



C A P I T A L

**Telecom Italia Capital S.A.
12, rue Eugène Ruppert
L-2453 Luxembourg**

R.C.S. Luxembourg B 77.970

**Annual accounts
as at 31 December 2009**

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Directors' report

Dear Shareholders,

The year 2009 for Telecom Italia Capital S.A. ends with a profit of EUR 683,766 (loss of EUR 40,253,450 in 2008) after having booked tax charges of EUR 488,903 (377,886 in 2008).

The recovery value of the credit versus Lehman Brothers International Europe and Lehman Brothers Holding Inc (guarantor) has been increased by EUR 1.28 million up to EUR 10.80 million in accordance with the market evaluation of such defaulted credits.

During the year 2009, the Company continued its activity of providing financial assistance to Telecom Italia Group companies.

On the 18 June 2009 notes for an aggregate amount of USD 2 billion have been issued. The new issuance has been articulated in two tranches of USD 1 billion 6.175% due on the 18 June 2014 and USD 1 billion 7.175% due on the 18 June 2019 respectively. The notes are unconditionally and irrevocably guaranteed by the parent Company Telecom Italia SpA ("TI"). As far as the interest and currency exchange risks are concerned, all the outstanding notes have been covered by means of hedging contracts.

Following the financial crisis and notably the default of Lehman Brothers, in order to concentrate the bank counterparty risks in one legal entity within the Telecom Italia Group, the majority of the derivative contracts in place between Telecom Italia Capital and third parties have been assigned to TI during May 2009. At the same time the Company and TI entered into new derivative agreements mirroring the economic characteristics of the transferred contracts.

As of 31 December 2009, the residual third parties hedging derivative agreements equal the notional amount of EUR 950.6 million (EUR 16,115.1 million in 2008).

As per 31 December 2009 the aggregate principal amount of the outstanding notes equals USD 15.6 billion. The revenues of the aforesaid notes have been utilized to provide funding to Telecom Italia Group companies.

On 15 May 2009 the Extraordinary Shareholders meeting passed a resolution for the recapitalization of the Company in order to cover losses as reported in the interim financial statements as of 28 February 2009. Telecom Italia S.p.A. introduced EUR 50 million of capital and is currently the sole shareholder of the Company.

During the year 2010 the Company is foreseen to continue providing of financial assistance to Telecom Italia Group companies and new bond issuances are advisable, depending on favorable market conditions.

No event after the closing of the accounts has a material impact on the financials herein reported.

On 15 January 2010 the USD 1,250,000,000 4% note issued on 6 October 2004 was matured and was repaid with accrued interest.

The Company does not perform research and development activities. The Company did not acquire and does not hold its own shares.

The financial statements as of 31 December 2009 are comprised of the balance sheet, the profit and loss account, the cash flow statement and the explanatory notes.

The Board invites you to approve the aforesaid financial statements and to allocate the benefit of the year 2009 as follows:

- a) EUR 4.708 to the net wealth tax reserve and notably to increase the reserves for year 2006, 2007 and 2008, which will be increased respectively up to EUR 86,400; EUR 110,325 and EUR 148,125.
- b) EUR 679,058 as retained earnings.

The Board of the Directors

Luxembourg, 23 February 2010

Telecom Italia Capital S.A.
Société Anonyme

Balance sheet
As of 31 December 2009
(expressed in EUR)

<u>ASSETS</u>	2009	2008
Incorporation expenses	13,230	---
Non current assets		
Tangible assets (note 3)	---	110
Non current financial assets		
Receivable from group companies (note 4)	10,444,328,418	9,318,799,898
Other receivables (note 5)	42,670,386	9,590,722
	<u>10,486,998,804</u>	<u>9,328,390,730</u>
Current Assets		
Financial receivables		
Receivables from group companies (note 6)	1,357,721,695	989,274,873
Other receivables	---	197,407
Cash and cash equivalent	14,721,740	42,180,694
	<u>1,372,443,435</u>	<u>1,031,652,974</u>
Prepayments and accrued income (note 7)	241,553,594	347,025,761
Total assets	<u><u>12,101,009,063</u></u>	<u><u>10,707,069,465</u></u>

The accompanying notes form an integral part of the accounts.

Telecom Italia Capital S.A.
Société Anonyme

Balance sheet
As of 31 December 2009
(expressed in EUR)

<u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>	2009	2008
Share capital		
Subscribed share capital (note 8)	2,336,000	2,336,000
Issuance premium (note 9)	11,810,696	---
Reserves (note 10)		
Legal reserves	234,000	234,000
Other reserves	1,235,542	635,455
Retained earnings	---	2,664,233
Profit (loss) for the financial year	683,766	(40,253,450)
Total capital and reserves	16,300,004	(34,383,762)
Liabilities		
Non convertible notes (note 11)		
a) due within one year	1,353,602,666	---
b) due in more than one year	9,475,218,659	9,772,221,025
	10,828,821,325	9,772,221,025
Payables to banks and financial institutions		
b) due in more than one year (note 12)	44,970,310	54,248,504
Trade and services payables	1,004,761	1,073,963
Payables to group companies (note 13)		
a) due within one year	211,517,682	2,344,304
b) due in more than one year	787,133,010	---
	998,650,692	2,344,304
Tax payables and social security contribution (note 14)	2,540,937	2,071,880
Other payables (note 15)		
a) due within one year	30,434,852	810,456
b) due in more than one year	---	625,003,148
	30,434,852	625,813,604
Total liabilities	11,906,422,877	10,457,773,280
Accruals and deferred income (note 16)	178,286,182	283,679,947
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	12,101,009,063	10,707,069,465

Telecom Italia Capital S.A.
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Profit and loss account
For the year ended 31 December 2009
(expressed in EUR)

<u>C H A R G E S</u>	2009	2008
Personnel expenses		
a) Wages and salaries	152,896	97,524
b) Social security contributions	17,799	13,128
	170,695	110,652
Value adjustment in respect of tangible and intangible fixed assets	1,326	336
Value adjustment in respect of current assets	---	38,362,887
Other operating expenses	1,205,759	1,325,535
Interest and similar expenses (note 17)		
a) concerning group companies	1,607,278,604	2,469,304
b) other interests and charges	1,276,458,839	1,212,354,657
	2,883,737,443	1,214,823,961
Income tax	488,903	377,886
Profit for financial year	683,766	---
TOTAL CHARGES	2,886,287,892	1,255,001,257
<u>I N C O M E</u>		
Other operating income	29,348	39,662
Other interests and similar income (note 18)		
a) from group companies	1,379,961,612	558,900,005
b) other interests and similar income	1,506,296,932	655,808,140
	2,886,258,544	1,214,708,145
Loss for financial year	---	40,253,450
TOTAL INCOME	2,886,287,892	1,255,001,257

The accompanying notes form an integral part of the accounts.

Telecom Italia Capital S.A.
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Cash flow account
For the year ended 31 December 2009
(expressed in EUR)

	2009	2008
Operating Activities		
Profit (loss) before tax	1,172,669	(40,631,337)
Non cash items		
Amortization of property, plant and equipment	110	336
Amortization and impairment of intangible assets	1,216	---
Finance income	(2,884,977,554)	(1,166,754,535)
Finance expenses	2,881,209,905	1,212,479,657
Increase in trade and other receivables	(1,063,020)	(9,404,557)
Increase trade and other payables	535,161	1,840,720
Net cash flows used in operating activities	<u>(3,121,513)</u>	<u>(2,469,716)</u>
Cash flow from investing activities		
Changes in Intangible assets	(14,446)	---
Investments and re-payments in financial receivables	(1,496,866,161)	(441,572,713)
Interest, commissions and other financial income received	2,984,882,120	1,186,080,972
Net cash flow from investing activities	<u>1,488,001,513</u>	<u>744,508,259</u>
Cash flow from financing activities		
Net change arising from net equity	50,000,000	---
Net change in short-term financial payables	(810,454)	810,454
Proceeds from borrowings	1,423,034,613	1,284,385,598
Repayment of borrowings	(7,752,214)	(796,366,836)
Interest, commissions and other financial expenses paid	(2,976,779,845)	(1,224,872,372)
Net cash flows used in financing activities	<u>(1,512,307,900)</u>	<u>(736,043,156)</u>
Net (decrease) increase in cash and cash equivalents	(27,427,900)	5,995,386
Net foreign exchange difference	(31,052)	(303,243)
Cash and cash equivalents at January 1	42,180,692	36,488,549
Cash and cash equivalents at December 31	<u>14,721,740</u>	<u>42,180,692</u>

The accompanying notes form an integral part of the accounts.

Telecom Italia Capital S.A.
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Notes to the accounts
As of 31 December 2009

NOTES TO THE ACCOUNTS AS OF 31 DECEMBER 2009

Note 1 – General

Telecom Italia Capital S.A. (“the Company”) was incorporated in Luxembourg on 27 September 2000 for an unlimited duration. The registered office is established at 12, Rue Eugène Ruppert, L-2453 Luxembourg. The registered number is B 77.970.

The corporate object is to provide financial assistance to all the companies within Telecom Italia Group. In this respect, the Company can acquire assets by issuing securities, bonds or any other financial instrument and by entering into loans in whatever form with banks and institutional investors or in any other form, the above-mentioned list being purely enumerative and not limitative.

The Company may also have participating interest in any Luxembourg or foreign Company and administrate, manage and develop its portfolio.

The Company may carry out any commercial, industrial or financial operation and perform real estate transactions pertaining directly or indirectly to its objectives.

Generally, the Company may carry out all transactions considered as useful to the achievement and development of its object.

The financial year begins on 1 January and ends on 31 December of each year.

Note 2 – Summary of significant accounting policies

Basis of presentation

The annual accounts have been prepared in accordance with accounting principles and regulations generally accepted in the Grand Duchy of Luxembourg.

Euro (“EUR”) is the book accounting currency.

Use of estimates

The preparation of financial statements in accordance with Luxembourg GAAP, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the annual accounts, and reported amounts of revenues and expenses during that reporting period. Actual results could differ from those estimates.

Telecom Italia Capital S.A.
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Notes to the accounts (continued)
As of 31 December 2009

Note 2 – Accounting policies and principles (continued)

Foreign currency translation

The Company follows the multi-currency accounting policy that involves in recording the assets and the liabilities in their original currencies, the same being converted into Euro at the end of each month. The net exchange differences that arise from these conversions are reflected in the profit and loss account in the item “Interest and similar expenses / other interest and similar income”.

The realized income and charges in currencies other than Euro are recorded in their respective currencies and converted at the exchange rate prevailing on the respective transaction dates.

The exchange differences arising from the transactions expressed in currencies other than EUR are hedged either by balanced deposits and loans, or through currency swaps contracts using the account “exchange revaluation” whose valuation at the year-end rate allows to hedge off the exchange variance risk.

Derivative instruments

The commitments related to currency and interest rates swaps are recorded as off-balance sheet items at the nominal value of the contracts.

Accrued income and prepaid expenses/accrued expenses and prepaid income

On one hand, this item includes the accrued interest receivable in connection with the deposits and loans granted, as well as that in connection with the related interest rate swaps transactions (assets) and on the other hand the accrued interest payable on the notes and the related interest rate swap transactions (liabilities).

The Accrued income also reflects the issue discounts and the other similar charges. These are amortized through the profit and loss account on a straight-line basis over the lifetime of the notes.

Tangible assets

Tangible assets are stated at cost less accumulated amortization and any impairment adjustments. Amortization is calculated on a straight-line basis over the estimated useful life of the assets. The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Debtors

Debtors are recorded at their probable collection value corresponding to the nominal value subject to individual value adjustments regarding any amount due which appears to be irrecoverable.

Notes to the accounts (continued)
As of 31 December 2009

Note 2 – Accounting policies and principles (continued)

Cash and cash equivalents

Cash on hand and in banks and short-term deposits which are held to maturity are carried at cost. Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Note 3 – Tangible assets

The tangible assets can be detailed as follows:

	2009	2008
	EUR	EUR
Acquisition cost at the beginning of the year	1,023	1,023
Acquisition during the year	---	---
Acquisition cost at the end of the year	1,023	1,023
Value adjustments at the beginning of the year	913	577
Value adjustments during the year	110	336
Value adjustments at the end of the year	1,023	913
Net book value at the end of the year	---	110

Telecom Italia Capital S.A.
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Notes to the accounts (continued)

As of 31 December 2009

Note 4 – Non current financial assets - Receivable from group companies

This item refers to the following receivables from Telecom Italia S.p.A. (“Parent Company”):

- a) EUR 10,373,958,426 being the total amount of medium-long term loans granted using the proceeds received by issuing notes (2008: EUR 9,318,799,898).
- b) EUR 70,369,992 being the positive difference between the contractual exchange rate and the exchange rate as of 31 December 2009 of Cross Currency Interest Rate Swaps agreements (“CCIRS”) entered into with the Parent Company.

Note 5 – Non current financial assets – Other receivable

This item refers to the following receivables from third parties:

- i. EUR 10,801,956 (counter value of USD 15,561,298) as credit registered versus Lehman Brothers International (Europe) in Administration (“LBIE”) with which the Company had entered with into several derivative transactions. The amount represents the estimated recovery value of the initial credit amounting to EUR 47,953,608. During the year 2009, based on the filing with US Courts, the position has been converted from EUR into USD and in accordance with market evaluations adjusted by USD 1.930.964 (i.e. up to 22.83% of the initial credit).
- ii. EUR 31,868,430 being the positive difference between the contractual exchange rate and the exchange rate as of 31 December 2009 of CCIRS entered into with banks.

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Notes to the accounts (continued)

As of 31 December 2009

Note 6 – Current financial assets – Receivables from group companies

The Company entered into loans with affiliates for a total amount of EUR 1,357,721,695 (2008: EUR 989,274,873).

	2009	2008
	EUR	EUR
Long term loan with Parent Company expiring within 1 year	1,121,560,461	851,615,291
Loan with TIS France	16,000,000	16,000,166
Loan with TI Germany	12,700,000	12,700,000
Loan with TI United Kingdom	6,501,818	8,000,000
Loan with Hansanet	100,959,416	100,959,416
Loan with Parent Company	100,000,000	---
	<u>1,357,721,695</u>	<u>989,274,873</u>

Note 7 – Prepayments and accrued income

	2009	2008
	EUR	EUR
Accrued interest on bank deposits	1,374	33,583
Accrued interest on hedging instruments	119,193,572	121,639,662
Accrued interest on amounts owed by Parent Company	62,010,972	159,010,218
Accrued interest on amounts owed by related Companies	1,521,866	4,060,442
Prepaid charges and costs on notes (issue discounts and other similar charges)	54,591,651	57,829,728
Other prepayments	4,234,159	4,452,128
	<u>241,553,594</u>	<u>347,025,761</u>

Telecom Italia Capital S.A.
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Notes to the accounts (continued)

As of 31 December 2009

Note 8 – Subscribed share capital

As of 31 December 2009, and 2008 the authorized, issued and fully paid share capital of EUR 2,336,000 is comprised of 100,000 shares with a nominal value of EUR 23.36 per share.

As of 31 December 2009 and 2008 the shareholders of the Company are:

	Number of shares 2009	Number of shares 2008
Telecom Italia S.p.A.	100,000	99,999
Telecom Italia Finance S.A.	---	1
	<u>100,000</u>	<u>100,000</u>

Note 9– Issuance premium

In order to cover the residual losses of EUR 35,853,304 emerging from the interim accounts as of 28 February 2009, the Extraordinary Shareholders meeting held on 15 May 2009 decided to cancel the share capital and recapitalize the Company by introducing EUR 50,000,000 in cash, EUR 47,664,000 as issuance premium and EUR 2,336,000 as reconstitution of the share capital. As of 31 December 2009 the Issuance Premium amounts to EUR 11,810,696.

Note 10– Reserves

The reserves are split as follows:

- a) Legal reserve of EUR 234,000, equal to the 10% of the share capital, set up by the shareholders meeting as of 2 March 2005 by converting a quote of other unavailable reserves;
- b) Other reserves of EUR 1,235,541 are divided as follows:
 - I. EUR 812,166 being the reserves set up in order to cover losses resulting from the interim accounts as of 28 February 2009, and
 - II. EUR 423,375 being the reserve created by the shareholders meeting held on 1 March 2006 (EUR 83,225) and increased by the shareholders meetings which were held on 7 March 2007 (EUR 84,725) on 5 March 2008 (EUR 108,675) and 26 March 2009 (EUR 146,750). It is equal to five times the amount of the net wealth tax to be paid for year 2005, 2006, 2007 and 2008 and will be unavailable for tax purposes for a five year period since the year following its creation.

Telecom Italia Capital S.A.
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Notes to the accounts (continued)

As of 31 December 2009

Note 11 – Non convertibles notes

The Company issued the following non convertible notes for a total amount of EUR 10,828,821,325 of which EUR 1,353,602,666 mature within one year:

	2009 in EUR	2008 in EUR
USD 2,000,000,000 29/10/2003 - 15/11/2013 fixed interest rate 5.25%	1,388,310,426	1,437,091,327
USD 1,000,000,000 29/10/2003 - 15/11/2033 fixed interest rate 6.375%	694,155,213	718,545,664
USD 1,250,000,000 06/10/2004 - 15/01/2010 fixed interest rate 4%	867,694,016	898,182,079
USD 1,250,000,000 06/10/2004 - 30/09/2014 fixed interest rate 4.95%	867,694,016	898,182,079
USD 1,000,000,000 06/10/2004 - 30/09/2034 fixed interest rate 6%	694,155,213	718,545,664
USD 700,000,000 28/09/2005 - 01/10/2010 fixed interest rate 4.875%	485,908,650	502,981,964
USD 400,000,000 28/09/2005 - 01/02/2011 floating rate LIBOR 3M+ 0.48%	277,662,085	287,418,265
USD 1,400,000,000 28/09/2005 - 01/10/2015 fixed interest rate 5.25%	971,817,298	1,005,963,929
USD 750,000,000 18/07/2006 - 18/07/2011 fixed interest rate 6.20%	520,616,411	538,909,248
USD 850,000,000 18/07/2006 - 18/07/2011 floating LIBOR 3M + 0.61%	590,031,932	610,763,814
USD 1,000,000,000 18/07/2006 - 18/07/2036 fixed interest rate 7.20%	694,155,213	718,545,664
USD 1,000,000,000 04/06/2008 - 04/06/2018 fixed interest rate 6.999%	694,155,213	718,545,664
USD 1,000,000,000 04/06/2008 - 04/06/2038 fixed interest rate 7.721%	694,155,213	718,545,664
USD 1,000,000,000 18/06/2009 - 18/06/2014 fixed interest rate 6.175%	694,155,213	---
USD 1,000,000,000 18/06/2009 - 18/06/2019 fixed interest rate 7.175%	694,155,213	---
	10,828,821,325	9,772,221,025

Telecom Italia Capital S.A.
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Notes to the accounts (continued)

As of 31 December 2009

Note 12 – Payables to banks and financial institutions

The issuance costs linked to the under-reported notes have been funded through bank loans having the same duration as the related notes:

USD 31,300,000 for notes issued as of 29 October 2003;
USD 35,652,500 for those issued as of 6 October 2004;
USD 19,684,000 for those issued as of 28 September 2005, and
USD 14,036,350 for those issued as of 18 July 2006.

The loans have a quarterly amortizing period.

<u>Final payment date</u>	<u>2009 in EUR</u>	<u>2008 in EUR</u>
15/01/2010	266,698	1,398,331
01/10/2010	467,260	957,361
01/02/2011	245,610	450,233
18/07/2011	1,039,387	1,646,570
18/07/2011	783,757	1,245,042
15/11/2011	3,120,921	4,845,872
15/11/2013	4,356,744	5,550,397
30/09/2014	3,642,767	4,475,672
01/10/2015	6,827,920	8,084,822
15/11/2033	8,223,523	8,695,579
29/09/2034	11,328,077	11,973,113
18/07/2036	4,667,646	4,925,512
	<u>44,970,310</u>	<u>54,248,504</u>

Telecom Italia Capital S.A.
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Notes to the accounts (continued)

As of 31 December 2009

Note 13– Payables to group companies

This item refers to the following payables due to the Parent Company:

- a) EUR 2,402,538 for the yearly guarantee fee (2008: EUR 2,344,304);
- b) EUR 209,115,144 (2008: Nil) is due to the negative difference between the contractual exchange rate and the exchange rate as of 31 December 2009 of the CCIRS contracts expiring within 1 year;
- c) EUR 787,133,010 (2008: Nil) is due to the negative difference between the contractual exchange rate and the exchange rate as of 31 December 2009 of the CCIRS expiring in more than 1 year.

Note 14 – Tax payables and social security contributions

It represents the amount provisioned in relation to taxes to be paid with a total amount of EUR 2,540,937 (2008: EUR 2,071,880).

Note 15– Other payables

The item amounting to EUR 30,434,852 corresponds to the negative difference between the contractual exchange rate and the exchange rate as of 31 December 2009 for CCIRS entered with banks.

Note 16 – Accruals and deferred income

The account includes the amount of accrued interest payables.

	2009	2008
	EUR	EUR
Accrued interest payable on debentures	120,724,563	128,077,354
Accrued interest payable on hedging contracts	57,320,243	155,322,315
Accrued interest payable to banks	241,376	280,278
	178,286,182	283,679,947

Telecom Italia Capital S.A.
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Notes to the accounts (continued)

As of 31 December 2009

Note 17 – Interest and similar expenses

This item refers to the following charges:

a) Concerning group companies:

	2009	2008
	EUR	EUR
Guarantee fee due to Parent Company	2,402,538	2,344,304
Financial fee due to Telecom Italia Finance S.A.	125,000	125,000
Interest for the derivative contracts entered with the Parent Company	1,604,751,066	0
	<u>1,607,278,604</u>	<u>2,469,304</u>

b) Other interest and charges:

	2009	2008
	EUR	EUR
Bank interest and charges	2,111,946	2,305,416
Interest and other charges on debentures	577,943,125	524,347,692
Third parties interest for derivative contracts	309,023,558	229,840,279
Losses on exchange rates	387,380,210	455,861,270
	<u>1,276,458,839</u>	<u>1,212,354,657</u>

Note 18 – Other interest and similar income

This item refers to the following incomes:

a) Concerning group companies:

	2009	2008
	EUR	EUR
Interest on group companies	401,276,914	558,900,005
Interest on derivatives entered with the Parent Company	978,684,698	0
	<u>1,379,961,612</u>	<u>558,900,005</u>

Telecom Italia Capital S.A.
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Notes to the accounts (continued)

As of 31 December 2009

Note 18 – Other interest and similar income (continued)

b) Other interest and similar income:

	2009	2008
	EUR	EUR
Bank interest	280,545	1,428,195
Third parties interest on derivatives contracts	1,117,556,107	198,760,863
Partial reversal of impairment	1,280,990	0
Gain on exchange rates	387,179,290	455,619,082
	1,506,296,932	655,808,140

Note 19 – Hedging contracts

In order to hedge the exchange and interest rate risks linked to the notes issued, the Company entered into several currency and interest rate swap contracts (CCIRS) for the same duration of the hedged bonds.

	2009	2008
	EUR	EUR
Currency and interest rates swaps contracts with the Parent Company	9,082,201,917	0
Currency and interest rates swaps contracts with third parties	588,174,608	8,241,587,182
Interest rates swaps contracts with the Parent Company	7,253,921,977	0
Interest rates swaps contracts with third parties	347,077,607	7,868,075,016
Currency swaps with third parties	15,337,413	5,425,618
	17,286,713,522	16,115,087,816

Note 20 – Tax situation

The Company is subject to the fiscal law in force in Luxembourg applicable to all commercial companies.

Telecom Italia Capital S.A.
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Notes to the accounts (continued)
As of 31 December 2009

Note 21– Consolidations

The accounts of the Company are included in the consolidated accounts of Telecom Italia S.p.A., which are available at the registered office located in Milano, Piazza degli Affari 2.

Note 22 – Directors remuneration

No remuneration has been paid to Directors during the fiscal year 2009.

Note 23 – Litigation

The Company has not been and is not involved in any litigation.

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DECLARATION OF THE MANAGER RESPONSIBLE FOR FINANCIAL REPORTING

Pursuant to paragraph 3 of Luxembourg's Transparency Law, the undersigned Adriano Trapletti, Managing Director of the Company, to the best of his knowledge, hereby declares that the above financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and that the management report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that the issuer faces.

Adriano Trapletti
Managing Director

Independent Auditor's report

To the Board of Directors of
Telecom Italia Capital S.A.
12, rue Eugène Ruppert
L-2453 Luxembourg

We have audited the accompanying annual accounts of Telecom Italia Capital S.A., which comprise of the balance sheet as at 31 December 2009, the profit and loss account and the cash flow account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the "réviseur d'entreprises"

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "réviseur d'entreprises", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Telecom Italia Capital S.A. as of 31 December 2009, and of the results of its operations and its cash flow for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Report on other legal and regulatory requirements

The Directors' report, which is the responsibility of the Board of Directors, is consistent with the annual accounts

ERNST & YOUNG
Société Anonyme
Réviseur d'entreprises


Jean-Marie GISCHER

Luxembourg, 10 March 2010

Decision taken by shareholders during the General Meeting held on April 28 2010

Decision taken by shareholders during the General Meeting held on April 28 2010

The shareholders meeting approved the financials as of December 31, 2009, which comprise the balance sheet, the profit and loss account, the cash flow statement and the explanatory notes and decided to allocate the benefit of EUR 683,766 as follows:

- a) EUR 4,708.00 to the net wealth tax reserve and notably to increase the reserves for year 2006, 2007 and 2008, which will be increased respectively up to EUR 86,400; EUR 110,325 and EUR 148,125.
- b) EUR 679,058.00 as retained earnings.

The shareholders appointed:

- Mr. Andrea Mangoni as Board member, its mandate expiring with the annual general meeting which shall place on year 2012.
- Price Waterhouse Coopers S.à.r.l. as new Independent Auditor of the Company for the period 2010-2018, the mandate expiring with the General shareholders meeting which will take place on 2019.

Members of the Board of directors

1. Mr. Andrea Mangoni, Manager, domiciled in Milano (Italy) Chairman
2. Mr. Adriano Trapletti, Manager, domiciled in Luxembourg, Managing director
3. Mr. Jacques Loesch, lawyer, domiciled in Luxembourg, Director
4. Mr. Andrea Balzarini, Manager, domiciled in Milano (Italy), Director
5. Mr. Antonio Sica, Manager, domiciled in Luxembourg, Director.