United Kingdom only to persons of the kind described in Article 19(5) (investment professionals) or Article 49(2) (high net worth companies, unincorporated associations etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or to persons to whom it may otherwise lawfully be issued (collectively, relevant persons). By accepting delivery of this prospectus the recipient warrants and acknowledges that it is a relevant person. This communication must not be acted or relied upon by persons who are not relevant persons.

NOTICE TO INVESTORS IN FRANCE

In France, the notes may not be directly or indirectly offered or sold to the public, and offers and sales of the notes will only be made in France to qualified investors or to a closed circle of investors, acting for their own accounts, in accordance with article L. 411-2 of the Code monétaire et financier as amended by article 25 of law n° 2005-842 dated 26 July 2005. Accordingly, this prospectus has not been submitted to the Autorités des Marchés Financiers. Neither this prospectus nor any other offering material may be distributed to the public in France. In the event that the notes purchased by investors are directly or indirectly offered or sold to the public in France, the conditions set forth in Articles L. 412-1 and L. 621-8 of the Code monétaire et financier as amended by law n° 2005-842 dated 26 July 2005 must be complied with.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus or an incorporated document may contain certain forward-looking statements, which reflect Telecom Italia's management's current views with respect to certain future events and financial performance. Actual results may differ materially from those projected or implied in the forward-looking statements. Further, certain forward-looking statements are based upon assumptions of future events which may not prove to be accurate. The following important factors could cause actual results to differ materially from those projected or implied in any forward-looking statements:

the continuing impact of increased competition in a liberalized market, including competition from global and regional alliances formed by other telecommunications operators in our core Italian domestic fixed-line and wireless markets;

the ability of Telecom Italia to introduce new services to stimulate increased usage of our fixed and wireless networks to offset declines in the traditional fixed-line voice business due to the continuing impact of regulatory required price reductions, market share loss, pricing pressures generally and shifts in usage patterns;

the level of demand for telecommunications services, particularly wireless telecommunications services in the maturing Italian market and for new higher value added products and services such as broadband;

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the ability of Telecom Italia to achieve cost-reduction targets in the time frame established or to continue the process of rationalizing its non-core assets;

the success of Telecom Italia's loyalty and retention programs, particularly in the fixed line business, and the impact of such programs on its revenues;

the impact of regulatory decisions and changes in the regulatory environment, including implementation of recently-adopted EU directives in Italy;

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the impact and consequences of the Merger and the acquisition of the shares of Telecom Italia Mobile S.p.A. not previously owned by Telecom Italia;

the impact of the slowdown in Latin American economies and the slow recovery of economies generally on the international business of Telecom Italia and on Telecom Italia's foreign investments and capital expenditures;

the continuing impact of rapid or disruptive changes in technologies;

the impact of political and economic developments in Italy and other countries in which Telecom Italia operates;

the impact of fluctuations in currency exchange and interest rates;

Telecom Italia's ability to successfully implement its strategy over the 2005-2007 period;

Telecom Italia's ability to successfully achieve its debt reduction targets;

Telecom Italia's ability to successfully roll out its UMTS networks and services and to realize the benefits of its investment in UMTS licenses and related capital expenditures;

Telecom Italia's ability to successfully implement its internet and broadband strategy both in Italy and abroad;

Telecom Italia's ability to achieve the expected return on the significant investments and capital expenditures it has made and continues to make in Latin America;

the amount and timing of any future impairment charges for the Telecom Italia Group's licenses, goodwill or other assets; and

the impact of litigation or decreased mobile communications usage arising from actual or perceived health risks or other problems relating to mobile handsets or transmission masts.

The foregoing factors should not be construed as exhaustive. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date made. Accordingly, there can be no assurance that Telecom Italia will achieve its projected results.

**PRESENTATION OF CERTAIN FINANCIAL
AND OTHER INFORMATION**

Unless otherwise indicated, the financial information contained in this prospectus supplement and incorporated by reference herein is prepared using Italian GAAP. Note 27 of the Notes to the audited consolidated financial statements of Telecom Italia included in the Telecom Italia

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Annual Report incorporated by reference in this prospectus describes the material differences between Italian GAAP and U.S. GAAP as they relate to Telecom Italia. No U.S. GAAP financial statements have been prepared for Telecom Italia.

Telecom Italia will adopt IFRS as adopted by the European Commission for use in the European Union (**EU GAAP**) for the first time in its annual consolidated financial statements for the year ending December 31, 2005, which will include comparative financial statements for the year ended December 31, 2004. IFRS 1, First-time Adoption of International Financial Reporting Standards, requires that an entity develop accounting policies based on the standards and related interpretations effective at the reporting date of its first annual IFRS financial statements (i.e., for Telecom Italia, December 31, 2005). IFRS 1 also requires that those policies be applied as of the date of transition to IFRS (i.e., for Telecom Italia, January 1, 2004) and throughout all periods presented in the first IFRS financial statements. The accompanying interim financial data as of and for the six-month periods ended June 30, 2005 and 2004, have been prepared in accordance with those EU GAAP effective, or issued and early adopted, at June 30, 2005. The EU GAAP that will be applicable at December 31, 2005, including those

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that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information. As a result, the accounting policies used to prepare this financial data are subject to change up to the reporting date of Telecom Italia's first IFRS year-end financial statements. There are significant differences between IFRS and Italian GAAP. See Item 5.5 Adoption of International Accounting Standards in the Telecom Italia Annual Report as well as Note 36 to Telecom Italia's unaudited interim consolidated financial statements for the six-month period ended June 30, 2005 Impact of the application of IAS/IFRS included in Telecom Italia's report on Form 6-K filed with the SEC on September 19, 2005 and incorporated herein by reference for additional information on the Telecom Italia Group's adoption of IFRS, including the principal differences between IFRS and Italian GAAP.

The currency used by Telecom Italia in preparing its consolidated financial statements is the euro. References to euro, euros and €, are to euros and references to U.S. dollars, dollars, U.S.\$ or \$ are to U.S. dollars. For the purpose of this prospectus, billion means a thousand million. On September 1, 2005, the Noon Buying Rate (as defined below) was euro 1=U.S.\$1.2447. The noon buying rate is determined based on cable transfers in foreign currencies as announced by the Federal Reserve Bank of New York for customs purposes (the **Noon Buying Rate**).

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The following summary contains key information about this offering and Telecom Italia's financial results. It may not contain all the information that is important to you. For more information regarding the Telecom Italia Group and for a more complete understanding of the terms of the notes, and before making your investment decision, you should carefully read this prospectus supplement and the accompanying prospectus and the documents referred to in "Where You Can Find More Information" and "Incorporation by Reference".

The Offering

The following summary contains basic information about the notes. It does not contain all the information that is important to you. For a more complete understanding of the notes, please refer to the "Description of Notes and Guarantees" section of this prospectus supplement and the

"Description of Debt Securities and Guarantees" section of the accompanying prospectus which contain more detailed information regarding the terms and conditions of the notes and guarantees.

Issuer	TI Capital
Guarantor	Telecom Italia
Securities	\$ % Guaranteed Senior Notes due (the notes); and \$ % Guaranteed Senior Notes due (the notes and, together with the notes, the notes).
Guarantee	Telecom Italia will irrevocably and unconditionally guarantee the full and punctual payment of principal, interest, additional amounts and all other amounts, if any, that may become due and payable in respect of the notes. If TI Capital fails to punctually pay any such amount, Telecom Italia will immediately pay the same.
Issue price	% of the principal amount for the notes; and % of the principal amount for the notes.
Maturities	, for the notes; and , for the notes.
Interest rate	The notes will bear interest at a rate of % per annum; and the notes will bear interest at a rate of % per annum.

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The notes will bear interest from , 2005 based upon a 360-day year consisting of twelve 30-day months.

Interest payment dates and .

Regular record dates and .

Settlement date , 2005.

Use of proceeds We estimate that the net proceeds from this offering will be approximately \$. The net proceeds of this offering are intended to be used for loans to the Telecom Italia Group companies for their general corporate purposes, which may include the repayment of existing indebtedness. See Use of Proceeds.

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Ranking	The notes are unsecured by assets or property. The notes will rank equally in right of payment with all other senior unsecured indebtedness of TI Capital from time to time outstanding. The guarantee will rank equally in right of payment with all of Telecom Italia's senior unsecured indebtedness.
Payment of additional amounts	TI Capital, as issuer, and Telecom Italia, as guarantor, will pay additional amounts in respect of any payments of interest or principal so that the amount you receive after Luxembourg or Italian withholding tax will equal the amount that you would have received if no withholding of tax had been applicable, subject to some exceptions as described under Description of Notes and Guarantees Payment of Additional Amounts in this prospectus supplement and Description of Debt Securities and Guarantees Payment of Additional Amounts in the accompanying prospectus. See Description of Debt Securities and Guarantees Transfer Restrictions in the accompanying prospectus.
Optional redemption	<p>Beginning on _____, 2007, the notes will be redeemable in whole or in part at TI Capital's option at any time at a redemption price equal to the greater of:</p> <p style="padding-left: 40px;">100% of the principal amount of the applicable notes, or</p> <p style="padding-left: 40px;">as determined by the quotation agent, the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the adjusted treasury rate, plus:</p> <p style="padding-left: 40px;">basis points for the _____ notes,</p> <p style="padding-left: 40px;">basis points for the _____ notes,</p> <p style="padding-left: 40px;">plus accrued interest thereon to the date of redemption.</p> <p>See Description of Notes and Guarantees Redemption at TI Capital's Option .</p>
Tax redemption	If, due to changes in Italian or Luxembourg laws relating to withholding taxes applicable to payments of principal or interest, or in connection with certain merger or similar transactions of Telecom Italia or TI Capital, TI Capital, as issuer, or Telecom Italia, as guarantor (or its respective successors), is obligated to pay additional amounts on the notes, TI Capital may redeem the outstanding notes in whole, but not in part, at any time at a price equal to 100% of their principal amount plus accrued interest to the redemption date.
Form and denomination	Delivery of the notes is expected to be made on or about _____, 2005 as described below.

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The notes will be issued only in fully registered form in minimum denominations of \$2,000 and integral multiples of \$1,000, unless

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otherwise specified by us. Each series of the notes will be evidenced by a separate note in global form, which will be deposited with a custodian for and registered in the name of a nominee of DTC.

You may hold a beneficial interest in the global notes through DTC, directly as a participant in DTC or indirectly through financial institutions that are DTC participants. Both Euroclear and Clearstream are DTC participants. As an owner of a beneficial interest in the global notes, you will generally not be entitled to have your notes registered in your name, will not be entitled to receive certificates in your name evidencing the notes and will not be considered the holder of any notes under the indenture for the global notes.

Mergers and assumptions

Each of TI Capital and Telecom Italia is generally permitted to consolidate or merge with another company. TI Capital will be permitted to merge with an Italian company and either Telecom Italia or any Italian subsidiary of Telecom Italia will be permitted to assume the obligations of TI Capital subject to the delivery of certain legal opinions. To the extent that an Italian company, including Telecom Italia or any Italian subsidiary of Telecom Italia, will become the obligor under the notes and that such Italian company will be required to withhold on any payments made on the notes, there would be no obligation to gross up such payments to investors (including investors resident in the United States) who do not furnish the required certifications under applicable Italian tax requirements.

Luxembourg listing

TI Capital will apply to list the notes on the regulated market of the Luxembourg Stock Exchange in accordance with the rules and regulations of the regulated market of the Luxembourg Stock Exchange. Listing is not expected to be completed prior to the settlement date of the notes.

Trustee, principal paying agent and registrar JPMorgan Chase Bank, N.A.

Governing law

New York. For the avoidance of doubt, the provisions of Articles 86 to 94-8 of the Luxembourg law on commercial companies of 10 August 1915, as amended, are excluded.

Ratings

Telecom Italia's long-term rating is Baa2 with a stable outlook according to Moody's, BBB+ with a stable outlook according to Standard & Poors and A- with a negative outlook according to Fitch.

A securities rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organization and each rating should be evaluated independently of any other rating.

Risk factors

Prospective purchasers of the notes should consider carefully all of the information set forth in this prospectus and, in particular, the

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information set forth under **Risk Factors** and **Description of the Debt Securities and Guarantees Transfer Restrictions** in the accompanying prospectus.

Selling restrictions

There are restrictions on persons that can be sold notes, and on the distribution of this prospectus, as described in **Underwriting** .

Transfer restrictions

Investors should also note that under certain circumstances Italian taxes could apply. See **Description of Notes and Guarantees Transfer Restrictions** .

Further issues

TI Capital may issue as many distinct series of notes under the indenture as it wishes. TI Capital may, subject to certain conditions, without the consent of any holder of the notes, reopen either series of the notes and issue additional notes having the same ranking, maturity and other terms (except for the issue date and issue price) as the notes of the applicable series offered pursuant to this prospectus. Any further issue will be considered to be part of the notes of the applicable series offered hereby, will be fungible therewith after any applicable restricted period and will rank equally and ratably with the notes of the applicable series offered hereby.

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Summary Selected Financial Information

Italian GAAP with U.S. GAAP Reconciliation

The Merger of Old Telecom Italia with and into Olivetti became effective on August 4, 2003. Olivetti was the surviving company in the Merger (and changed its name to Telecom Italia S.p.A.), and succeeded to the business of Old Telecom Italia.

As a result of the Merger, the summary selected financial data set forth below are consolidated financial data of Olivetti, not Old Telecom Italia, and are presented on the following basis:

the Telecom Italia Group's selected financial data as of and for each of the years ended December 31, 2003 and 2004 have been extracted or derived from the consolidated financial statements of the Telecom Italia Group prepared in accordance with Italian GAAP and have been audited by Reconta Ernst & Young S.p.A. independent registered public accounting firm; and

the Telecom Italia Group's selected financial data as of and for each of the years ended December 31, 2002, 2001 and 2000 have been extracted or derived (other than the 2000 pro forma data) from the Olivetti Group's consolidated financial statements prepared in accordance with Italian GAAP and have been audited by the following independent registered public accounting firms: Reconta Ernst & Young S.p.A. (for the years ended December 31, 2002 and 2001) and PricewaterhouseCoopers S.p.A. (for the year ended December 31, 2000).

Unless otherwise indicated, amounts presented are based on Italian GAAP. The selected financial data below should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Telecom Italia Annual Report. Certain income statement and balance sheet amounts have been reconciled to U.S. GAAP for the years ended December 31, 2004, 2003, 2002 and 2001. For additional information about the U.S. GAAP reconciliation, you should read Note 27 of the Notes to the audited consolidated financial statements of Telecom Italia included in the Telecom Italia Annual Report incorporated herein by reference.

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	Year ended December 31,					
	2000					
	pro forma					
	2000(1)	(Unaudited)(1)(2)	2001(1)	2002(1)	2003(1)	2004(1)
	(millions of Euro, except per share amounts)					
Statement of Operations Data in accordance with Italian GAAP:						
Operating revenues	30,116	28,374	32,016	31,408	30,850	31,237
Other income	483	459	476	504	345	315
Total revenues	30,599	28,833	32,492	31,912	31,195	31,552
Cost of materials	3,058	2,931	2,640	2,315	2,081	2,414
Salaries and social security contributions	5,245	4,965	4,919	4,737	4,303	4,045
Depreciation and amortization(3)	6,946	6,509	7,612	7,227	6,779	6,646
Other external charges	11,136	10,476	12,687	12,188	11,934	12,014
Changes in inventories	(318)	(296)	92	62	114	(25)
Capitalized internal construction costs	(912)	(831)	(583)			