

TELECOM ITALIA CAPITAL

Form 424B2

June 17, 2009

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File Pursuant to Rule 424(b)(2)

Registration No. 333-156476

333-156476-01

# CALCULATION OF REGISTRATION FEE

Class of Securities Offered	AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE
Debt Securities of Telecom Italia Capital S.A.	\$2,000,000,000	\$111,600 <sup>(1)(2)</sup>
Guarantee of Telecom Italia S.p.A. <sup>(3)</sup>		

- (1) The registration fee is calculated in accordance with Rule 457(r) under the Securities Act of 1933 and is being paid on a deferred basis in reliance upon Rules 456(b) and 457(r) under the Securities Act.
- (2) In accordance with Rule 457(p), \$105,479 of the unutilized registration fee paid with respect to securities that were previously registered pursuant to Registration Statement No. 333-127351, filed on August 9, 2005, and were not sold thereunder has been applied against the registration fee of \$111,600. The remaining fee of \$6,121 has been paid as of the date hereof.
- (3) Pursuant to Rule 457(n) under the Securities Act of 1933, no separate fee is payable with respect to the guarantees of Telecom Italia S.p.A. in connection with the guaranteed debt securities.

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**PROSPECTUS SUPPLEMENT**

(To prospectus dated December 28, 2008)

# **TELECOM ITALIA CAPITAL**

**\$1,000,000,000 6.175% Guaranteed Senior Notes due 2014**

**\$1,000,000,000 7.175% Guaranteed Senior Notes due 2019**

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

Interest on the 2014 notes and the 2019 notes will be paid on June 18 and December 18 of each year, beginning on December 18, 2009. The 2014 notes will mature on June 18, 2014 and the 2019 notes will mature on June 18, 2019.

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 on and after December 21, 2010 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.

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 guarantees will rank equally in right of payment with all of Telecom Italia's senior unsecured indebtedness. The notes will be issued in minimum denominations of \$2,000 and integral multiples of \$1,000.

Application will be made following issuance of the notes to list the notes on the official list of the Luxembourg Stock Exchange and to admit the notes to trading 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-22 of this prospectus supplement as well as in Telecom Italia's Annual Report on Form 20-F for the fiscal year ended December 31, 2008 that is incorporated by reference herein, beginning on page 5.**

	<b>Per 2014 Note</b>	<b>Total</b>	<b>Per 2019 Note</b>	<b>Total</b>
Public Offering Price(1)	100%	\$ 1,000,000,000	100%	\$ 1,000,000,000
Underwriting Discount	0.35%	\$ 3,500,000	0.45%	\$ 4,500,000
Proceeds, before expenses, to Telecom Italia Capital	99.65%	\$ 996,500,000	99.55%	\$ 995,500,000

(1) Plus accrued interest from June 18, 2009, 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, on or about June 18, 2009.

*Joint Bookrunners*

**BNP PARIBAS Deutsche Bank Securities Goldman, Sachs & Co.**

**J.P. Morgan Mitsubishi UFJ Securities Morgan Stanley**

The date of this prospectus supplement is June 15, 2009.

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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 and in any free writing 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).

### **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>.

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.

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 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, 2008 (the **Telecom Italia Annual Report**) (File No. 001-13882) filed with the SEC on April 10, 2009; and

Telecom Italia's Report on Form 6-K filed with the SEC on June 15, 2009, which contains unaudited consolidated financial information of Telecom Italia as of and for the three months ended March 31, 2009 and 2008.

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

Italy

(+39-02-85951)

Attention: Andrea Balzarini

Telecom Italia Capital

12, rue Eugène Ruppert

L-2453

Luxembourg

(+352-456060440)

Attention: Adriano Trapletti



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### NOTICE TO INVESTORS

You understand that an investor in the notes offered hereunder must be resident for income tax purposes in one of the countries listed in the Decree of the Ministry of Finance of Italy of September 4, 1996, as amended. Accordingly, upon agreeing to purchase any notes offered hereunder, you are deemed to represent and agree that you resident for income tax purposes in one of the 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](http://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), including under its guarantee of amounts payable on the notes, and Telecom Italia were 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. Please refer to 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 for the current exclusive list of countries or territories where, if the notes were held by residents for income tax purposes of such countries or territories, and Telecom Italia were to become the obligor on the notes, including under its guarantee of amounts payable on the notes, Telecom Italia would have, on certain conditions, an obligation to gross up payments in the event of a withholding on any payments on the notes (if and only if an investor provides the required certifications under applicable Italian tax requirements). See Risk Factors .

The list of countries included in the Decree of the Ministry of Finance of Italy of September 4, 1996 is expected to be replaced in the future by a new list attached to a ministerial decree yet to be issued. If a holder of the notes is not resident in one of the countries that will be identified in the forthcoming decree, that holder will not have a right to receive a gross-up in the event of a tax withholding as described above. Accordingly, holders will bear the risk of changes in the list of countries that will be included in the forthcoming decree.

### 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):

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;

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;

to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant underwriter or underwriters nominated by the Issuer for any such offer; or



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in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of notes referred to above shall require TI Capital or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 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 for 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, failing an exemption under applicable regulatory provisions, systematic re-sales of the notes in Italy to persons who are not qualified investors, in the 12 months following an initial placement in Italy or abroad reserved for qualified investors, trigger an offer to the public as provided for by Article 100-*bis*, paragraph 2, of Legislative Decree of February 24, 1998, no. 58. In such circumstances, if no prospectus is published, the acquirer acting for purposes not related to entrepreneurial or professional activities may obtain that the sale is declared void and the authorized operators at which the sale took place may be responsible for damages; in addition, certain administrative fines may apply. 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 optional redemption (see Description of the Notes and Guarantees Redemption at TI Capital's Option on page S-29 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**

This prospectus is being distributed only to, and is directed only at, persons in the United Kingdom that are **qualified investors** within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the **Order**) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as **relevant persons**). This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any investment or investment activity to which this prospectus and its contents relate is available only to relevant persons and will be engaged in only with relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this prospectus or any of its contents.

### **NOTICE TO INVESTORS IN FRANCE**

In France, the notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public, and offers and sales of the notes will be made in France only to (i) qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own accounts, all as defined in and in accordance with Article L.411-2-II-4°, D.411-1 to D.411-4, D.734-1, D.744-1, D.754-1 and D.764-1 of the *Code monétaire et financier*, or (ii) to investment services providers

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authorized to engage in portfolio management on behalf of third parties, or (iii) in a transaction that, in accordance with Article L.411-2-II-1°-or-2° -or 3° of the *Code monétaire et financier* and Article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l'épargne*). Accordingly, this prospectus has not been submitted to the approval procedure of the *Autorité des marchés financiers* ( **AMF** ) or of a competent authority of another member State of the European Economic Area which would have notified its approval to the AMF under the Directive 2003/71/EC as implemented in France and the relevant member State. Neither this prospectus nor any other offering material has been nor will be released, issued or distributed or caused to be released, issued or distributed to the public in France or used in connection with any offer for subscription or sale of the notes 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.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the *Code monétaire et financier* must be satisfied. Investors in France and persons into whose possession offering material comes must inform themselves about and observe any such restrictions.

### **NOTICE TO INVESTORS IN JAPAN**

The notes have not been registered and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA** ), and may not be offered or sold, directly or indirectly, to, or for the account of, any resident of Japan or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the account of, any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the FIEA and (ii) in compliance with any other applicable requirements of Japanese law. As used in this paragraph, resident of Japan means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

### **STABILIZATION**

In connection with the issue of the notes, the underwriters (or persons acting on behalf of the underwriters) may over-allot notes or effect transactions with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail. However, there is no assurance that the underwriters (or persons acting on behalf of the underwriters) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the notes and 60 days after the date of the allotment of the notes. Any stabilization action or over-allotment shall be conducted in accordance with all applicable laws and rules.

### **CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS**

This prospectus supplement and the accompanying prospectus or any incorporated document may contain certain forward-looking statements, which reflect management's current views with respect to certain future events, trends and financial performance. Actual results may differ materially from those projected or implied in the forward-looking statements. Such forward-looking information is based on certain key assumptions which we believe to be reasonable but forward-looking information by its nature involves risks and uncertainties, which are outside of our control, that could significantly affect expected results of future events.

The following important factors could cause our actual results to differ materially from those projected or implied in any forward-looking statements:

our ability to successfully implement our strategy over the 2009-2011 period;

our ability to successfully achieve our debt reduction targets;

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

the impact of the global recession in the principal markets in which we operate;

our ability to utilize our relationship with Telefónica to attain synergies primarily in areas such as network, IT, purchasing and international mobile roaming;

our ability 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;

our ability to successfully implement our internet and broadband strategy both in Italy and abroad;

the impact of regulatory decisions and changes in the regulatory environment in Italy and other countries in which we operate;

the impact of economic development generally on our international business and on our foreign investments and capital expenditures;

our services are technology-intensive and the development of new technologies could render such services non-competitive;

the impact of political developments in Italy and other countries in which we operate;

the impact of fluctuations in currency exchange and interest rates;

our ability to build up our business in adjacent markets and in international markets (particularly in Brazil), due to our specialist and technical resources;

our ability to achieve the expected return on the investments and capital expenditures we have made and continue to make (such as those in Brazil);

the amount and timing of any future impairment charges for our licenses, goodwill or other assets; and

the outcome of litigation, disputes and investigations in which we are involved or may become involved.

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 hereof. We undertake no obligation to release publicly the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof, including, without limitation, changes in our business or acquisition strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events.

**PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION**

Unless otherwise indicated, the financial information contained in this prospectus supplement and incorporated by reference herein has been prepared in accordance with International Financial Reporting Standards issued by the IASB International Accounting Standard Board ( **IFRS** ). IFRS also include all effective International Accounting Standards ( **IAS** ) and all Interpretations issued by the International Financial Reporting Interpretations Committee ( **IFRIC** ), comprising those previously issued by the Standing Interpretations Committee ( **SIC** ).

Telecom Italia adopted IFRS for the first time in its annual consolidated financial statements for the year ended December 31, 2005, which included comparative financial statements for the year ended December 31, 2004. Pursuant to SEC Release No. 33-8879, *Acceptance from Foreign Private Issuers of Financial Statements*

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*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 currency used by Telecom Italia in preparing its consolidated financial statements is the euro. References to , euro and Euro are to the euro, 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 June 12, 2009, the Noon Buying Rate (as defined below) was 1.00=U.S.\$1.4040. 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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**PROSPECTUS SUPPLEMENT SUMMARY**

*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** \$1,000,000,000 6.175% Guaranteed Senior Notes due 2014 (the **2014 notes**); and \$1,000,000,000 7.175% Guaranteed Senior Notes due 2019 (the **2019 notes** and, together with the 2014 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** 100% of the principal amount for the 2014 notes; and 100% of the principal amount for the 2019 notes.

**Maturities** June 18, 2014 for the 2014 notes; and June 18, 2019 for the 2019 notes.

**Interest rate** The 2014 notes will bear interest at a rate of 6.175% per annum; and the 2019 notes will bear interest at a rate of 7.175% per annum.  
The notes will bear interest from June 18, 2009.

**Interest payment dates** June 18 and December 18, beginning on December 18, 2009, for the 2014 notes. June 18 and December 18, beginning on December 18, 2009, for the 2019 notes.

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**Regular record dates**

June 1 and December 1 for the 2019 notes.

June 1 and December 1 for the 2014 notes.

**Settlement date**

June 18, 2009.

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### **Use of proceeds**

We estimate that the net proceeds from this offering (after deducting the underwriting discount but excluding expenses) will be approximately \$1,992 million. The net proceeds of this offering are intended to be used to make inter-company loans to Telecom Italia Group companies for their general corporate purposes, which may include the repayment of existing indebtedness. See [Use of Proceeds](#).

### **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 also [Description of Debt Securities and Guarantees](#) [Transfer Restrictions](#).

### **Optional redemption**

Beginning on December 21, 2010, 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:

100% of the principal amount of the applicable notes, or

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 and unpaid 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 50 basis points, plus accrued and unpaid interest thereon to the date of redemption.

See [Description of Notes and Guarantees](#) [Redemption at TI Capital's Option](#).

### **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



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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 June 18, 2009 as described below.

The notes will be issued only in fully registered form in minimum denominations of \$2,000 and integral multiples of \$1,000, unless 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 The Depository Trust Company ( **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, following issuance of the notes, apply to list the notes on the official list of the Luxembourg Stock Exchange and to admit the notes to trading 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.

### **Trustee, principal paying agent,**

#### **registrar and calculation agent**

The Bank of New York Mellon.

### **Governing law**

New York law. 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.

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### **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 & Poor's and BBB with a stable 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 information set forth under "Risk Factors" and in the "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 any series of the notes and issue additional notes having the same ranking, maturity and other terms (except for the issue date and public offering 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 and will rank equally and ratably with the notes of the applicable series offered hereby.

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**SUMMARY SELECTED FINANCIAL INFORMATION**

**Financial Information prepared in accordance with IFRS as of and for the Years Ended December 31, 2008, 2007, 2006, 2005 and 2004**

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 audited Consolidated Financial Statements of the Telecom Italia Group prepared in accordance with IFRS as issued by IASB.

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 summary selected financial data set forth below has not been recast to give effect to the required retrospective application of IFRIC 13 (*Customer loyalty programmes*) effective January 1, 2009.

The summary selected financial data below should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Telecom Italia Annual Report incorporated in this prospectus supplement by reference.

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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 incorporated in this prospectus supplement by reference.

	2008(1) (millions of U.S. dollars, except percentages, ratios, employees and per share amounts)(2)	2008(1)	Year ended December 31, 2007(1) 2006(1) 2005(1) 2004(1) (millions of Euro, except percentages, ratios, employees and per share amounts)			
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
Investments:						
Capital expenditures	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 the 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

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<i>Savings Share</i>	<i>0.17</i>	<i>0.12</i>	<i>0.14</i>	<i>0.17</i>	<i>0.16</i>	<i>0.13</i>
<i>From Discontinued operations/Non-current assets held</i>						
<i>for sale:</i>						
<i>Ordinary Share</i>			<i>(0.01)</i>	<i>(0.01)</i>	<i>0.02</i>	<i>(0.01)</i>
<i>Savings Share</i>			<i>(0.01)</i>	<i>(0.01)</i>	<i>0.02</i>	<i>(0.01)</i>
<b>Dividends:</b>						
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

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	Year ended December 31,					
	2008(1) (millions of U.S. dollars)(2)	2008(1)	2007(1)	2006(1) (millions of Euro)	2005(1)	2004(1)
<b>Cash Flow Statement Data:</b>						
Cash Flows from (used in) Operating Activities	11,699	8,405	8,771	9,303	9,744	10,266
Cash Flows from (used in) Investing Activities	(9,568)	(6,874)	(4,398)	(4,239)	(17,379)	(4,951)
Cash Flows from (used in) Financing Activities	(3,315)	(2,382)	(5,225)	(7,965)	8,756	(1,714)
Cash Flows from (used in) Discontinued operations/Non-current assets held for sale	(14)	(10)	72	(81)	29	(109)
Aggregate Cash Flows	(1,198)	(861)	(780)	(2,982)	1,150	3,492

	As of December 31,					
	2008 (millions of U.S.  dollars, except employees)(2)	2008	2007	2006 (millions of Euro, except employees)	2005	2004
<b>Balance Sheet Data:</b>						
Total Assets	119,195	85,635	87,425	89,457	96,010	81,834
<b>Equity:</b>						
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

## 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



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	As of December 31,				
	2008(1)	2007(1)	2006(1)	2005(1)	2004(1)
	(thousands)				
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
<i>Of which retail BroadBand accesses</i>	<i>6,754</i>	<i>6,427</i>	<i>5,600</i>	<i>3,920</i>	<i>2,629</i>
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	2,510	2,537	1,138	801	412

- (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.
- (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.
- (3) For the purposes of IFRS, Parent, as used in this prospectus supplement and in the Telecom Italia Annual Report, means Telecom Italia S.p.A.
- (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.
- (5) For purposes of calculating the ratio of earnings to fixed charges:

Earnings is calculated by adding:

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



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share of losses of associates and joint ventures accounted for using the equity method and then subtracting:

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:

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.

- (6) In accordance with IAS 33 (*Earnings per share*), 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,

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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.

For the purpose of these calculations, the weighted average number of:

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.

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.

- (7) Telecom Italia's dividend coupons for the year ended December 31, 2008, were clipped on April 20, 2009 and were payable from April 23, 2009.
- (8) Share capital represents share capital issued net of the par value of treasury shares.
- (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 Non-GAAP Financial Measures included elsewhere herein.

**Table of Contents****Financial Information prepared in accordance with IFRS as of and for the Three Months Ended March 31, 2009 and 2008**

The summary selected financial data set forth below are consolidated financial data of the Telecom Italia Group as follows:

with respect to the separate income statement information, the unaudited financial data for the three-month periods ended March 31, 2009 and 2008 (recast data); and

with respect to the statement of financial position, the unaudited financial data as of March 31, 2009 and as of December 31, 2008 (recast data).

In the opinion of the management of Telecom Italia, the unaudited interim consolidated financial data of Telecom Italia Group reflects all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of Telecom Italia Group's consolidated results of operations for the unaudited interim periods. Results for the three-month period ended March 31, 2009, are not necessarily indicative of results that may be expected for the entire year.

As noted in the Telecom Italia Group consolidated financial statements for 2008 included in the Telecom Italia Annual Report, certain new standards and interpretations came into effect beginning January 1, 2009 and have therefore been applied. In particular, following the retrospective application of IFRIC 13 (*Customer Loyalty Programmes*), the comparative data of the corresponding periods of the year 2008 has been appropriately recast.

The accompanying consolidated financial data has been prepared in accordance with IFRS as issued by IASB.

	Three months ended March 31, 2009 (Unaudited)	2008 (Recast)
	(millions of Euro, except percentages, ratios, employees and per share amounts)	
<b>Separate Income Statement Data:</b>		
<b>Revenues</b>	<b>6,793</b>	<b>7,279</b>
<b>Operating profit</b>	<b>1,352</b>	<b>1,505</b>
<b>Profit before tax from continuing operations</b>	<b>784</b>	<b>926</b>
<b>Profit from continuing operations</b>	<b>444</b>	<b>541</b>
Loss from Discontinued operations/Non-current assets held for sale		(75)
<b>Profit for the period</b>	<b>444</b>	<b>466</b>
<i>Of which:</i>		
<i>Profit for the period attributable to Owners of the Parent(1)</i>	<i>463</i>	<i>485</i>
<b>Investments:</b>		
<i>Capital Expenditures</i>	<i>1,025</i>	<i>1,228</i>
<i>Financial</i>	<i>1</i>	

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## Financial Ratios:

Revenues/Employees (average number in the Group) (thousands of )	92.1	94.1
Operating profit/Revenues (ROS)(%)	19.9	20.7
Ratio of earnings to fixed charges(2)	2.39	2.19

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**Basic and Diluted earnings per Share (EPS)(3):**

*Of which:*

### Savings Share

**Statement of financial position data:**

**Total Equity:**

<b>Total Equity</b>	<b>27,049</b>	<b>26,825</b>
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<b>Total liabilities(4)</b>	<b>57,522</b>	<b>58,825</b>
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<b>Total equity and liabilities(4)</b>	<b>84,571</b>	<b>85,650</b>
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<b>Share capital(5)</b>	<b>10,585</b>	<b>10,591</b>
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<b>Net Financial Debt(4)(6)</b>	<b>34,518</b>	<b>34,039</b>
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Employees (excluding employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale) (number at period-end)

Employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale (number at period-end)

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	Three months ended March 31, 2009 (Unaudited)	2008 (Recast) (Unaudited)
	(millions of Euro)	
<b>Cash Flow Statement Data:</b>		
Cash Flows from (used in) Operating Activities	1,234	1,934
Cash Flows from (used in) Investing Activities	(1,497)	(1,667)
Cash Flows from (used in) Financing Activities	(324)	(1,633)
Cash Flows from (used in) Discontinued operations/Non-current assets held for sale		(24)
Aggregate Cash Flows	(587)	(1,390)

	March 31, 2009 (Unaudited)	As of December 31, 2008 (Unaudited)
	(thousands)	
<b>Statistical Data:</b>		
<b>Domestic Fixed:</b>		
Fixed network connections in Italy	19,582	20,031
Physical accesses (Consumer and Business)	16,972	17,352
BroadBand accesses in Italy	8,329	8,134
<i>Of which retail BroadBand accesses</i>	6,843	6,754
<b>Domestic Mobile:</b>		
Mobile telephone lines in Italy	34,163	34,797
<b>Brazil:</b>		
Mobile telephone lines in Brazil	36,096	36,402
<b>European BroadBand:</b>		
BroadBand accesses in Europe	2,484	2,510

(1) For the purposes of IFRS, Parent, as used in this Report, means Telecom Italia S.p.A.

(2) For purposes of calculating the ratio of earnings to fixed charges:

Earnings is calculated by adding:

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:

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:

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.



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- (3) In accordance with IAS 33 (*Earnings per share*), 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 period, 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.

For the purpose of these calculations, the weighted average number of:

Ordinary Shares was 13,226,179,086 for the period ended March 31, 2009 and 13,254,973,832 for the period ended March 31, 2008;

Savings Shares was 6,026,120,661 for the period ended March 31, 2009 and 6,026,120,661 for the period ended March 31, 2008. 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.

- (4) On May 26, 2009, Telecom Italia S.p.A. issued £750 million aggregate principal amount of fixed rate notes, with a coupon of 7.375% and an issue price of 99.608%, which mature on December 15, 2017. The financial data above, our interim financial information and other financial data and information included or incorporated by reference into this prospectus supplement do not reflect this note issuance.
- (5) Share capital represents share capital issued net of the par value of treasury shares.
- (6) 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 Non-GAAP Financial Measures included elsewhere herein.

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The table below (which has been extracted or derived from Telecom Italia Annual Report) sets forth revenues, operating profit (loss), capital expenditures and number of employees by Business Units, for 2008, 2007 and 2006. The data relating to 2007 and 2006 have been reclassified and presented consistently with the 2008 presentation.

		Domestic	Brazil	European Broad Band (millions of Euro, except number of employees)	Media	Olivetti	Other Operations	Adjustments and eliminations	Consolidated Total
Revenues(1)	2008	23,268	5,208	1,274	287	352	134	(365)	<b>30,158</b>
	2007	24,220	4,990	1,151	263	408	251	(270)	<b>31,013</b>
	2006	25,785	3,964	605	207	440	234	(198)	<b>31,037</b>
Operating profit (loss)	2008	5,444	189	(30)	(113)	(37)	2	8	<b>5,463</b>
	2007	5,751	150	122	(117)	(66)	63	52	<b>5,955</b>
	2006	7,676	21	73	(137)	(50)	37	15	<b>7,635</b>
Capital expenditures	2008	3,658	1,348	352	50	3	1	(47)	<b>5,365</b>
	2007	4,064	865	358	69	8	16	(10)	<b>5,370</b>
	2006	3,894	699	214	85	10	21	(46)	<b>4,877</b>
Number of employees at year-end(2)	2008	61,816	10,285	2,912	967	1,194	651		<b>77,825</b>
	2007(3)	64,362	10,030	3,191	1,016	1,279	2,191		<b>82,069</b>
	2006(3)	66,835	9,531	1,784	919	1,428	1,430		<b>81,927</b>

(1) Revenues are total revenues of the various business units of the Telecom Italia Group before elimination of intercompany sales (but after elimination of sales between companies within the same major business area).

(2) The number of employees at year-end excludes employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale, and includes personnel with temp work contracts.

(3) For purposes of comparison, the data at December 31, 2007 and at December 31, 2006 have been restated in order to exclude 1,360 employees and 1,282 employees, respectively, of the Liberty Surf group which starting from January 1, 2008, are considered as Discontinued operations/Non-current assets held for sale.

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The table below sets forth revenues, operating profit (loss), capital expenditures and number of employees by Business Units, for the first quarters of 2009 and 2008 (recast).

		Domestic	Brazil	European Broad Band	Media	Olivetti	Other Operations	Adjustments and eliminations	Consolidated Total
(millions of Euro, except number of employees)									
Revenues(1)	1° quarter 2009	5,357	1,061	308	51	71	17	(72)	<b>6,793</b>
	1° quarter 2008 (recast)	5,600	1,224	323	74	83	76	(101)	<b>7,279</b>
Operating profit (loss)	1° quarter 2009	1,392	(5)	(4)	(20)	(10)	(4)	3	<b>1,352</b>
	1° quarter 2008 (recast)	1,543	(17)	6	(37)	(9)	17	2	<b>1,505</b>
Capital expenditures	1° quarter 2009	835	104	73	14	1		(2)	<b>1,025</b>
	1° quarter 2008 (recast)	970	139	100	18	1	1	(1)	<b>1,228</b>
Number of employees at period-end(2)	As of March 31, 2009	61,591	10,194	2,894	1,006	1,163	651		<b>77,499</b>
	As of December 31, 2008	61,816	10,285	2,912	967	1,194	651		<b>77,825</b>

(1) Revenues are total revenues of the various business units of the Telecom Italia Group before elimination of intercompany sales (but after elimination of sales between companies within the same major business area).

(2) The number of employees at year-end excludes employees relating to the consolidated companies considered as Discontinued operations/Non-current assets held for sale, and includes personnel with temp work contracts.

As outlined in the update to the Industrial Plan 2009-2011 presented to the market in December 2008, certain assets are considered non-core, such as our Hansenet German broadband unit and our Telecom Italia Sparkle unit, which is a provider of international voice, IP and Data services for global fixed-line and mobile telephone operators, and are being reviewed for various strategic alternatives.

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**NON-GAAP FINANCIAL MEASURES**

Net Financial Debt is a Non-GAAP financial measure as defined in Item 10 of Regulation S-K under the 1934 Act, but is widely used in Italy by financial institutions to assess liquidity and the adequacy of a company's financial structure. We believe that Net Financial Debt provides an accurate indicator of our ability to meet our financial obligations (represented by gross debt) by our available liquidity, represented by the other items shown in the reconciliation table. Net Financial Debt allows us to show investors the trend in our net financial condition over the periods presented. The limitation on the use of Net Financial Debt is that it effectively assumes that gross debt can be reduced by our cash and other liquid assets. In fact, it is unlikely that we would use all of our liquid assets to reduce our gross debt all at once, as such assets must also be available to pay employees, suppliers, and taxes, and to meet other operating needs and capital expenditure requirements. Net Financial Debt and its ratio to equity (including Minority Interest), or leverage, are used to evaluate our financial structure in terms of sufficiency and cost of capital, level of debt, debt rating and funding cost, and whether our financial structure is adequate to achieve our business plan and our financial targets. Our management believes that our financial structure is sufficient to achieve our business plan and financial targets. Our management monitors the Net Financial Debt and leverage or similar measures as reported by other telecommunications operators in Italy and outside Italy, and by other major listed companies in Italy, in order to assess our liquidity and financial structure relative to such companies. We also monitor the trends in our Net Financial Debt and leverage in order to optimize the use of internally generated funds versus funds from third parties. Net Financial Debt is reported in our Italian Annual Report to shareholders and is used in presentations to investors and analysts.

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Net Financial Debt as of December 31, 2008, 2007, 2006, 2005 and 2004, which has been extracted or derived from Telecom Italia Annual Report, is calculated as follows:

	2008	2007	As of December 31, (Unaudited) (millions of Euro)			2004
GROSS FINANCIAL DEBT						
Non-current financial liabilities (Long-term debt)						
Financial payables	31,936	33,299	37,391	39,522	35,606	
Finance lease liabilities	1,713	1,809	1,847	1,894	1,860	
Other financial liabilities	2,878	1,943	1,565	730	1,259	
	36,527	37,051	40,803	42,146	38,725	
Current financial liabilities (Short-term debt)						
Financial payables	5,726	5,943	5,143	9,323	3,972	
Finance lease liabilities	274	262	269	234	227	
Other financial liabilities	267	380	241	255	201	
	6,267	6,585	5,653	9,812	4,400	
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale						
				143	188	
GROSS FINANCIAL DEBT (A)	42,794	43,636	46,456	52,101	43,313	
FINANCIAL ASSETS						
Non-current financial assets						
Securities other than investments	15	9	12	8	7	
Financial receivables and other non-current financial assets	2,648	686	679	988	396	
	2,663	695	691	996	393	
Current financial assets						
Securities other than investments	185	390	812	378	457	
Financial receivables and other current financial assets	491	377	433	509	662	
Cash and cash equivalents	5,416	6,473	7,219	10,323	8,855	
	6,092	7,240	8,464	11,210	9,974	
Financial assets classified under Discontinued operations/Non-current assets held for sale						
				37	84	
FINANCIAL ASSETS (B)	8,755	7,935	9,155	12,243	10,451	
NET FINANCIAL DEBT (A - B)	34,039	35,701	37,301	39,858	32,862	

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Net Financial Debt as of March 31, 2009 and December 31, 2008 (recast) is calculated as follows:

	As of March 31, 2009	As of December 31, 2008 (Recast)
	(Unaudited) (millions of Euro)	
<b>GROSS FINANCIAL DEBT</b>		
<b>Non-current financial liabilities (Long-term debt)</b>		
Bonds	26,547	25,680
Amounts due to banks, other financial payables and liabilities	7,520	9,134
Finance lease liabilities	1,684	1,713
	<b>35,751</b>	<b>36,527</b>
<b>Current financial liabilities (Short-term debt)</b>		
Bonds	4,020	4,497
Amounts due to banks, other financial payables and liabilities	2,868	1,496
Finance lease liabilities	269	274
	<b>7,157</b>	<b>6,267</b>
<b>Financial liabilities relating to Discontinued operations/Non-current assets held for sale</b>		
<b>GROSS FINANCIAL DEBT (A)</b>	<b>42,908</b>	<b>42,794</b>
<b>FINANCIAL ASSETS</b>		
<b>Non-current financial assets</b>		
Securities other than investments	(15)	(15)
Financial receivables and other financial assets	(2,329)	(2,648)
	<b>(2,344)</b>	<b>(2,663)</b>
<b>Current financial assets</b>		
Securities other than investments	(686)	(185)
Financial receivables and other current financial assets	(481)	(491)
Cash and cash equivalents	(4,879)	(5,416)
	<b>(6,046)</b>	<b>(6,092)</b>
<b>Financial assets relating to Discontinued operations/Non-current assets held for sale</b>		
<b>FINANCIAL ASSETS (B)</b>	<b>(8,390)</b>	<b>(8,755)</b>
<b>NET FINANCIAL DEBT (A - B)</b>	<b>34,518</b>	<b>34,039</b>

On May 26, 2009, Telecom Italia S.p.A. issued £750 million aggregate principal amount of fixed rate notes, with a coupon of 7.375% and an issue price of 99.608%, which mature on December 15, 2017. The tables above, our interim financial information and other financial data included or incorporated by reference into this prospectus supplement do not reflect this note issuance.

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### Recent Developments

#### Tax Disputes

Following tax audits conducted by the Italian Finance Police, the main findings of which were previously settled with the Revenue Agency, as indicated in the Telecom Italia Annual Report, in February and March 2009 we received notices disputing the tax and VAT deductibility of certain TOP and Security expenses for fiscal years 2002 and from 2004 to 2007. The claims would result in back taxes and fines payable by the Telecom Italia Group estimated at approximately 33 million. In respect thereof, Telecom Italia has initiated a procedure with the Italian Revenue Agency for a pre-litigation settlement agreement.

#### Argentina

On April 15, 2009, the Argentine administrative court of appeal served Telecom Italia and Telecom Italia International with an ex parte interim order issued on March 26, 2009, upon request of the Dracma group and W de Argentina Inversiones SL ( Los W ), a partner of Telecom Italia and Telecom Italia International in Sofora Telecomunicaciones S.A. ( Sofora ), through which Telecom Italia holds its interest in Telecom Argentina. This order suspended Telecom Italia International's rights under the option agreement to acquire shares of Sofora described in the Telecom Italia Annual Report, as well as any other disposition rights thereunder (in particular the assignment of the agreement to third parties) until either (i) SECOM (the Argentine telecommunication regulator) issues its ruling on Telco S.p.A.'s acquisition of 100% of Olimpia S.p.A. on October 25, 2007 ( Telco Transaction ) or (ii) the court rules on any action brought by the Dracma group and Los W to obtain a declaratory judgment confirming the validity of the obligations set out by SECOM Note 1004/08, which was sent to Telecom Italia on June 26, 2008 by SECOM due to, according to SECOM, the potential competitive effects of Telefonica becoming a significant shareholder of Telecom Italia and, in turn, Telecom Argentina as a result of the Telco Transaction. The period during which Telecom Italia and Telecom Italia International may file their reply has not yet expired.

\* \* \*

On April 3, 2009, in connection with the antitrust inquiry into the Telco Transaction described in the Telecom Italia Annual Report, the Argentine antitrust authority, the CNDC, issued Resolution 44/09, stating that Telecom Italia, Telecom Italia International, the directors, officers and representatives of Telecom Italia and Telecom Italia International, and their direct and indirect shareholders, as well as the directors and statutory auditors designated by Telecom Italia and Telecom Italia International in the companies of the Telecom Argentina Group should have refrained and should refrain from adopting decisions or giving instructions that entailed or would entail in the future, directly or indirectly, the exercise of *derechos políticos*, including such rights that arise from shareholder agreements relating to the companies of the Telecom Argentina group. Consequently, the CNDC ordered the companies of the Telecom Argentina Group to reverse any decisions adopted by corporate bodies or directors involving the exercise of *derechos politicos* since January 9, 2009.

On April 24, 2009, the ordinary Argentine court ordered that the shareholder meetings of Nortel Inversora S.A., the controlling shareholder of Telecom Argentina, and Telecom Argentina be suspended and that the boards of directors of Sofora and Nortel Inversora S.A. refrain from discussing matters to be submitted to the shareholder meetings of the Telecom Argentina group, pending a more in-depth review by the same court of the appeal against resolution 44/09 submitted by Telecom Italia and Telecom Italia International.

\* \* \*

On May 26, 2009, the CNDC issued Resolution No. 64/09, which:

- (i) ordered the board of directors of Telecom Argentina to immediately restore the *Consejo de Direccion* in the company that had been previously superseded;
- (ii) ordered the unwinding of certain organizational changes; and



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- (iii) gave several board members of Telecom Argentina five days to justify their actions in relation to the alleged violation of the dispositions of CNDC regarding the exercise of *derechos politicos*.

Telecom Italia and Telecom Italia International challenged Resolution No. 64/09, as did the relevant board members of Telecom Argentina and Telecom Argentina Group companies. On June 11, 2009, the appeals court granted a precautionary measure suspending any discussion by the Telecom Argentina board of directors of the measures to be implemented in accordance with Resolution No. 64/09.

### **Germany AOL Arbitration**

In November 2008 AOL LLC and AOL Europe Sàrl ( AOL ) notified Telecom Italia Deutschland Holding GmbH ( TIDE ) and Telecom Italia that they had initiated arbitration proceedings before the Paris International Chamber of Commerce ( ICC ) in relation to the contract for TIDE's acquisition of the broadband assets of the AOL Time Warner Group in Germany, signed in September 2006 and executed on February 28, 2007. The aim of the request for arbitration is to:

- (i) obtain a ruling that the contracts for the supply of services to a specific category of customers (known as Bring-Your-Own-Access or BYOA) are not to be considered sold to Telecom Italia and TIDE; and
  - (ii) obtain an order for defendants to cause HanseNet (the German company controlled by TIDE that currently manages the services provided to BYOA customers) to return to AOL the approximately 2 million invoiced in an allegedly improper manner for the above services.
- During November 2008, Telecom Italia and TIDE appointed their arbitrator and applied to the ICC for the recusal of the arbitrator appointed by AOL. In January 2009, Telecom Italia and TIDE filed their briefs and cross-claims. In March 2009, AOL filed its defense brief. On April 30, 2009, the arbitral tribunal was constituted.

### **Acquisition of Intelig by Tim Participações**

On April 16, 2009, Tim Participações S.A., our majority-owned Brazilian subsidiary, announced that it was in the process of acquiring Intelig Telecomunicacoes Ltda., a Brazilian telecommunications and data transmission company. This process will be concluded when all necessary authorizations are obtained from the competent authorities, including Anatel, Brazil's telecommunications regulator, and CADE, Brazil's antitrust authority. As a result of the merger transactions and related capital increase by Tim Participações, our wholly-owned subsidiary TIM Brasil Serviços e Participações' ownership stake in Tim Participações is currently expected to decrease from approximately 81.32% to approximately 76.32% of the outstanding ordinary shares and from approximately 63.93% to approximately 60.00% of the outstanding preferred shares.

### **£750 million Telecom Italia bond issuance**

On May 26, 2009, Telecom Italia S.p.A. issued £750 million aggregate principal amount of fixed rate notes, with a coupon of 7.375% and an issue price of 99.608%, which mature on December 15, 2017. This issue is part of a process aiming at refinancing certain indebtedness of the Telecom Italia Group maturing in 2010. The notes were issued under our 15 billion EMTN Programme.

### **Telecom Italia S.p.A.**

Telecom Italia is a joint-stock company established under Italian law with registered offices in Milan at Piazza degli Affari 2, 20123 Milan, Italy. The telephone number is +39-02-85951. The company is recorded in the Milan Companies Register at number 00488410010, R.E.A. number 1580695, R.A.E.E. number IT08020000000799. The duration of the company, as stated in the company's Bylaws, extends until December 31, 2100.



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**Telecom Italia Capital**

TI Capital is a limited liability company (société anonyme) organized under the laws of Luxembourg, incorporated on September 27, 2000 and is a wholly-owned subsidiary of Telecom Italia. TI Capital is registered with the *Registre de Commerce et des Sociétés* of Luxembourg under B-77.970.

TI Capital's registered office and postal address is 12, rue Eugène Ruppert, L-2453, Luxembourg and its telephone number is + 352-456060-440.

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### **RISK FACTORS**

*An investment in the notes will involve a degree of risk, including those risks which are described in this section. You should carefully consider the following discussion of risks, as well as the risks relating to our business that are set forth in Item 3. Key Information 3.1 Risk Factors in the Telecom Italia Annual Report incorporated by reference in this prospectus, the risks associated with the notes set forth in the accompanying prospectus under the heading Risk Factors on page 9 and the other information contained or incorporated by reference in this prospectus before deciding to purchase the notes.*

#### **Risks Associated with the Offering**

***Our leverage is such that deterioration in our cash flow generation, which depends on many factors beyond our control, could affect our ability to service our debt obligations.***

Our ability to pay the principal of and interest on our notes, our credit facilities and other debt securities depends, among other things, upon our future financial performance and our ability to refinance indebtedness, if necessary. We have substantial leverage and our business may not generate sufficient cash flow to satisfy our debt service obligations, and we may not be able to obtain funding sufficient to do so. If this occurs, we may need to reduce or delay capital expenditures or other business opportunities. In addition, we may need to refinance our debt, obtain additional financing or sell assets to raise cash, which we may not be able to do on commercially reasonable terms, if at all, particularly in light of the volatility characterizing the capital and credit markets which has caused some lenders and institutional investors to reduce the level of funding to borrowers and has led to wider credit spreads. 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 our 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 Telecom Italia 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.

***A downgrade in our credit ratings could limit our ability to market securities, increase our borrowing costs and/or hurt our relationships with creditors.***

Our credit ratings, which are intended to measure our ability to meet our debt obligations, are an important factor in determining our cost of borrowing funds. Due to the competitive environment and economic conditions in which the Telecom Italia Group operates, there could be deterioration in our separate income statement and statement of financial position ratios. Ratios derived from these same measures are used by rating agencies which base their ratings on the Telecom Italia Group's ability to repay its debt. The interest rates of our borrowings are largely dependent on our credit ratings. As of the date of this prospectus, Telecom Italia's long-term rating was Baa2 with a stable outlook according to Moody's, BBB with a stable outlook according to Standard & Poor's and BBB with a stable outlook according to Fitch Ratings. A downgrade of our credit ratings, resulting from our acquisition and divestiture activity, our dividend policy or otherwise, could lead to greater risk with respect to refinancing debt and would likely increase our cost of borrowing, including contractual increases in the interest rate applicable to some of our outstanding indebtedness, and adversely affect our results of operations.

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A downgrade of our credit ratings could also limit our ability to raise capital, including to refinance existing debt, or our subsidiaries' ability to conduct their businesses. 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.

### ***The notes will be effectively subordinated to our secured debt.***

The notes will not be secured by any of our assets, in the event of our bankruptcy, liquidation or reorganization, holders of our secured debt will have claims with respect to the assets securing their debt that have priority over your claims as holders of the such notes. To the extent that the value of the secured assets is insufficient to repay our secured debt, holders of the secured debt would be entitled to share in any of our remaining assets equally with you and any other senior unsecured lenders.

### ***An active trading market for the notes may not develop or continue.***

Although we expect the notes to be listed on the official list of the Luxembourg Stock Exchange and to admit the notes to trading on the regulated market of the Luxembourg Stock Exchange, TI Capital cannot assure you regarding the future development or continuance of a market for the notes or the ability of holders of the notes to sell their notes or the price at which such holders may be able to sell their notes. The notes could trade at prices that may be higher or lower than the offering prices of the notes depending on many factors, including prevailing interest rates and interest rate spreads, Telecom Italia's operating results and the market for similar securities. The underwriters have advised us that they currently intend to make a market in the notes as permitted by applicable laws and regulations; however, the underwriters are not obligated to do so, and any such market-making activities with respect to the notes may be discontinued at any time. There can be no assurance as to the liquidity of the Luxembourg or any trading market for the notes or that an active public market for the notes will develop, or if developed, will continue.

### ***If Telecom Italia were to become obligor on the notes, by substitution with the issuer or otherwise, including under its guarantee, Telecom Italia would have no obligation to gross up payments to noteholders not resident in countries or territories with a sufficient exchange of information with Italy or to provide notice of any change in the exclusive list of such countries and territories.***

The current exclusive list of countries or territories where, if the notes were held by residents for income tax purposes of such countries or territories and Telecom Italia were to make payments in respect of the notes through its substitution with the issuer or otherwise, including payments made under its guarantee, Telecom Italia would have an obligation to gross up payments in the event of a withholding on any payments on the notes (if and only if an investor provides the required certifications under applicable Italian tax requirements) is attached to the Decree of the Ministry of Finance of Italy of September 4, 1996, as amended, which list of countries is expected to be replaced in the future by a new list attached to a ministerial decree yet to be issued. We have no obligation to provide notice of any change in the list of countries attached to any future decree and if a holder of the notes is not resident in one of the countries that will be identified in any such decree, such holder will not have a right to receive a gross-up payment in the event of a tax withholding on payments on the notes made by Telecom Italia. Accordingly, noteholders will bear the risk of changes in the list of countries that will be included in any future decree and should therefore inform themselves of any changes to the list of countries in any such decree.

**Table of Contents****RATIO OF EARNINGS TO FIXED CHARGES**

Our consolidated ratios of earnings to fixed charges (which has been extracted or derived from Telecom Italia Annual Report) calculated in accordance with IFRS for the fiscal years ended December 31, 2008, 2007, 2006, 2005 and 2004 are as follows:

	Year Ended December 31,			
2008	2007	2006	2005	2004
2.21	2.75	3.27	3.20	3.39

Our consolidated ratios of earnings to fixed charges calculated in accordance with IFRS for the three months ended March 31, 2009 and for the fiscal year ended December 31, 2008 (recast) are as follows:

Three Months Ended March 31, 2009 (unaudited)	Year Ended December 31, 2008 (Recast) (unaudited)
2.39	2.19

For purposes of calculating the ratio of earnings to fixed charges :

Earnings is calculated by adding:

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:

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:

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.

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**Table of Contents****CAPITALIZATION****Telecom Italia Group**

The following table provides as of March 31, 2009 the cash and cash equivalents, the current financial liabilities (short-term debt) and the capitalization of the Telecom Italia Group in accordance with IFRS:

on an actual basis as of March 31, 2009; and

as adjusted to give effect to the issuance of the notes offered hereby.

	As of March 31, 2009	
	Actual	As Adjusted
	(Unaudited)	
	(millions of Euro)	
<b>Cash and cash equivalents</b>	<b>4,879</b>	<b>6,298</b>
<b>Current financial liabilities (Short-term debt)</b>	<b>7,157</b>	<b>7,157</b>
<b>Non-current financial liabilities (Long-term debt)</b>		
Amounts due to banks	4,416	4,416
Notes and bonds	26,547	26,547
Notes offered hereby(1)		1,419
Finance lease liabilities	1,684	1,684
Other financial liabilities	3,104	3,104
<b>Total non-current financial liabilities(a)</b>	<b>35,751</b>	<b>37,170</b>
<b>Equity:</b>		
Share capital(2)	10,585	10,585
Paid-in capital	1,689	1,689
Other reserves, retained earnings (accumulated losses), including profit for the period	14,030	14,030
<b>Equity attributable to owners of the Parent</b>	<b>26,304</b>	<b>26,304</b>
<b>Equity attributable to Minority Interest</b>	<b>745</b>	<b>745</b>
<b>Total equity(b)</b>	<b>27,049</b>	<b>27,049</b>
<b>Total capitalization (a+b)</b>	<b>62,800</b>	<b>64,219</b>

(1) The U.S. dollar amount has been translated into Euro using the Noon Buying Rate of 1.00=U.S.\$1.4040 effective on June 12, 2009.

(2) As of March 31, 2009, Telecom Italia's share capital comprised:

13,380,795,473 Ordinary Shares (par value of 0.55 each, corresponding to 7,359,437,510.15) subscribed, issued and existing; and

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6,026,120,661 Savings Shares (par value of 0.55 each, corresponding to 3,314,366,363.55) subscribed, issued and existing;  
less:

162,216,387 treasury Ordinary Shares (par value of 0.55 each, corresponding to 89,219,012.85).  
Since March 31, 2009:

Telecom Italia Finance S.A. made open market repurchases of approximately 32 million nominal amount of its 6.575% notes maturing on July 30, 2009;

Telecom Italia Finance S.A. made open market repurchases of 3 million nominal amount of its 138.83 million Euro Floating Rate notes maturing on June 14, 2010;

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Telecom Italia S.p.A. made open market repurchases of approximately 54 million nominal amount of its 850 million Euro floating rate notes maturing on June 7, 2010; and

on May 26, 2009, Telecom Italia S.p.A. issued £750 million aggregate principal amount of fixed rate notes, with a coupon of 7.375% and an issue price of 99.608%, which mature on December 15, 2017.

Accordingly, such repurchases and new issuance are not reflected in the above capitalization table.

### Telecom Italia Capital

The following table provides as of March 31, 2009 the cash and cash equivalents, the short-term debt and the capitalization of TI Capital in accordance with IFRS:

on an actual basis as of March 31, 2009;

as adjusted in order to reflect the effects of the May 15, 2009 capital injection of 50 million described below; and

as further adjusted to give effect to the issuance of the notes offered hereby.

	Actual	As of March 31, 2009 As Adjusted after the capital injection(1) (Unaudited) (thousands of Euro)	As Further Adjusted
<b>Cash and cash equivalents</b>	<b>38,928</b>	<b>88,928</b>	<b>1,507,731</b>
<b>Current financial liabilities (Short-term debt)</b>	<b>1,273,841</b>	<b>1,273,841</b>	<b>1,273,841</b>
<b>Non-current financial liabilities (Long-term debt):</b>			
Amounts due to banks	47,202	47,202	47,202
Notes and bonds	10,543,833	10,543,833	10,543,833
Notes offered hereby(2)			1,418,803
Other financial liabilities	538,561	538,561	538,561
<b>Total non-current financial liabilities(a)</b>	<b>11,129,596</b>	<b>11,129,596</b>	<b>12,548,399</b>
<b>Equity:</b>			
Share capital, 100,000 shares, nominal value 23.36 per share	2,336	2,336	2,336
Other reserves, retained earnings (accumulated losses), including profit (loss) for the period	25,718	75,718	75,718
<b>Total equity(b)</b>	<b>28,054</b>	<b>78,054</b>	<b>78,054</b>
<b>Total capitalization (a+b)</b>	<b>11,157,650</b>	<b>11,207,650</b>	<b>12,626,453</b>

(1)

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On May 15, 2009, an Extraordinary Shareholders General meeting passed a resolution for a recapitalization of Telecom Italia Capital, which was effected on the same day with a capital injection of 50 million, in order to cover losses as reported in the Luxembourg GAAP balance sheet as of February 28, 2009. Such capital injection does not impact the capitalization of the Telecom Italia Group.

(2) The U.S. dollar amount has been translated into Euro using the Noon Buying Rate of 1.00=U.S.\$1.4040 effective on June 12, 2009. Except as disclosed in this prospectus (including the documents incorporated by reference herein), there has not been any material change in the capitalization of the Telecom Italia Group since March 31, 2009 or of TI Capital since March 31, 2009.

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**USE OF PROCEEDS**

We estimate that the net proceeds from the issuance and sale of the notes, after deducting the underwriting discount but excluding the expenses relating to the offering, will be approximately U.S.\$1,992 million, which at the Noon Buying Rate of 1.00=U.S.\$1.4040 effective on June 12, 2009, corresponds to approximately 1,419 million. These proceeds are intended to be used to make inter-company loans to Telecom Italia Group companies for their general corporate purposes, which may include the repayment of existing indebtedness.

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**DESCRIPTION OF NOTES AND GUARANTEES**

**General**

The following description of the notes being offered supplements, and to the extent inconsistent therewith supersedes, the description of the general terms and provisions of the debt securities set forth in the accompanying prospectus. We refer you to that description set forth under Description of Debt Securities and Guarantees.

TI Capital will issue the notes under an indenture dated as of October 6, 2004 among TI Capital, Telecom Italia and The Bank of New York Mellon (as successor to JPMorgan Chase Bank), as trustee, as supplemented by a fifth supplemental indenture to be entered into among TI Capital, Telecom Italia and The Bank of New York Mellon, as trustee. Herein we refer to the indenture as supplemented by the fifth supplemental indenture as the indenture. The trustee has normal banking relationships with us.

Application will be made following issuance of the notes to list the notes on the official list of the Luxembourg Stock Exchange and to admit the notes to trading on the regulated market of the Luxembourg Stock Exchange. Nevertheless, we cannot assure you that an active public market for the notes will develop. The absence of an active public trading market could have an adverse effect on the liquidity and value of the notes.

We may from time to time, without giving notice to or seeking the consent of the holders of the notes, issue additional notes having the same ranking and the same interest rate, maturity and other terms as any series of the notes, except for the public offering price and the issue date. Any additional notes having such similar terms, together with the notes of the applicable series offered hereby, will constitute a single series of senior guaranteed notes under the indenture.

**Principal, Maturity and Interest**

***General***

The notes will be issued in two series referred to herein as the 2014 notes and the 2019 notes.

Unless previously redeemed, see Redemption at TI Capital's Option and Optional Tax Redemption, the aggregate outstanding principal amount of each series of notes will be payable on the applicable maturity date.

Interest on the notes will be paid by check mailed to the persons in whose names the notes are registered at the close of business on the applicable record date or, at our option, by wire transfer to accounts maintained by such persons with a bank located in the United States. For so long as the notes are represented by global notes, we will make payments of interest by wire transfer to The Depository Trust Company (DTC) or its nominee, as the case may be, which will distribute payments to beneficial holders in accordance with its customary procedures.

The notes are not entitled to any sinking fund. The provisions of the indenture described in the accompanying prospectus under Description of Debt Securities and Guarantees Discharge and Defeasance will apply to the notes.

The 2014 notes will be issued in an aggregate principal amount of \$1,000,000,000 and the 2019 notes will be issued in an aggregate principal amount of \$1,000,000,000. Each 2014 note will mature on June 18, 2014 and each 2019 note will mature on June 18, 2019. The 2014 notes and 2019 the notes will bear interest at the respective rates per annum shown on the cover page of this prospectus supplement. Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on the 2014 notes and the 2019 notes will accrue from the date of original issuance, or from the most recent interest payment date to which interest has been paid or

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provided for. We will pay interest on the 2014 notes and 2019 notes semi-annually in arrears on June 18 and December 18 of each year, commencing December 18, 2009 to holders of record at the close of business on the immediately preceding June 1 and December 1, respectively.

If any interest payment date or the maturity of the 2014 notes or the 2019 notes falls on a day that is not a Business Day, the related payment of principal, premium, if any, or interest will be made on the next succeeding Business Day as if made on the date the payment was due, and no interest will accrue on the amount payable for the period from and after the interest payment date or maturity, as the case may be.

Business Day means any day other than a Saturday or Sunday or a day on which banking institutions in The City of New York, New York are generally authorized or obligated by law, regulations or executive order to close.

## **Payment of Additional Amounts**

For more information on additional amounts and the situations in which TI Capital and Telecom Italia may be required to pay additional amounts, see Description of Debt Securities and Guarantees Payment of Additional Amounts in the accompanying prospectus.

## **Redemption at TI Capital's Option**

Beginning on December 21, 2010, the notes will be redeemable in whole or in part at TI Capital's (or TI Capital successor's) option at any time at a redemption price equal to the greater of:

100% of the principal amount of the applicable notes; or

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 and unpaid 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 50 basis points, plus accrued and unpaid interest thereon to the date of redemption.

The definitions of certain terms used in the paragraph above are listed below.

Adjusted treasury rate means, with respect to any redemption date:

the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the comparable treasury issue (if no maturity is within three months before or after the remaining life, yields for the two published maturities most closely corresponding to the comparable treasury issue will be determined and the treasury rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month); or

if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated (on a day count basis) of the comparable treasury issue, calculated using a price for the comparable treasury issue (expressed as a percentage of its principal amount) equal to the comparable treasury price for such redemption date.

The treasury rate will be calculated on the third Business Day preceding the date fixed for redemption.



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Comparable treasury issue means the U.S. Treasury security selected by the quotation agent as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such notes.

Comparable treasury price means, with respect to any redemption date, (1) the average of five reference treasury dealer quotations for such redemption date, after excluding the highest and lowest reference treasury dealer quotations, or (2) if the quotation agent obtains fewer than five such reference treasury dealer quotations, the average of all such quotations.

Quotation agent means J.P. Morgan Securities Inc., or such other agent as appointed by TI Capital or Telecom Italia, or, if these firms are unwilling or unable to select the comparable treasury issue, an independent investment banking institution of national standing appointed by TI Capital or Telecom Italia.

Reference treasury dealer means:

J.P. Morgan Securities Inc. or its affiliates which are primary U.S. Government securities dealers, or their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a **primary treasury dealer**), TI Capital will substitute such reference treasury dealer with another primary treasury dealer; and

any three primary treasury dealers selected by the quotation agent after consultation with TI Capital or Telecom Italia.

Reference treasury dealer quotations means with respect to each reference treasury dealer and any redemption date, the average, as determined by the quotation agent, of the bid and asked prices for the comparable treasury issue (expressed in each case as a percentage of its principal amount) quoted in writing to the quotation agent by such reference treasury dealer at 3:30 p.m. (New York City time) on the third Business Day preceding such redemption date.

Remaining scheduled payments means, with respect to each note to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related redemption date but for such redemption; provided, however, that, if that redemption date is not an interest payment date with respect to such notes, the amount of the next succeeding scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to that redemption date.

If less than all of a series of notes is to be redeemed at any time, selection of notes for redemption will be made by the trustee on a pro rata basis, by lot or by such method as the trustee deems fair and appropriate; provided that notes with a principal amount of \$2,000 will not be redeemed in part.

TI Capital will give DTC a notice of redemption at least 30 but not more than 60 days before the redemption date. If any notes are to be redeemed in part only, the notice of redemption that relates to such notes will state the portion of the principal amount thereof to be redeemed. A new note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original note.

Unless TI Capital defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the notes or portions thereof called for redemption.

## **Optional Tax Redemption**

In the event of various tax law changes after the date of this prospectus supplement and other limited circumstances that require us to pay additional amounts, as described in the accompanying prospectus under **Description of Debt Securities and Guarantees Payment of Additional Amounts**, we may call all, but not less

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than all, of the notes for redemption. This means we may repay them early. You have no right to require us to call the notes. We discuss our ability to redeem the notes in greater detail under **Description of Debt Securities and Guarantees** **Optional Tax Redemption** in the accompanying prospectus.

### **Book-Entry, Delivery and Form**

The notes will be issued in the form of one or more global notes deposited with, or on behalf of, DTC and registered in the name of Cede & Co., as nominee of DTC. See **Description of the Debt Securities and Guarantees** **Book Entry System** and **Clearance and Settlement** in the accompanying prospectus.

### **Same-Day Settlement and Payment**

Settlement for the notes will be made by the underwriters in immediately available funds. All payments of principal and interest will be made in immediately available funds.

### **Trustee**

See **Description of Debt Securities and Guarantees** **Regarding the Trustee** and **Description of Debt Securities and Guarantees** **Events of Default** in the accompanying prospectus for a description of the trustee's procedures and remedies available in the event of default.

### **Transfer Restrictions**

You understand that an investor in the notes offered hereunder must be resident for income tax purposes in one of the countries listed in the Decree of the Ministry of Finance of Italy of September 4, 1996, as amended. Accordingly, upon agreeing to purchase any notes offered hereunder, you are deemed to represent and agree that you are resident for income tax purposes in one of the 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](http://www.finanze.it). 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), including under its guarantee of amounts payable on the notes, and Telecom Italia is 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 **Payment of Additional Amounts** .

The following is the current exclusive list of countries or territories where, if the notes were held by residents for income tax purposes of such countries or territories, and Telecom Italia were to become the obligor on the notes, including under its guarantee of amounts payable on the notes, Telecom Italia would have an obligation to gross up payments in the event of a withholding on any payments on the notes (if and only if an investor provides the required certifications under applicable Italian tax requirements) subject to the limitations set forth under **Description of Debt Securities and Guarantees** **Payment of Additional Amounts** in the accompanying prospectus): Albania, Algeria, Argentina, Australia, Austria, Bangladesh, Belarus, Belgium, Brazil, Bulgaria, Canada, China (People's Republic), Croatia, Czech Republic, Denmark, Ecuador, Egypt, Estonia, Finland, France, Germany, Greece, Hungary, India, Indonesia, Ireland, Israel, Ivory Coast, Japan, Kazakhstan, Kuwait, Lithuania, Luxembourg, Macedonia, Malta, Mauritius, Mexico, Morocco, The Netherlands, New Zealand, Norway, Pakistan, Philippines, Poland, Portugal, Romania, Russian Federation, Singapore, Slovakia, Slovenia, South Africa, South Korea, Spain, Sri Lanka, Sweden, Tanzania, Thailand, Trinidad and Tobago, Tunisia, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States of America, Venezuela, Vietnam, Yugoslavia and Zambia. The list of countries included in the Decree of the Ministry of

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Finance of Italy of September 4, 1996 is expected to be replaced in the future by a new list attached to a ministerial decree yet to be issued. If a holder of the notes is not resident in one of the countries that will be identified in the forthcoming decree, that holder will not have a right to receive a gross- up in the event of a tax withholding as described above. Accordingly, noteholders will bear the risk of changes in the list of countries that will be included in the forthcoming decree. See Risk Factors If Telecom Italia were to become obligor on the notes, by substitution with the issuer or otherwise, including under its guarantee, Telecom Italia would have no obligation to gross up payments to noteholders not resident in countries or territories with a sufficient exchange of information with Italy or to provide notice of any change in the exclusive list of such countries and territories.

You also understand the notes have not been and will not be offered, sold or delivered in Italy or to investors resident in Italy. Investors resident in Italy for tax purposes may suffer adverse tax consequences from holding the notes and in connection therewith there is no obligation for either TI Capital or Telecom Italia to gross up any payment on the notes made to Italian investors. See also Notice to Investors in Italy .

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**CERTAIN TAX CONSIDERATIONS**

The following description of certain tax considerations supplements and, as relevant, amends the description under the heading "Certain Tax Considerations" in the accompanying prospectus.

**Holders should consult their own tax advisors concerning the consequences, in their particular circumstances, under the U.S. Internal Revenue Code of 1986, as amended, and the laws of any other taxing jurisdiction, including Luxembourg and Italy, of the ownership of the notes.**

**United States Federal Income Tax Considerations**

As described above in "Description of Notes and Guarantees—Redemption at TI Capital's Option", TI Capital has the right to redeem the notes beginning on December 21, 2010. As a result, TI Capital may redeem the notes for a price which may exceed the face amount of the notes plus accrued but unpaid interest. If the United States Internal Revenue Service were to find that the exercise of TI Capital's option to redeem the notes was not a remote contingency, it might maintain that the notes are subject to the contingent payment debt instrument rules of Treas. Reg. Sec. 1.1275-4 (the "CPDI rules"). In this case, United States Holders, as defined in the accompanying prospectus, may be required to accrue original issue discount on the notes for United States federal income tax purposes based on a comparable yield for the notes and a projected payment schedule determined pursuant to the CPDI rules and to treat any gain recognized on a sale or other taxable disposition as ordinary income. The comparable yield and projected payment schedule cannot be determined at this time. We intend to take the position that for United States federal income tax purposes, the CPDI rules do not apply to the notes.

**Luxembourg Tax Considerations**

The statements herein regarding taxation in Luxembourg are based on the laws in force in the Grand Duchy of Luxembourg as of the date of this prospectus supplement and are subject to any changes in law. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own, exchange or dispose the notes.

**Withholding Tax**

All payments of interest and principal by TI Capital in the context of the holding, disposal, redemption or repurchase of the debt securities can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to:

(i) the application of the Luxembourg laws of June 21, 2005 implementing the European Union Savings Directive (Council Directive 2003/48/EC) and several agreements concluded with certain dependent or associated territories and providing for the possible application of a withholding tax (20% from July 1, 2008 to June 30, 2011 and 35% from July 1, 2011) on interest paid to certain non-Luxembourg resident investors (individuals and certain types of entities called "residual entities" within the meaning of Article 4.2 of the EU Savings Directive (i.e., entities which are not legal persons (the Finnish and Swedish companies listed in Article 4.5 of the EU Savings Directive are not considered as legal persons for this purpose), whose profits are not taxed under the general arrangements for the business taxation, that are not and have not opted to be treated as UCITS recognised in accordance with the Council Directive 85/611/EEC)), in the event of TI Capital appointing a paying agent in Luxembourg within the meaning of the above-mentioned directive if the beneficial owner does not comply with specified information reporting procedures (see "EU Savings Directive" below) or agreements;

(ii) the application as regards Luxembourg resident individuals (in the context of their private wealth) or certain residual entities that secure interest payments on behalf of such individuals of the Luxembourg law of 23 December 2005 which has introduced a 10% final withholding tax on savings income (i.e. with

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certain exemptions, savings income within the meaning of the Luxembourg laws of June 21, 2005 implementing the European Union Savings Directive). This law applies to savings income acc