



C A P I T A L

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UNAUDITED INTERIM FINANCIALS AS OF JUNE 30, 2010

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REPORT OF THE BOARD ON OPERATIONS AS OF JUNE 30, 2010

Telecom Italia Capital (herein below defined as the "Company" or "TI Capital") ends the first six month of the year 2010 with a profit of EUR 226.822,90 (loss of EUR 224.111,74 for the same period during year 2009).

The loss of the first six month 2009 was due to the effects of the default of Lehman Brothers in 2008, which determined a reduction of the net invested capital until May 2009, when an injection of EUR 50 million restored the equity.

During the first six months, TI Capital continued its activity of providing financial assistance to Telecom Italia Group companies. On January 15 a bond for USD 1.250 million expired and was repaid together with accrued interest (counter value of EUR 1.014 million) by utilising the refund of loans by Hansenet for EUR 101 million and Telecom Italia S.p.A. for the difference.

As per June 30, 2010, the aggregate principal amount of the outstanding notes equals to USD 14,35 billion. The revenues of the aforesaid notes have been utilized to provide funding to Telecom Italia Group companies.

As far as the credits towards Lehman Brothers Europe Inc are concerned, the management is continuing to perform all activities in order to preserve the rights of the Company both in the United Kingdom where the debtor is located and in the United States of America where is located the mother company, Lehman Brothers Holdings, which granted a guarantee in favor of its subsidiary. Timing of the credit recovery is not predictable.

As of 30 June 2010 the fully paid in share capital amounts to EUR 2.336.000,00.

During the second half of the year 2010 it is foreseen to continue the activity of financial assistance to Telecom Italia Group companies and continue to manage the market risks related to the funding and investment activity. On October 10 a bond for USD 700 million will come to expiration and will be repaid by utilizing the liquidity deposited with Telecom Italia S.p.A.

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

The Company doesn't perform research and development activities. The Company did not acquire and doesn't hold its own shares.

Financials as of June 30, 2010 herein reported comprise the balance sheet, the profit and loss account, the cash flow statement and the explanatory notes.

The annexed interim financials as of June 30, 2010 have not been audited.

The Board of Directors

TELECOM ITALIA CAPITAL S.A.
BALANCE SHEET AS AT JUNE 30, 2010

ASSETS - EUR	30/06/2010	31/12/2009	LIABILITIES - EUR	30/06/2010	31/12/2009
A. Not paid in subscribed capital	0,00	0,00	A. Share capital		
B. Incorporation expenses	11.785,52	13.230,14	I. Subscribed share capital [n. 8]	2.336.000,00	2.336.000,00
C. Non current assets			II. Issuance premium [n. 9]	11.810.696,39	11.810.696,39
II. Tangible assets			IV. Reserves [n. 10]		
2. Plant and equipments	0,00	0,00	1. Legal reserves	234.000,00	234.000,00
3. Other equipment, equipments and furniture	0,00	0,00	4. Other reserves	1.240.249,06	1.235.541,06
III. Non current financial assets			V. Retained earnings	679.058,11	0,00
2. Receivables from group companies [n. 3]	10.775.636.832,39	10.373.958.426,07	VI. Result of the period	226.822,90	683.766,11
3. Equity investments	0,00	0,00	B. Provisions for liabilities and charges		
5. Securities other than equity investments	0,00	0,00	2. Taxprovisions	0,00	0,00
6. Other receivables [n. 4]	12.681.360,96	10.801.956,20	3. Other provisions	0,00	0,00
D. Current Assets			C. Liabilities		
II. Financial receivables			1. Notes		
1. Trade and services receivables			b) Non convertible notes [n. 11]		
a) payable within 1 year	0,00	0,00	a) payable within 1 year	896.422.459,46	1.353.602.665,55
2. Receivables from group companies			b) payable beyond 1 year	10.797.815.988,95	9.475.218.658,92
a) payable within 1 year [n. 5]	307.034.173,77	1.357.721.694,72	2. Payables to banks and financial institutions [n. 12]		
b) payable beyond 1 year [n. 6]	519.719.158,34	70.369.991,99	a) payable within 1 year	0,00	0,00
4) Other receivables			b) payable beyond 1 year	48.676.748,49	44.970.310,40
a) payable within 1 year	0,00	0,00	4. Trade and services payables		
b) payable beyond 1 year [n. 6]	104.333.007,16	31.868.429,86	a) payable within 1 year	829.588,32	1.004.760,73
III. Securities in current assets			6. Payables to group companies [n. 13]		
1. Parts in group companies	0,00	0,00	a) payable within 1 year	16.171.569,30	211.517.681,97
2. Own shares with its nominal value or its accounting value	0,00	0,00	b) payable beyond 1 year	16.017.934,96	787.133.009,95
3. Other securities	0,00	0,00	8. Tax payables and social security contributions [n. 14]		
IV. Cash and cash equivalent	12.062.093,97	14.721.740,15	a) payable within 1 year	2.630.062,29	2.540.937,42
E. Accrued income and prepaid expenses [n. 7]	233.156.720,19	241.553.593,58	9. Other payables [n. 15]		
			a) payable within 1 year	571.852,73	30.434.852,25
			b) payable beyond 1 year	0,00	-0,03
			D. Accrued expenses and prepaid income [n. 16]	168.972.101,34	178.286.181,99
TOTAL ASSETS	11.964.635.132,30	12.101.009.062,71	TOTAL LIABILITIES	11.964.635.132,30	12.101.009.062,71

TELECOM ITALIA CAPITAL S.A.
PROFIT AND LOSS AS OF 30 JUNE 2010

A. EXPENSES - EUR	30/06/2010	30/06/2009	B. INCOME - EUR	30/06/2010	30/06/2009
1. Net change in work in progress, semifinished and finished goods	0,00	0,00	1. Net income	0,00	0,00
2.a) Acquisition of goods and services	0,00	0,00	2. Net change in work in progress, semifinished and finished goods	0,00	0,00
2.b) Other expenses	0,00	0,00	3. Increases in capitalized internal construction costs of intangible assets	0,00	0,00
3. Personnel expenses			4. Other operating incomes	0,00	0,00
a) Wages and salaries	78.376,78	63.186,84	5. Income from Equity Investments		
b) Social security contributions	10.806,91	7.074,86	a) from group companies	0,00	0,00
4.a) Value adjustment in respect of tangible and intangible assets	1.444,62	110,31	6. Income from other securities		
4.b) Value adjustment in respect of current assets	0,00	0,00	a) from group companies	0,00	0,00
5. Other operating expenses	498.049,68	551.945,34	b) other incomes	0,00	0,00
6. Value adjustment in respect of Financial receivables and non current financial assets	0,00	0,00	7. Other interests and similar incomes [n. 18]		
7. Interest and similar expenses [n. 17]			a) from group companies	488.046.374,99	971.349.051,81
a) concerning group companies	153.563.107,32	1.502.064.992,04	b) other interests and similar incomes	29.775.215,34	1.487.726.864,57
b) other interests and charges	363.352.170,38	956.152.563,28	9. Exceptional incomes	0,00	0,00
10. Exceptional expenses	0,00	0,00	10. Net loss for the period	0,00	224.111,74
11. Income tax	90.811,74	460.155,45	TOTAL INCOMES	517.821.590,33	2.459.300.028,12
12. Other taxes non mentioned in the points above	0,00	0,00			
13. Net income for the period	226.822,90	0,00			
TOTAL EXPENSES	517.821.590,33	2.459.300.028,12			

TELECOM ITALIA CAPITAL S.A.
CASH FLOW STATEMENT AS AT 30 JUNE 10

	30/06/2010	30/06/2009
Operating Activities		
Net result of the year	226.822,90	-224.111,68
Taxes	-90.811,74	-460.155,45
Profit before tax	317.634,64	236.043,77
Non cash items		
Amortization of property, plant and equipment	0,00	110,25
Amortization and impairment of intangible assets	1.444,62	0,00
Financial Income	-517.821.590,33	-2.459.075.916,42
Financial Expenses	515.553.117,43	2.457.052.774,39
Changes in trade and other receivables	352.206,78	-287.317,15
Changes in trade and other payables	-1.218.783,72	-890.992,55
Net cash flows from operating activities	-2.815.970,58	-2.965.297,71
Cash flows from Investing activities		
Changes in Property, plant and equipment	0,00	0,00
Changes in Intangible assets	0,00	0,00
Changes in Participations, funds and other securities	0,00	0,00
Investments and re-payments in Financial Receivables	1.011.825.870,93	-1.457.640.512,08
Interest, commissions and other financial income received	519.700.756,97	2.533.242.677,12
Dividends received	0,00	0,00
Income received from participations and funds	0,00	0,00
Net cash flows from investing activities	1.531.526.627,90	1.075.602.165,04
Cash flows from Financing activities		
Net change arising from Net Equity	0,00	50.000.000,00
Net change in short-term financial payables	0,00	-810.454,32
Proceeds from borrowings	-0,09	1.435.290.525,32
Repayments of borrowings	-1.017.924.802,77	-4.022.918,30
Interest, commissions and other financial expenses paid	-510.832.717,56	-2.528.717.537,88
Dividends paid	0,00	0,00
Net cash flows from financing activities	-1.528.757.520,42	-1.048.260.385,18
Net Increase / Decrease in Cash and Cash Equivalents	-46.863,10	24.376.482,15
Net foreign exchange differences in C&CE	-2.612.783,08	-31.037,21
Cash and cash equivalents at 01 January 2010	14.721.740,15	42.180.691,83
Cash and cash equivalents at 30 June 2010	12.062.093,97	66.526.136,77

TELECOM ITALIA CAPITAL S.A.
CASH FLOW STATEMENT AS AT 30 JUNE 10

	30.06.2010	31.12.2009
Operating Activities		
Profit before tax	317.634,64	1.172.669,47
Non cash items		
Amortization of property, plant and equipment	0,00	110,25
Amortization and impairment of intangible assets	1.444,62	1.216,14
Financial Income	-517.821.590,33	-2.884.977.554,01
Financial Expenses	515.553.117,43	2.881.209.904,63
Changes in trade and other receivables	352.206,78	-1.063.020,64
Changes in trade and other payables	-1.218.783,72	535.160,67
Net cash flows from operating activities	-2.815.970,58	-3.121.513,49
Cash flows from Investing activities		
Changes in Property, plant and equipment	0,00	0,00
Changes in Intangible assets	0,00	-14.446,28
Changes in Participations, funds and other securities	0,00	0,00
Investments and re-payments in Financial Receivables	1.011.825.870,93	-1.496.866.160,59
Interest, commissions and other financial income received	519.700.756,97	2.984.882.119,59
Dividends received	0,00	0,00
Income received from participations and funds	0,00	0,00
Net cash flows from investing activities	1.531.526.627,90	1.488.001.512,72
Cash flows from Financing activities		
Net change arising from Net Equity	0,00	50.000.000,00
Net change in short-term financial payables	0,00	-810.454,32
Proceeds from borrowings	-0,09	1.423.034.612,99
Repayments of borrowings	-1.017.924.802,77	-7.752.213,69
Interest, commissions and other financial expenses paid	-510.832.717,56	-2.976.779.845,29
Dividends paid	0,00	0,00
Net cash flows from financing activities	-1.528.757.520,42	-1.512.307.900,31
Net Increase / Decrease in Cash and Cash Equivalents	-46.863,10	-27.427.901,08
Net foreign exchange differences in C&CE	-2.612.783,08	-31.050,60
Cash and cash equivalents at 01 January 2010	14.721.740,15	42.180.691,83
Cash and cash equivalents at 30 June 2010	12.062.093,97	14.721.740,15

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS OF JUNE 30TH, 2010**

Note 1 - General

Telecom Italia Capital S.A. ("the Company") was incorporated in Luxembourg on September 27, 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 taking loans in whatever form from 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 object.

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

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

Note 2 –Summary of significant accounting policies

Basis of presentation

The interim 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 accounts, and reported amounts of revenues and expenses during that reporting period. Actual results could differ from those estimates.

Foreign currency translation

The Company follows the multi-currency accounting policy that consists 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 "other financial charges / financial 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 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.

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 – Non current financial assets – Receivables from group companies

This item is composed by EUR 10.775.636.832,39 being the total amount of medium-long term loans granted to the Parent Company using the proceeds received by issuing notes (2009 – EUR 10.373.958.426,07)

Note 4 – Non current financial assets – Other receivables

This item is the counter value of USD 15.561.297,69 (2009 – USD 15.561.297,69) as credit registered vs. Lehman Brothers International Europe in Administration 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 47.953.608,68. 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 1.930.963,95 (i.e. up to 22.83% of the initial credit).

Note 5 – Receivables from group companies payable within 1 year

The loans the Company entered into with affiliates are detailed as follows:

	June 2010 EUR	December 2009 EUR
Long Term Loan with Parent Company expiring within 1 year	271.831.961,54	1.121.560.460,92
Short Term Loan with Parent Company	0,00	100.000.000,00
Short Term Loan with TI Uk	6.502.212,23	6.501.818,17
Short Term Loan with TI Germany	12.700.000,00	12.700.000,00
Short Term Loan with TIS France	16.000.000,00	16.000.000,00
Short Term Loan with Hansanet	0,00	100.959.415,63
	<u>307.034.173,77</u>	<u>1.357.721.694,72</u>

Note 6 – Receivables payable beyond 1 year – receivable from group companies and other receivables

These items refer to the positive difference between the contractual exchange rate and the exchange rate as of June 30th, 2010 of Cross Currency Interest Rate Swaps agreements [CCIRS]:

	June 2010 EUR	December 2009 EUR
Receivables from group companies [CCIRS toward TI SpA]	519.719.158,34	70.369.991,99
Other receivables [CCIRS toward third parties]	104.333.007,16	31.868.429,86
	<u>624.052.165,50</u>	<u>102.238.421,85</u>

Note 7 – Prepayments and accrued income

	June 2010 EUR	December 2009 EUR
Accrued interest on Bank Deposit	675,16	1.373,48
Accrued interest on hedging instruments	120.452.422,45	119.193.571,73
Accrued interest on amount owed by Parent Company	50.620.076,29	62.010.972,43
Accrued interest on amounts owed by related companies	240.899,27	1.521.866,34
Prepaid charges and costs on notes [issue discount and other similar charges]	57.960.695,28	54.591.651,08
Other prepayments	3.881.951,74	4.234.158,52
	<u>233.156.720,19</u>	<u>241.553.593,58</u>

Note 8 – Subscribed share capital

As of 30 June 2010 the authorized, issued and fully paid share capital of EUR 2.336.000,00 is represented by 100.000 shares with a nominal value of EUR 23,36 per share.

As of 30 June 2010, and 31 December 2009, the Company is 100% held by Telecom Italia S.p.A. (“TI SpA” or “Parent Company”)

Note 9 – Issuance premium

The extraordinary shareholders meeting held on May 15, 2009 decided to recapitalize the Company by injecting EUR 50.000.000,00 in cash, of which EUR 47.664.000,00 as issuance premium and EUR 2.336.000,00 as share capital. Such premium, paid on the same date, has been utilized in order to cover residual losses after capital reduction (EUR 35.853.303,61) emerging from the interim accounts as of February 28, 2009. As of June 30, 2009 the Issuance Premium amounts to EUR 11.810.696,39

Note 10 – Reserves

The reserves are split as follows:

- (a) Legal reserve of EUR 234.000,00 equal to the 10% of the share capital, set up by the shareholders meeting as of March 2, 2005 by converting a quote of other unavailable reserves;
- (b) Other reserves of EUR 1.240.249,06 are divided as follows:
 - (i) Reserves set up in order to cover losses of the 2009 fiscal year of EUR 812.174,06;
 - (ii) Tax reserve for an amount of EUR 428.075,00. Such reserve has been created by the annuals shareholders meetings held between the years 2006 and 2010 and is equal to five times the amount of the net wealth tax to be paid for year 2005, 2006, 2007 and 2008. It will be unavailable for tax purposes for a five year period since the year following its creation and is detailed as below:

– Fiscal year 2005	EUR 83.225,00
– Fiscal year 2006	EUR 86.400,00
– Fiscal year 2007	EUR 110.325,00
– Fiscal year 2008	EUR 148.125,00

Note 11 – Non convertible notes

The Company has issued non convertible notes for a total outstanding amount of USD 14.350.000.000,00 as at June 30th, 2010 (EUR 11.694.238.448,41). USD 1.100.000.000,00 (EUR 896.422.459,46) of the total amount will mature within one year.

On January 15th, 2010, Telecom Italia Capital reimbursed USD 1.250.000.000,00 fixed interest rate 4,0 % issued on October 6th, 2004.

	June 2010 EUR	December 2009 EUR
USD 1.250.000.000,00 06/10/2004 – 15/01/2010 Fixed Interest Rate 4,00 %	0,00	867.694.016,38
USD 700.000.000,00 28/09/2005 – 01/10/2010 Fixed Interest Rate 4,87 %	570.450.656,02	485.908.649,17
USD 400.000.000,00 28/09/2005 – 01/02/2011 Floating Rate Libor 3m + 0,48 %	325.971.803,44	277.662.085,24
USD 750.000.000,00 18/07/2006 – 18/07/2011 Fixed Interest Rate 6,20 %	611.197.131,45	520.616.409,83
USD 850.000.000,00 18/7/2006 – 18/7/2011 Floating Rate Libor 3m + 0,61 %	692.690.082,31	590.031.931,14
USD 2.000.000.000,00 29/10/2003 – 15/11/2013 Fixed Interest Rate 5,25 %	1.629.859.017,20	1.388.310.426,21
USD 1.000.000.000,00 18/06/2009 – 18/06/2014 Fixed Interest Rate 6,18 %	814.929.508,60	694.155.213,11
USD 1.250.000.000,00 06/10/2004 – 30/09/2014 Fixed Interest Rate 4,95 %	1.018.661.885,75	867.694.016,38
USD 1.400.000.000 28/09/2005 – 01/10/2015 Fixed Interest Rate 5,25 %	1.140.901.312,04	971.817.298,35
USD 1.000.000.000,00 04/06/2008 – 04/06/2018 Fixed Interest Rate 6,99 %	814.929.508,60	694.155.213,11
USD 1.000.000.000,00 18/06/2009 – 18/06/2019 Fixed Interest Rate 7,18 %	814.929.508,60	694.155.213,11
USD 1.000.000.000,00 29/10/2003 – 15/11/2033 Fixed Interest Rate 6,37 %	814.929.508,60	694.155.213,11
USD 1.000.000.000,00 06/10/2004 – 30/09/2034 Fixed Interest Rate 6,00 %	814.929.508,60	694.155.213,11
USD 1.000.000.000,00 18/07/2006 – 18/07/2036 Fixed Interest Rate 7,20 %	814.929.508,60	694.155.213,11
USD 1.000.000.000,00 04/06/2008 – 04/06/2038 Fixed Interest Rate 7,72 %	814.929.508,60	694.155.213,11
	<u>11.694.238.448,41</u>	<u>10.828.821.324,47</u>

Note 12 – Payables to banks and financial institutions

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

- USD 31.300.000,00 for notes issued as of 29 October 2003;
- USD 35.652.500,00 for those issued as of 6 October 2004;
- USD 19.684.000,00 for those issued as of 28 September 2005;
- USD 14.036.250,00 for those issued as of 18 July 2006.

The loans have a quarterly amortizing period.

Final payment date	June 2010 EUR	December 2009 EUR
January 15 th , 2010	0,00	266.697,65
October 1 st , 2010	274.626,79	467.259,97
February 1 st , 2011	173.129,81	245.610,14
July 18 th , 2011	883.259,10	1.039.388,00
July 18 th , 2011	664.157,23	783.756,84
November 15 th , 2011	2.747.942,30	3.120.921,84
November 15 th , 2013	4.514.525,11	4.356.743,50
September 30 th , 2014	3.865.577,89	3.642.766,66
October 1 st , 2015	7.424.829,51	6.827.919,63
November 15 th , 2033	9.549.870,92	8.223.523,46
September 29 th , 2034	13.154.686,82	11.328.077,07
July 18 th , 2036	5.424.143,01	4.667.645,64
	<u>48.676.748,49</u>	<u>44.970.310,40</u>

Note 13 – Payables to group companies

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

	June 2010 EUR	December 2009 EUR
Guarantee fees	1.362.159,76	2.402.537,25
Payables from group companies [CCIRS towards TI SpA]	<u>14.809.409,54</u>	<u>209.115.144,72</u>
Payable within 1 year	<u>16.171.569,30</u>	<u>211.517.681,97</u>
Payables from group companies [CCIRS towards TI SpA]	<u>16.017.934,96</u>	<u>787.133.009,95</u>
Payable beyond 1 year	<u>16.017.934,96</u>	<u>787.133.009,95</u>

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 2.630.062,29 (2009: EUR 2.540.937,42).

Note 15 – Other payables

The item amounting to EUR 571.852,73 (2009: EUR 30.434.852,25) corresponds to the negative difference between the contractual exchange rate and the exchange rate as of June 30th, 2010 for CCIRS entered with banks.

Note 16 – Accruals and deferred income

	June 2010 EUR	December 2009 EUR
Accrued interest on Debentures	122.971.513,58	120.724.562,93
Accrued interest on due to Bank	235.688,52	241.375,72
Accrued interest on derivatives contract	45.764.899,24	57.320.243,34
	<u>168.972.101,34</u>	<u>178.286.181,99</u>

Note 17 – Interest and similar expenses

	June 2010 EUR	June 2009 EUR
Interest on Loans vs Group Companies	142.046,40	0,00
Interest on derivatives vs Parent Company	152.058.900,65	1.500.900.211,11
Guarantee fees due to Parent Company Concerning group companies	<u>1.362.160,27</u>	<u>1.164.780,93</u>
	<u>153.563.107,32</u>	<u>1.502.064.992,04</u>
Interest on Loans vs Banks	1.044.604,64	1.094.141,98
Interest and other charges on debentures	337.084.639,43	281.963.052,90
Interest on derivatives vs Banks	14.833.547,70	672.422.793,02
Loss on exchange rates	<u>10.389.378,61</u>	<u>672.575,38</u>
Other interests and charges	<u>363.352.170,38</u>	<u>956.152.563,28</u>

Note 18 – Other interest and similar income

	June 2010 EUR	June 2009 EUR
Interest on group companies	163.612.197,26	214.320.506,12
Commission from group companies	2.199,65	1.324,66
Interest on derivatives vs Parent Company	324.431.978,08	757.027.221,03
	<u>488.046.374,99</u>	<u>971.349.051,81</u>
Interest on Bank deposit	18.169,53	228.095,06
Interest on derivatives vs Bank	20.229.760,06	1.486.711.862,46
Gain on exchange rates	9.527.285,75	786.907,05
	<u>29.775.215,34</u>	<u>1.487.726.864,57</u>

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:

	June 2010 EUR	December 2009 EUR
Currency and interest rates swaps contracts with the Parent Company	8.271.600.404,67	9.082.201.916,67
Currency and interest rates swaps contracts with third parties	384.624.698,00	588.174.608,00
interest rates swaps contracts with the Parent Company	7.497.351.479,10	7.253.921.976,95
interest rates swaps contracts with third parties	407.464.754,30	347.077.606,55
Currency swaps with third parties	17.844.664,35	15.337.413,49
	<u>16.578.886.000,42</u>	<u>17.286.713.521,66</u>

Note 20 – Tax situation

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

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 first six month 2010.

Note 23 – Litigation

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

DECLARATION OF THE MANAGER RESPONSIBLE FOR FINANCIAL REPORTING

Pursuant to paragraph 4 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 interim 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 an indication of important events that have occurred during the first six months of the financial year, and their impact on the financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

Telecom Italia Capital
Société Anonyme
Adriano TRAPLETTI
Managing Director

