TELECOM ITALIA S P A
Form 6-K
November 30, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

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

UNDER THE SECURITIES EXCHANGE ACT OF 1934

FOR THE MONTH OF NOVEMBER 2009

Telecom Italia S.p.A.

(Translation of registrant s name into English)

Piazza degli Affari 2

20123 Milan, Italy

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F: FORM 20-F x FORM 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ¨

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. YES ¨ NO x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-____

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The present document has been translated from the document issued and filed in Italy, from the Italian into the English language solely for the convenience of international readers. Despite all the efforts devoted to this translation, certain errors, omissions or approximations may subsist. Telecom Italia, its representatives and employees decline all responsibility in this regard.

Cautionary Statement for Purposes of the Safe Harbor Provisions of the United States Private Securities Litigation Reform Act of 1995

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for 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 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;
- 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;

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- 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.

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In the event of a discrepancy, the Italian-language version prevails.

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Key Operating and Financial Data

Telecom Italia Group

Highlights on the first nine months of 2009

Organic EBITDA and EBITDA margin

The effectiveness of actions to revise the composition of revenues and efficiency and control over expenses, aimed at containing cash costs, developed as part of the path outlined for the Group s transformation indicated in the Industrial Plan 2009-2011, is confirmed by the organic EBITDA margin trend and the organic consolidated EBITDA for the third quarter of 2009 and for the first nine months of 2009.

The organic consolidated EBITDA margin, in particular, shows an appreciable improvement, reaching 44.2% for the third quarter of 2009 (42.5% in the first quarter of 2009, 41.3% in the second quarter of 2009), while total EBITDA is basically stable compared to the corresponding period of the prior year (2,990 million euros, 3,002 million euros for the third quarter of 2008).

Such results put the Telecom Italia Group among the top performers in the TLC sector.

Operating cash flow and financial discipline

The above indicated efficiency measures for revenues and costs, combined with strict financial discipline, brought operating cash flow to 3.9 billion euros for the first nine months of 2009, about 500 million euros more than in the corresponding period of 2008.

Profit before tax from continuing operations

Effective financial management together with the positive trend of operating management resulted in an increase in profit before tax of 419 million euros (+18.6%) compared to the first nine months of 2008.

BroadBand business in Germany

For the third quarter of 2009, owing to the planned sale of the BroadBand business in Germany, HanseNet was classified in Discontinued operations while the other companies in the European BroadBand Business Unit have become part of Other operations. Consequently, disclosure for that operating segment is no longer presented and for comparison purposes the income statement and the cash flow data has been restated for the various periods under comparison.

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The main financial and operating indicators performed as follows for the first nine months of 2009:

Consolidated organic **revenues**: are 20,194 million euros. The organic change [(1)] is -4.4% compared to the same period of the prior year. In particular:

the organic reduction of **Domestic revenues** is 5.4%: although National Wholesale revenues grew (+17.4%), retail revenues contracted as a result of competition and the macroeconomic trend which caused a decrease in revenues of 4.0% in the Top Clients Division, 9.3% in the Business Division and 7.5% in the Consumer Division.

This variation was determined by a reduction of the revenues of the mobile segment (-8.3%) and a contraction of the revenues in the fixed segment (-1.8%);

the organic growth of **revenues in Brazil** is 1.0%. Steps for reorganization continued and the sales relaunch plan was implemented. VAS and product revenues, in particular, recorded a good performance, driven by the growth of the customer base which, after a contraction in the first quarter, recorded, starting from the second quarter, a positive change (+1.7 million lines in the second quarter compared to the first quarter, +1.8 million lines in the third quarter compared to the second quarter).

(1) The organic change in Revenues, EBITDA and EBIT is calculated by excluding the effects of the change in the scope of consolidation, exchange differences and non-organic components constituted by non-recurring items and other non-organic income/expenses.

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Organic consolidated **EBITDA**: thanks partly to the structural revision of the composition of revenues which favored higher-margin services and the efficiency and control actions put into place over all cost variables, in line with the operating cost reductions announced with the Group s Plan 2009/2011, the organic consolidated EBITDA margin shows a considerable improvement arriving at 44.2% for the third quarter of 2009 (42.5% in the first quarter of 2009, 41.3% in the second quarter of 2009). Organic consolidated EBITDA in absolute terms, on the other hand, is basically stable against the same periodo of the last year (2,990 million euros for the third quarter of 2009, 3,002 million euros in the same period of the prior year).

The positive performance of the third quarter of 2009 is also reflected in the year-to-date figures for the first nine months of the year. The percentage margin rose by 1.8 percentage points over the first nine months of 2008, from 40.9% to 42.7%, and, in absolute terms, organic EBITDA is basically stable against the same period of 2008 (8,614 million euros for the first nine months of 2009 compared to 8,646 million euros for the first nine months of 2008).

Organic consolidated **EBIT**: is 4,430 million euros for the first nine months of 2009. The organic change is -0.5% compared to the first nine months of 2008.

The organic consolidated **EBIT margin**: is 21.9% for the first nine months of 2009, with a gain of 0.8% points over the same period of the prior year.

Finance income/expenses and income taxes: the financial component, investment management and the associates accounted for by the equity method record an overall improvement of 271 million euros.

Income taxes increased by 449 million euros: excluding the benefit of 515 million euros for deferred income taxes reversed to income on accelerated depreciation taken in prior years, income taxes decreased by 66 million euros.

Profit for the period attributable to owners of the Parent: is 1,165 million euros and decreased by 578 million compared to the first nine months of 2008. The reduction is mainly due to the impairment loss on goodwill on the BroadBand business in Germany recorded for 540 million euros in order to reduce the carrying amount of HanseNet to its estimated sales value.

Net operating free cash flow: is 3,932 million euros and improved by 515 million euros compared to the first nine months of 2008. This is the consequence of a stable operating margin and the effectiveness of measures aimed at controlling costs and monitoring and selecting capital expenditure projects. Capital expenditures, in particular, decreased by 730 million euros (-19.6%) compared to the first nine months of 2008, which had included 477 million euros for the acquisition of the 3G license in Brazil.

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Adjusted net financial debt: the volatility of interest rates and exchange rates which were a distinguishing feature of the financial markets in the fourth quarter of 2008, had a sharp impact on the fair value of derivatives and related financial assets and liabilities. In order to present a more realistic analysis of net financial debt, starting with the Half-Yearly Financial Report at June 30, 2009, a new performance measure has been introduced denominated adjusted net financial debt which excludes effects that are merely accounting and non-monetary deriving from the fair value measurement of derivatives and the correlated financial assets and liabilities.

At September 30, 2009, adjusted net financial debt amounts to 35,093 million euros, increasing by 567 million euros compared to December 31, 2008 (34,526 million euros) and by 234 million euros compared to June 30, 2009. This increase reflects the payment of income taxes for 1.3 billion euros in the third quarter of 2009, countered by positive operating cash flows.

Liquidity margin: amounts to 5.9 billion euros at September 30, 2009. During the first nine months of 2009, the situation of the European and United States financial markets made it possible to issue new bonds and obtain new loans at advantageous conditions. In addition, 6.5 billion euros of available irrevocable long-term credit lines (expiring in 2014) is available, not subject to events which limit its utilization. In the present environment of financial market uncertainty, the Telecom Italia Group keeps a high level of financial coverage in order to have a sufficient treasury margin at its disposal to meet debt repayment obligations over the next 18 to 24 months.

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Consolidated Operating and Financial Data

(millions of euros)	3rd Quarter 2009	3rd Quarter 2008	9 months to 9/30/2009	9 months to 9/30/2008	Change %
Revenues	6,764	7,273	20,188	21,520	(6.2)
EBITDA [1]	2,979	3,011	8,526	8,398	1.5
EBIT [1]	1,608	1,579	4,293	4,145	3.6
Profit before tax from continuing operations	1,069	856	2,676	2,257	18.6
Profit from continuing operations	748	499	1,707	1,737	(1.7)
Profit (loss) from Discontinued operations/Non-current assets held for sale	(541)	120	(559)	(33)	°
Profit for the period	207	619	1,148	1,704	(32.6)
Profit for the period attributable to owners of the Parent	201	626	1,165	1,743	(33.2)
Investments:					
Industrial	1,076	952	2,998	3,728	(19.6)
Financial		1	4	1	°

Consolidated Financial Position Data

(millions of euros)	9/30/2009	12/31/2008 Restated (*)	Change	12/31/2008 Historical Restated
Total assets	84,041	86,223	(2,182)	85,650
Total equity	26,989	26,825	164	26,825
- attributable to owners of the Parent	26,136	26,095	41	26,095
- attributable to Minority Interest	853	730	123	730
Total liabilities	57,052	59,398	(2,346)	58,825
Total equity and liabilities	84,041	86,223	(2,182)	85,650
Share capital	10,585	10,591	(6)	10,591
Net financial debt carrying amount [1]	35,506	34,039	1,467	34,039
Adjusted Net financial debt [1]	35,093	34,526	567	34,526
Adjusted Net invested capital [2]	62,082	61,351	731	61,351
Debt Ratio (Adjusted net financial debt /Adjusted net invested capital)	56.5%	56.3%	(0.2) pp	56.3%

Headcount, number in the Group at period-end [3]

(number)	9/30/2009	12/31/2008 Restated (*)	Change	12/31/2008 Historical Restated
Headcount (excluding headcount of Discontinued operations/Non-current assets held for sale)	72,560	75,320	(2,760)	77,825
Headcount of Discontinued operations/Non-current assets held for sale	2,283	2,505	(222)	

Headcount, average number in the Group [(3)]

(equivalent number)	9 months to 9/30/2009	9 months to 9/30/2008	Change
Headcount (excluding headcount of Discontinued operations/Non-current assets held for sale)	70,574	73,746	(3,172)
Headcount of Discontinued operations/Non-current assets held for sale	2,231	3,580	(1,349)

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Consolidated Profit Ratios

	3rd Quarter 2009	3rd Quarter 2008	9 months to 9/30/2009	9 months to 9/30/2008	Change
EBITDA(1) / Revenues	44.0%	41.4%	42.2%	39.0%	3.2 pp
EBIT(1) / Revenues (ROS)	23.8%	21.7%	21.3%	19.3%	2.0 pp
Revenues/Headcount (average number in the Group, thousands of euros)			286.0	291.8	(5.8)
EBITDA(1) /Headcount (average number in the Group, thousands of euros)			120.8	113.9	6.9

Operating Data

	9/30/2009	12/31/2008	Change
Fixed-line network connections in Italy at period-end (thousands)	18,854	20,031	(1,177)
Physical accesses at period-end (Consumer + Business) (thousands)	16,358	17,352	(994)
Mobile lines in Italy at period-end (thousands)	31,921	34,797	(2,876)
Mobile lines in Brazil at period-end (thousands)	39,600	36,402	3,198
BroadBand connections in Italy at period-end (thousands)	8,567	8,134	433
of which retail broadband connections (thousands)	6,921	6,754	167

(*) For purposes of comparison, the figures at December 31, 2008 have been restated by considering HanseNet Telekommunikation GmbH in Discontinued operations/Non-current assets held for sale.

(1) Details are provided in the section Alternative Performance Measures .

(2) Adjusted net invested capital = Total equity + Adjusted net financial debt.

(3) Headcount includes the number of people with temp work contracts.

The Telecom Italia Group Interim Report at September 30, 2009 has been prepared as set out in art. 154-ter (Financial Reports) of Legislative Decree 58/1998 (Consolidated Law on Finance TUF), and subsequent amendments and additions, as well as Consob Communication DEM/8041082 of April 30, 2008 (Quarterly Corporate Reports issued by Companies whose Shares are Listed in Italy as the Original Member State).

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

In the preparation of the Interim Report, the same accounting policies and consolidation principles have been adopted as those used in the preparation of the annual consolidated financial statements of the Telecom Italia Group at December 31, 2008, to which reference can be made, except for new standards and interpretations adopted by the Group beginning January 1, 2009 and previously described in the annual report 2008.

Moreover:

following the retrospective application of IFRIC 13 (Customer Loyalty Programmes), the comparative figures for the year 2008 have been restated. Additional details are provided in the paragraph Effects of the application of IFRIC 13 (Customer Loyalty Programmes) on the principal operating and financial data of the Telecom Italia Group ;

with the application of IFRS 8, the term operating segment is considered synonymous with the term business unit used in this Interim Report.

The Telecom Italia Group, in addition to the conventional financial performance measures established by IFRS, uses certain alternative performance measures in order to present a better understanding of the trend of operations and financial condition. Specifically, these alternative performance measures refer to: EBITDA, EBIT, the organic change in revenues, EBITDA and EBIT, and net financial debt carrying amount and adjusted net financial debt. Additional details on such measures are presented under Alternative performance measures .

Furthermore, particularly the section entitled Business Outlook for the Year 2009 contains forward-looking statements. The Interim Report is based on the Group s intentions, beliefs or current expectations regarding financial performance and other aspects of the Group s operations and strategies. Readers are reminded not to place undue reliance on forward-looking statements; actual results may differ significantly from forecasts owing to numerous factors, to be considered also in relation to the uncertainties connected with the financial market crisis, the majority of which is beyond the scope of the Group s control.

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PRINCIPAL CHANGES IN THE SCOPE OF CONSOLIDATION

During the third quarter of 2009, owing to its planned sale, the investment in HanseNet Telekommunikation GmbH (operating in the broadband business in Germany) was classified in Discontinued operations (Discontinued operations/Non-current assets held for sale).

In accordance with IFRS 5 (Non-current assets held for sale and discontinued operations), the results of operations of the company for the first nine months of 2009 and the third quarter of 2009, in addition to the corresponding periods of 2008, are presented in a specific line in the separate consolidated income statement Profit (loss) from Discontinued operations/Non-current assets held for sale while the balance sheet figures at September 30, 2009 are presented in two separate lines of the consolidated statement of financial position.

Beginning May 1, 2009, the company Telecom Media News S.p.A. has been excluded from the scope of consolidation following the sale of a 60% stake by Telecom Italia Media S.p.A..

The following principal changes had taken place during 2008:

- *the exclusion of Entel Bolivia starting from the second quarter of 2008 after the Bolivian government issued a decree on May 1, 2008 calling for the nationalization of the company. The investment is now carried in Current assets;*
- *the exclusion of the Pay-per-View business segment from December 1, 2008 after its disposal by Telecom Italia Media S.p.A..*

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Corporate Boards at September 30, 2009

Board of Directors

The board of directors of Telecom Italia was elected by the shareholders meeting held on April 14, 2008 for three years, up to the approval of the 2010 annual financial statements, and is composed of 15 directors.

The composition of the board of directors of the Company at September 30, 2009 is as follows:

Chairman	Gabriele Galateri di Genola
Chief Executive Officer	Franco Bernabè
Directors	César Alierta Izuel
	Paolo Baratta (independent)
	Tarak Ben Ammar
	Roland Berger (independent)
	Elio Cosimo Catania (independent)
	Stefano Cao (*)
	Jean Paul Fitoussi (independent)
	Berardino Libonati
	Julio Linares López
	Gaetano Micciché
	Aldo Minucci
	Renato Pagliaro
	Luigi Zingales (independent)
Secretary to the Board	Antonino Cusimano

(*) Co-opted by the board of directors on February 27, 2009 to replace Gianni Mion, who resigned, and subsequently appointed a director by the shareholders meeting held on April 8, 2009 up to the expiry of the term of office of the board of directors (the approval of the financial statements for the year ended December 31, 2010).

The board of directors formed the following internal committees:

Executive Committee, composed of: Gabriele Galateri di Genola (Chairman), Franco Bernabè, Roland Berger, Elio Cosimo Catania, Julio Linares López, Aldo Minucci, Stefano Cao (appointed by the board of directors meeting held on May 7, 2009, to replace Gianni Mion) and Renato Pagliaro;

Committee for Internal Control and Corporate Governance, composed of: Paolo Baratta (Chairman), Roland Berger, Jean Paul Fitoussi and Aldo Minucci;

Nomination and Remuneration Committee, composed of: Elio Cosimo Catania (Chairman), Berardino Libonati and Luigi Zingales.

Board of Statutory Auditors

The board of statutory auditors of Telecom Italia was elected by the shareholders meeting held on April 8, 2009 and will remain in office until approval of the 2011 annual financial statements.

The new board of statutory auditors is composed as follows:

Chairman	Enrico Maria Bignami
Acting Auditors	Gianluca Ponzellini
	Lorenzo Pozza
	Salvatore Spiniello
	Ferdinando Superti Furga
Alternate Auditors	Silvano Corbella
	Maurizio Lauri
	Vittorio Giacomo Mariani
	Ugo Rock

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Independent Auditors

The independent auditors are Reconta Ernst & Young S.p.A. up to the audit of the 2009 annual financial statements.

Manager Responsible for Preparing Corporate Financial Reports

Marco Patuano (Head of the Group Administration, Finance and Control Function) is the Manager Responsible for Preparing Corporate Financial Reports of Telecom Italia.

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Macro-Organization Chart at September 30, 2009

Telecom Italia Group

Note should be taken that:

- beginning October 8, 2009, in Domestic Market Operations, the Business Innovation structure has been abolished. Starting on the same date, the BroadBand Content function has been established and is headed by Luca Tomassini.

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Information for Investors

Telecom Italia S.p.A. share capital at September 30, 2009

Share capital	10,673,804,177.85 euros
Number of ordinary shares (par value 0.55 euros each)	13,380,796,026
Number of savings shares (par value 0.55 euros each)	6,026,120,661
Number of Telecom Italia ordinary treasury shares	37,672,014
Number of Telecom Italia ordinary shares held by Telecom Italia Finance S.A.	124,544,373
Percentage of treasury shares held by the Group to share capital	0.84%
Market capitalization (based on September 2009 average prices)	21,139 million euros

Shareholders

Composition of Telecom Italia S.p.A. shareholders according to the Shareholders Book at September 30, 2009, supplemented by communications received and other sources of information (ordinary shares)

In reference to the Shareholders Agreement among Telco shareholders which will expire on April 28, 2010, on October 28, 2009, that is, with at least six months notice before the expiration date, Sintonia has exercised its right to request to withdraw from the agreement according to art. 11 of the Shareholders Agreement signed on April 28, 2007. On the same date, the other shareholders communicated that:

- they will not exercise the right to request, in October, to withdraw according to art. 11 of the Shareholders Agreement signed on April 28, 2007;

- they have agreed, as from that time, to renew the Shareholders Agreement for three years, that is, until April 27, 2013, at the terms and conditions in force, with the right to request the termination of the agreement and the relative withdrawal via communication to be sent between October 1, and October 28, 2012;

- they have also agreed that the renewed Shareholders Agreement shall provide for the right of early termination and relative request of withdrawal to be communicated in the period between April 1, and April 28, 2011, with execution within the following six months.

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The shareholders also agreed that for the purpose of Sintonia s withdrawal from the agreement, they could take into consideration, in accord with Sintonia, technical forms other than withdrawal, with the understanding that the common objective is to complete the exit in the shortest technical time, possibly by the end of November.

Major holdings in share capital

At September 30, 2009, taking into account the results in the Shareholders Book, communications sent to CONSOB and the Company pursuant to Legislative Decree 58 dated February 24, 1998, art. 120 and other sources of information, the principal shareholders of Telecom Italia S.p.A. ordinary share capital are as follows:

Holder	Type of ownership	% stake in ordinary share capital
Telco S.p.A.	Direct	24.50%
Findim Group S.A.	Direct	5.01%

Furthermore, the following companies, as investment advisory firms, notified CONSOB that they are in possession of Telecom Italia S.p.A. ordinary shares:

Brandes Investment Partners LP: on July 23, 2008, for a quantity of ordinary shares equal to 4.024% of total Telecom Italia S.p.A. ordinary shares;

Alliance Bernstein LP: on November 14, 2008, for a quantity of ordinary shares equal to 2.069% of total Telecom Italia S.p.A. ordinary shares;

Barclays Global Investors UK Holdings LTD: on August 21, 2009, for a quantity of ordinary shares equal to 2.009% of total Telecom Italia S.p.A. ordinary shares.

Common representatives

Carlo Pasteris is the common representative of the savings shareholders for the years 2007 2009. Francesco Pensato is the common representative of the bondholders for the following bonds:

Telecom Italia S.p.A. 1.5% 2001-2010 convertible bonds with a repayment premium (with a mandate until maturity);

Telecom Italia S.p.A. 2002-2022 bonds at floating rates, open special series, reserved for subscription by employees of the Telecom Italia Group, in service or retired (with a mandate for the three-year period 2008-2010);

Telecom Italia S.p.A. 750,000,000 euros, 4.50% notes due 2011 (with a mandate for the three-year period 2009-2011 and, therefore, up to maturity);

Telecom Italia S.p.A. 1,250,000,000 euros 5.375% notes due 2019 (with a mandate for the three-year period 2009-2011).

Telecom Italia Group

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Performance of the stocks of the major companies in the Telecom Italia Group
Relative performance by Telecom Italia S.p.A.

1/1/2009 9/30/2009 vs. FTSE Italy All-Shares Index and Dow Jones Stoxx TLC Index

(*) Stock market prices. Source: Reuters.

Relative performance by Telecom Italia Media S.p.A.

1/1/2009 9/30/2009 vs. FTSE Italy All-Shares Index and Dow Jones Stoxx MEDIA Index

(*) Stock market prices. Source: Reuters.

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Relative performance by Tim Participações S.A.

1/1/2009 9/30/2009 vs. BOVESPA Index and ITEL Index (in Brazilian reais)

(*) Stock market prices. Source: Reuters.

The ordinary and savings shares of Telecom Italia S.p.A. and the preferred shares of Tim Participações S.A. are listed on the New York Stock Exchange (NYSE). Telecom Italia S.p.A. shares are listed with ordinary and savings American Depositary Shares (ADS) representing, respectively, 10 ordinary shares and 10 savings shares.

Rating at September 30, 2009

	Rating	Outlook
STANDARD & POOR S	BBB	Stable
MOODY S	Baa2	Stable
FITCH RATINGS	BBB	Stable

Standard & Poor s, on July 29, 2009, confirmed its BBB rating of Telecom Italia with a stable *outlook* for the Group.

Moody s, on June 17, 2009, confirmed its Baa2 rating of Telecom Italia with a stable *outlook* for the Group.

Fitch Ratings, on June 12, 2009, confirmed its BBB rating of Telecom Italia with a stable *outlook* for the Group.

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Review of Operating and Financial Performance - Telecom Italia Group

Consolidated Operating Performance - First 9 months and 3rd Quarter 2009

The principal profit indicators for the first nine months of 2009 and the third quarter of 2009 compared with the corresponding periods of the prior year are as follows:

(millions of euros)	3rd Quarter 2009	3rd Quarter 2008	9 months to 9/30/2009 (a)	9 months to 9/30/2008 (b)	Change (a-b) amount	%	% organic
Revenues	**6,764**	**7,273**	**20,188**	**21,520**	(1,332)	(6.2)	(4.4)
EBITDA	**2,979**	**3,011**	**8,526**	**8,398**	128	1.5	(0.4)
EBITDA MARGIN	*44.0%*	*41.4%*	*42.2%*	*39.0%*	*+3.2 pp*		
ORGANIC EBITDA MARGIN	*44.2%*	*41.8%*	*42.7%*	*40.9%*	*+1.8 pp*		
EBIT	**1,608**	**1,579**	**4,293**	**4,145**	148	3.6	(0.5)
EBIT MARGIN	*23.8%*	*21.7%*	*21.3%*	*19.3%*	*+2.0 pp*		
ORGANIC EBIT MARGIN	*23.8%*	*22.1%*	*21.9%*	*21.1%*	*+0.8 pp*		
Profit before tax from continuing operations	**1,069**	**856**	**2,676**	**2,257**	419	18.6	
Profit from continuing operations	**748**	**499**	**1,707**	**1,737**	(30)	(1.7)	
Profit (loss) from discontinued operations/non-current assets held for sale	(541)	120	(559)	(33)	(526)	°	
Profit for the period	**207**	**619**	**1,148**	**1,704**	(556)	(32.6)	
Profit for the period attributable to owners of the Parent	**201**	**626**	**1,165**	**1,743**	(578)	(33.2)	

The following chart summarizes the main line items which had an impact on the profit attributable to owners of the Parent for the first nine months of 2009:

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Revenues

Revenues amount to 20,188 million euros for the first nine months of 2009, with a reduction of 6.2% compared to 21,520 million euros in the same period of 2008 (-1,332 million euros). In terms of the organic change, the reduction in consolidated revenues is 4.4% (-925 million euros).

In detail, the organic change in revenues is calculated by:

- excluding the effect of the change in the scope of consolidation (-55 million euros, mainly in reference to the exclusion of Entel Bolivia from the second quarter of 2008);

- excluding the effect of exchange differences (-370 million euros, being the sum of the negative exchange differences of the Brazil Business Unit [(1)], equal to -385 million euros, and the exchange differences of the other Business Units, equal to +15 million euros);

- excluding non-organic other revenues, equal to 6 million euros for the first nine months of 2009 (24 million euros for the first nine months of 2008).

The breakdown of revenues by operating segment is the following:

	9 months to 9/30/2009		9 months to 9/30/2008		Change		
(millions of euros)		***% of total***		***% of total***	**amount**	***%***	**% organic**
Domestic	16,233	*80.4*	17,119	*79.5*	(886)	(5.2)	(5.4)
Brazil	3,622	*17.9*	3,973	*18.5*	(351)	(8.8)	1.0
Media, Olivetti and Other Operations	498	*2.5*	638	*3.0*	(140)	(21.9)	
Adjustments and Eliminations	*(165)*	*(0.8)*	*(210)*	*(1.0)*	*45*	*(21.4)*	
Total consolidated revenues	**20,188**	*100.0*	***21,520***	*100.0*	(1,332)	(6.2)	(4.4)

The following chart summarizes the changes in revenues in the periods under comparison:

The Domestic Business Unit (divided into Core Domestic and International Wholesale) has suffered overall from the negative market scenario in the last nine months, although the reduction in fixed telephone market revenues was less affected that the mobile telephone business where revenues have fallen compared to the previous quarters.

(1) The average exchange rate used to translate the Brazilian real to euro (expressed in terms of units of local currency per 1 euro), is equal to 2.83709 for the first nine months of 2009 and 2.56184 for the first nine months of 2008. The effect of the change in the exchange rates is calculated applying, to the period under comparison, the foreign currency translation rates used for the current period.

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In particular, the change in Core Domestic Revenues (telecommunications activities regarding the domestic market, in its new representation by sales business segment reported below) during the first nine months of 2009 reflects the following:

a contraction in Consumer segment revenues (-674 million euros, -7.5%), largely attributable to business areas with low margins (in particular: mobile segment product revenues -220 million euros and mobile segment content revenues -50 million euros,) while growth was reported for BroadBand in both fixed (+86 million euros, +13%) and mobile (+51 million euros, +21%) areas;

a fall in Business segment revenues (-289 million euros, -9.3%), which, to a greater extent than the other markets, was hurt by the decline in consumption owing to the aforementioned economic picture and the contrasting impact of competition in the fixed telephony area, particularly regarding Telecom Italia s customer win-back procedure. Nevertheless, positive trends have been consolidated in these circumstances such as the stability of fixed internet revenues and the steady growth of mobile browsing revenues;

a limited reduction in the Top segment (-4.0%) driven by strong growth in ICT solutions and packages (+15.2%), a stable mobile area and a fall in fixed business;

a significant increase in the National Wholesale segment (+224 million euros, +17.4% in organic terms) generated by the growth of the customer base of alternative operators.

As for the growth of the Brazil Business Unit revenues, the increase in organic revenues is 1.0% thanks to the good trend in VAS and product revenues, buoyed by the expansion of the customer base (+3.2 million lines compared to the end of 2008).

For the third quarter of 2009, revenues are equal to 6,764 million euros (7,273 million euros for the third quarter of 2008), with a decrease of 7.0% compared to the corresponding period of 2008. Excluding the exchange effect (-97 million euros, mainly referring to the Brazil Business Unit) and the change in the scope of consolidation (-2 million euros), the organic change in revenues is -5.6%.

For an in-depth analysis of revenue performance by individual Business Unit, please refer to the section The Business Units of the Telecom Italia Group .

EBITDA

EBITDA is equal to 8,526 million euros and increased, compared to the corresponding period of 2008, by 128 million euros (+1.5%). The organic change in EBITDA is basically stable (-32 million euros, -0.4%).

The EBITDA margin went from 39.0% for the first nine months of 2008 to 42.2% for the first nine months of 2009; at the organic level, the organic EBITDA margin is 42.7% for the first nine months of 2009 with an increase of 1.8 percentage points compared to the same period of the prior year (40.9%).

Details of EBITDA and EBITDA margins by operating segment are as follows:

	9 months to 9/30/2009		**9 months to 9/30/2008**		**Change**		
(millions of euros)		***% of total***		***% of total***	**amount**	**%**	**% organic**
Domestic	7,712	90.5	7,573	*90.2*	139	1.8	*(1.8)*
EBITDA margin	*47.5%*		*44.2%*		*+3.3 pp*		*+1.7 pp*
Brazil	849	10.0	875	*10.4*	(26)	(3.0)	11.5
EBITDA margin	*23.5%*		*22.0%*		*+1.5 pp*		*+2.3 pp*

Media, Olivetti and Other Operations	(28)	(0.3)	(40)	*(0.5)*	12	(30.0)	
Adjustments and Eliminations	*(7)*	*(0.2)*	*(10)*	*(0.1)*	*3*	*(30.0)*	
Total consolidated EBITDA	**8,526**	*100.0*	**8,398**	*100.0*	128	1.5	(0.4)
EBITDA margin	*42.2%*		*39.0%*		*+3.2 pp*		*+1.8 pp*

The following chart summarizes the changes in EBITDA:

(Revenues and income) / costs and expenses excluded from the calculation of organic EBITDA are the following:

(millions of euros)	9 months to 9/30/2009	9 months to 9/30/2008	Change
Disputes and settlements	47	37	10
Costs for services of the Brazil Business Unit associated with the settlement of a dispute	22		22
Others, net	19	11	8
Expenses for mobility under Law 223/91		287	(287)
Total non-organic (revenues and income) / costs and expenses, net	**88**	**335**	**(247)**

For the third quarter of 2009, EBITDA is equal to 2,979 million euros (3,011 million euros for the third quarter of 2008), with a decrease of 1.1%. Organic EBITDA is basically steady (-12 million euros, -0.4%).

EBITDA was particularly impacted by the change in the following line items, analyzed below:

Acquisition of goods and services

Acquisition of goods and services stands at 8,362 million euros, with a reduction of 1,091 million euros (-11.5%) compared to the first nine months of 2008 (9,453 million euros) connected in part with the exchange rate effect, particularly that of the Brazil Business Unit (-220 million euros). In any case, the reductions are across all areas of expenses, particularly the portion of revenues to be paid to other operators and purchases of goods by the Domestic Business Unit.

In detail:

(millions of euros)	9 months to 9/30/2009	9 months to 9/30/2008	Change
Purchases of goods	1,285	1,695	(410)
Portion of revenues to paid to other operators and interconnection costs	3,223	3,755	(532)
Commercial and advertising costs	1,412	1,423	(11)
Power, maintenance and outsourced services	914	940	(26)
Rent and leases	429	426	3
Other service expenses	1,099	1,214	(115)
Total acquisition of goods and services	**8,362**	**9,453**	**(1,091)**
% of Revenues	*41.4*	*43.9*	*(2.5) pp*

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Employee benefits expenses

Details are as follows:

(millions of euros)	9 months to 9/30/2009	9 months to 9/30/2008	Change
Employee benefits expenses Italian companies:			
Ordinary employee costs and expenses	2,543	2,568	(25)
Expenses for mobility under Law 223/91		287	(287)
Total employee benefits expenses Italy	**2,543**	**2,855**	**(312)**
Total employee benefits expenses Foreign	**194**	**233**	**(39)**
Total employee benefits expenses	**2,737**	**3,088**	**(351)**
% of Revenues	*13.6*	*14.3*	*(0.7) pp*

In the Italian component of ordinary employee benefits expenses, the decrease of 25 million euros is the result of the reduction in the average number of the salaried workforce (-2,548 compared to the first nine months of 2008, at the same scope of consolidation) and is mainly offset by the effect of the June 2008 increase in minimum salaries established by the TLC collective national labor contract and estimated TLC labor contract expenses for the current year.

Employee benefits expenses for the first nine months of 2008 also included expenses amounting to 287 million euros for the start of mobility procedures under Law 223/91 by the Parent, Telecom Italia.

In the foreign component of employee benefits expenses, the decrease of 39 million euros is largely due to the reduction in the average number of the salaried headcount (-129 compared to 2008, net of the changes in the scope of consolidation), the exchange rate effect of the Brazil Business Unit (-18 million euros) and also the exclusion from the scope of consolidation of the Entel Bolivia group (-4 million euros).

The average number of the salaried workforce is the following:

(equivalent number)	9 months to 9/30/2009	9 months to 9/30/2008	Change
Average salaried workforce Italy	60,731	63,279	(2,548)
Average salaried workforce Foreign[1]	9,843	10,467	(624)
Total average salaried workforce [2]	**70,574**	**73,746**	**(3,172)**
Non-current assets held for sale Foreign[3]	2,231	3,580	(1,349)
Total average salaried workforce including Non-current assets held for sale	72,805	**77,326**	**(4,521)**

(1) The change compared to the first nine months of 2008 includes a reduction due to the exclusion of a 495 average headcount relating to the Entel Bolivia group.

(2) The total includes people with temp work contracts: 395 average headcount for the first nine months of 2009 (of whom a 350 average - Italy and a 45 average - foreign); a 1,132 average headcount for the first nine months of 2008 (of whom a 1,072 average - Italy and a 60 average - foreign).

(3) The first nine months of 2009 include the average salaried headcount of HanseNet (2,231); the first nine months of 2008 comprised the average salaried headcount of HanseNet (2,571) and the Liberty Surf group, sold at the end of August 2008 (1,009).

The headcount at September 30, 2009 is the following:

(number)	9/30/2009	12/31/2008	Change
Headcount Italy	62,485	64,242	(1,757)
Headcount Foreign	10,075	11,078	(1,003)
Total [1]	**72,560**	**75,320**	**(2,760)**

Non-current assets held for sale	Foreign	2,283	2,505	(222)
Total	including Non-current assets held for sale	**74,843**	**77,825**	**(2,982)**

(1) Includes headcount of employees with temp work contracts: 110 at 9/30/2009 (of whom 84 in Italy and 26 foreign) and 782 at 12/31/2008 (of whom 721 in Italy and 61 foreign).

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Other income

Details are as follows:

(millions of euros)	9 months to 9/30/2009	9 months to 9/30/2008	Change
Late payment fees charged for telephone services	53	67	(14)
Recovery of employee benefit expenses, acquisition of goods and services	33	37	(4)
Capital and operating grants	40	33	7
Damage compensation, penalties and sundry recoveries	18	53	(35)
Sundry income	40	25	15
Total	**184**	**215**	**(31)**

Other operating expenses

Other operating expenses amount to 1,078 million euros, with a decrease of 158 million euros compared to the first nine months of 2008 (1,236 million euros). The change is connected in part with the exchange effect of the Brazil Business Unit (-70 million euros).

Details are as follows:

(millions of euros)	9 months to 9/30/2009	9 months to 9/30/2008	Change
Writedowns and expenses in connection with credit management	391	504	(113)
Accruals to provisions	55	80	(25)
Telecommunications operating fees and charges	230	246	(16)
Taxes on revenues of Brazilian companies	194	216	(22)
Indirect duties and taxes	96	98	(2)
Penalties, settlement compensation and administrative sanctions	59	41	18
Association dues and fees, donations, scholarships and traineeships	19	18	1
Sundry expenses	34	33	1
Total	**1,078**	**1,236**	**(158)**

Writedowns and expenses in connection with credit management include 268 million euros referring to the Domestic Business Unit (260 million euros for the first nine months of 2008), 120 million euros to the Brazilian Business Unit (241 million euros for the first nine months of 2008, which recorded higher credit writedowns for one specific sales channel).

The accruals to provisions recorded mainly for pending disputes include 33 million euros referring to the Domestic Business Unit (47 million euros for the first nine months of 2008) and 18 million euros to the Brazilian Business Unit (28 million euros for the first nine months of 2008).

Penalties, settlement compensation and administrative sanctions refer entirely to the Domestic Business Unit; for the first nine months of 2009, the amount also includes expenses in connection with a settlement with another operator.

Depreciation and amortization

Details are as follows:

(millions of euros)	9 months to 9/30/2009	9 months to 9/30/2008	Change
Amortization of intangible assets with a finite useful life	1,676	1,747	(71)
Depreciation of tangible assets owned and leased	2,502	2,525	(23)
Total	**4,178**	**4,272**	**(94)**

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The reduction in depreciation and amortization is mainly in connection with the Domestic Business Unit (-33 million euros) and, for the remaining balance, the net effect between the change in the Brazilian real/euro exchange rate (-78 million euros) and higher depreciation and amortization by the Brazil Business Unit.

Net losses on disposals of non-current assets

Net losses on disposals of non-current assets total 55 million euros and principally include:

the negative impact for a total of 39 million euros connected with the final divestiture of the platform for credit management of the fixed consumer clientele of the Domestic Business Unit. In the first half of 2009, the platform had been written down by 48 million euros, now reduced to 39 million euros following a more exact analysis of the assets effectively written down;

the negative impact for a total of 11 million euros connected with the sale of a 60% stake in Telecom Media News S.p.A. by Telecom Italia Media S.p.A.

For the first nine months of 2008, this item included net gains of 25 million euros principally in reference to the sale of buildings.

EBIT

EBIT is 4,293 million euros, with an increase of 148 million euros compared to the first nine months of 2008 (+3.6%). The organic change in EBIT, instead, is a negative 21 million euros (-0.5%).

The EBIT margin went from 19.3% for the first nine months of 2008 to 21.3% for the first nine months of 2009: at the organic level, the EBIT margin is 21.9% for the first nine months of 2009 (21.1% for the same period of the prior year).

The following chart summarizes the changes in **EBIT**:

(Revenues and income) / costs and expenses excluded from the calculation of organic EBIT are the following:

(millions of euros)	**9 months to 9/30/2009**	**9 months to 9/30/2008**	**Change**
Non-organic items already described under EBITDA	88	335	(247)
Losses (Gains) on disposals of buildings, investments and intangible assets	50	(25)	75
Other expenses, net	(1)		(1)
Total Non-organic (revenues and income)/costs and expenses, net	**137**	**310**	**(173)**

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For the third quarter of 2009, EBIT is equal to 1,608 million euros (1,579 million euros for the third quarter of 2008), with an increase of 1.8%. The organic change in EBIT is equal to 1.3% (+20 million euros).

The EBIT margin is 23.8% (21.7% for the third quarter of 2008); the organic EBIT margin for the third quarter of 2009 is 23.8% (22.1% in the same period of the prior year).

Share of profits (losses) of associates and joint ventures accounted for using the equity method

Details are as follows:

(millions of euros)	9 months to 9/30/2009	9 months to 9/30/2008	Change
ETECSA	44	40	4
Other	5	13	(8)
Total	**49**	**53**	**(4)**

Other income (expenses) from investments

Other income (expenses) from investments for the first nine months of 2009 amount to a negative 34 million euros and include the writedown of 39 million euros on the 19.37% investment in the Italtel Group. The amount of the investment, recorded at cost, was written off on the basis of a valuation backed by a specific report on its estimated value, conducted by an independent appraiser. The line item also includes gains, net of the relative transaction expenses of 3 million euros, on the disposals, in early 2009, of the investments held in Luna Rossa Challenge 2007 and Luna Rossa Trademark, which had already been classified in Non-current assets held for sale at December 31, 2008.

Finance income (expenses), net

Details are as follows:

(millions of euros)	9 months to 9/30/2009	9 months to 9/30/2008	Change
Fair value measurement of call options on 50% of Sofora Telecomunicaciones share capital	5	(190)	195
Income (expenses) on bond buybacks		49	(49)
Early closing of derivative instruments	15	14	1
Writedown of receivables from Lehman Brothers		(51)	51
Net finance expenses, fair value adjustments of derivatives and underlyings and other items	(1,652)	(1,765)	113
Total	**(1,632)**	**(1,943)**	**311**

The change in finance income (expenses), net was impacted by the following:

the overall reduction in interest rates and the positive change in the fair value adjustments of positions that qualified for hedge accounting and the improvement in the fair value measurement of the call options on Sofora share capital;

the writedown of receivables from Lehman Brothers International Europe Ltd and Lehman Brothers Special Financing Inc. in the nine month of 2008 and arising on the transactions in derivative instruments hedging financial risks on existing financial liabilities;

lower income on bond buybacks. Such bond repurchase transactions, although having no impact in terms of income for the first nine months of 2009 (income of 49 million euros for the first nine months of 2008), will give rise to lower finance expenses prospectively and constitute an efficient alternative investment of liquidity.

For the third quarter of 2009, finance income (expenses) is a net expense of 555 million euros (a net expense of 739 million euros for the third quarter of 2008). The improvement of 184 million euros is not only due to the cited overall reduction in interest rates but also to the fair value measurement of the call options on Sofora

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share capital (unchanged for the third quarter of 2009 compared to a writedown of 80 million euros for the third quarter of 2008). Moreover, receivables from Lehman Brothers International Europe Ltd and Lehman Brothers Special Financing Inc. had been written down in the third quarter of 2008.

Income tax expense

Income tax expense is 969 million euros and records an increase of 449 million euros compared to the same period of the prior year which benefitted from 515 million euros of deferred income taxes reversed to income on accelerated depreciation taken in prior years, net of the substitute tax, as allowed by the Italian Budget Law 2008. Net of such effect, income tax expense would decrease by 66 million euros.

For the third quarter of 2009, income tax expense is 321 million euros (357 million euros for the third quarter of 2008).

Loss from Discontinued operations/Non-current assets held for sale

For the first nine months of 2009, this line item totals -559 million euros and includes:

- the writedown of 540 million euros on the goodwill allocated to BroadBand activities in Germany in order to adjust the carrying amount of HanseNet to the estimated sales value;

- the loss on consolidation of HanseNet, for -19 million euros, including the negative impact of the amortization of the customer relationship and the audience agreement which arose following the acquisition of the AOL internet business in Germany.

During the first nine months of 2008, this line item totaled -33 million euros and included the gain on the sale of the entire investment in Liberty Surf Group S.A.S. (160 million euros) finalized in August 2008, the loss on consolidation of the Liberty Surf group up to the date of its sale (188 million euros) and the loss on consolidation of HanseNet (-5 million euros).

Additional details are provided in the section Discontinued operations / Non-current assets held for sale .

Consolidated financial position performance

Financial position structure

(millions of euros)	9/30/2009 (a)	12/31/2008 Restated (1) (b)	Change (a-b)	12/31/2008 Historical restated
ASSETS				
Non-current assets	67,670	69,567	(1,897)	70,957
Goodwill	*43,489*	*43,230*	*259*	*43,891*
Intangible assets with a finite useful life	*6,016*	*6,154*	*(138)*	*6,492*
Tangible assets	*14,635*	*15,116*	*(481)*	*15,662*
Other non-current assets	*3,530*	*5,067*	*(1,537)*	*4,912*
Current assets	15,153	14,904	249	14,684
Inventories, Trade and miscellaneous receivables and other current assets	*8,241*	*8,383*	*(142)*	*8,480*
Current income tax receivables	*56*	*73*	*(17)*	*73*
Investments	*39*	*39*		*39*
Securities other than investments, Financial receivables and other non-current financial assets, Cash and cash equivalents	*6,817*	*6,409*	*408*	*6,092*
Discontinued operations/Non-current assets held for sale	1,218	1,752	(534)	9
of a financial nature	*49*	*20*	*29*	
of a non-financial nature	*1,169*	*1,732*	*(563)*	*9*
	84,041	**86,223**	**(2,182)**	**85,650**
EQUITY AND LIABILITIES				
Equity	26,989	26,825	164	26,825
Non-current liabilities	40,425	40,303	122	40,356
Current liabilities	15,698	18,200	(2,502)	18,469
Liabilities directly associated with Discontinued operations/Non-current assets held for sale	929	895	34	
of a financial nature	*659*	*546*	*113*	
of a non-financial nature	*270*	*349*	*(79)*	
	84,041	**86,223**	**(2,182)**	**85,650**

(1) For purposes of comparison, the figures at December 31, 2008 have been restated by considering HanseNet Telekommunikation GmbH in Discontinued operations/Non-current assets held for sale.

Non-current assets

Goodwill: increased by 259 million euros due to the fluctuation in the exchange rates of the Brazilian companies. During the third quarter of 2009, with the exception of what as been previously described in terms of the goodwill allocated to the BroadBand activities in Germany, there were no events or circumstances such as to require an updating of the impairment test on the recoverability of goodwill that had been carried out in conjunction with the half-year condensed consolidated financial statements at June 30, 2009. In particular, the performance of the key parameters (EBITDA and CAPEX) of the Telecom Italia Group for the third quarter of 2009 is in line with the targets previously communicated to the market and assumed as the basis for the impairment test at June 30, 2009.

Intangible assets with a finite useful life: decreased by 138 million euros as a result of the following:

- additions (+1,286 million euros);
- amortization charge for the period (-1,676 million euros);

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- disposals, exchange differences, change in the scope of consolidation and other movements (for a net balance of +252 million euros).

Tangible assets: decreased by 481 million euros from 15,116 million euros at the end of 2008 to 14,635 million euros at September 30, 2009, as a result of:

- additions (+1,712 million euros);

- depreciation charge for the period (-2,502 million euros);

- disposals, exchange differences, change in the scope of consolidation and other movements (for a net balance of +309 million euros).

Other non-current assets: decreased by 1,537 million euros, from 5,067 million euros at the end of 2008 to 3,530 million euros at September 30, 2009. Of that amount, 458 million euros refers to Deferred tax assets, following compensation with income taxes accrued for the first nine months of 2009.

Discontinued operations/Non-current assets held for sale

Discontinued operations/Non-current assets held for sale at September 30, 2009 refer to HanseNet and include:

- assets of a financial nature for 49 million euros;

- goodwill equal to 121 million euros, already net of the writedown of 540 million euros made during the third quarter of 2009;

- other assets of a non-financial nature for 1,048 million euros.

At the end of 2008, Discontinued operation/Non-current assets held for sale refer to HanseNet and also, for 9 million euros, to the investments held in Luna Rossa Challenge 2007 and Luna Rossa Trademark, which were sold in March 2009.

Consolidated equity

Consolidated equity amounts to 26,989 million euros (26,825 million euros at December 31, 2008), of which 26,136 million euros is attributable to owners of the Parent (26,095 million euros at December 31, 2008) and 853 million euros is attributable to Minority Interest (730 million euros at December 31, 2008).

In greater detail, the changes in equity are the following:

(millions of euros)	1/1 - 9/30/2009	1/1 - 12/31/2008
At the beginning of the period (historical data)	**26,856**	**26,985**
Change in accounting principles (*)	(31)	(4)
At the beginning of the period (restated)	**26,825**	**26,981**
Total comprehensive income for the period	1,237	(*)1,635

Dividends declared by:	(1,053)	(1,668)
- Telecom Italia S.p.A.	*(1,029)*	*(1,609)*
- Other Group companies	*(24)*	*(59)*
Bond conversions, equity instruments granted and purchase of treasury shares	(10)	(26)
Change in scope of consolidation and other changes	(10)	(97)
At the end of the period	**26,989**	**26,825**

(*) Includes the impact of the retrospective application of IFRIC 13 (*Customer Loyalty Programmes)*.

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Net financial debt and financial flows