



C A P I T A L

Telecom Italia Capital
Société Anonyme
12, rue Eugène Ruppert
L-2453 Luxembourg

R.C.S. Luxembourg B 77.970

Unaudited Semi-Annual Accounts
as at June 30, 2012

Table of Contents

Table of Contents	2
Directors' report	3
Balance Sheet	5
Profit and Loss	6
Cash Flow Statements	7
Notes to the accounts	9
Declaration of the manager responsible for financial reporting	26

Directors' report

Telecom Italia Capital (herein below defined as the "Company" or "TI Capital") ends the first six months of the year 2012 with a profit of EUR 1.708.568,61 (EUR 7.029.357,56 for the same period 2011) after deducting EUR 689.427,98 of tax charges (EUR 383.018,66 for the same period 2011).

The result 2011 was mainly due to the one-off profit realized on the disposal of the credit towards Lehman Brothers International Europe.

The contribution of the ongoing borrowing and lending activity is positive for EUR 2,6 million (EUR 1,8 million for the same period 2011).

The net financial position as of June 30, 2012 is positive for EUR 29,6 million (EUR 28,1 million as of December 31, 2011).

During the first six months, TI Capital continued its activity of providing financial assistance to Telecom Italia Group companies.

As per June 30, 2012, the aggregate principal amount of the outstanding notes equals to USD 11.650.000.000,00 (same amount as of December 31, 2011). The revenues of the aforesaid notes have been utilized to provide funding to Telecom Italia Group companies. All the notes are unconditionally and irrevocably guaranteed by the mother company Telecom Italia S.p.A.

As far as the interest and currency exchange risk are concerned, all the outstanding notes have been covered by means of hedging contracts.

As of June 30, 2012 the fully paid in share capital amounts to EUR 2.336.000,00.

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

The Directors consider the following as the principal risks that the Company faces:

- the Company has raised, and may raise in the future, financing in currencies other than euro. According to its risk management policies, Telecom Italia Capital hedges the foreign currency risk exposure on its liabilities through currency swaps contracts or natural hedge positions. Furthermore, in order to hedge its interest rate exposure, Telecom Italia Capital enters into interest rate swaps;
- Recoverability risk, that may adversely affect the Company is managed by monitoring achieved results and assessing business forecasts.

The Company is exposed to generic market credit and liquidity risks.

During the second half of the year 2012 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.

Financials as of June 30, 2012 herein reported have not been audited. They comprise the balance sheet, the profit and loss account, the cash flow statement and the explanatory notes.

For the Board of Directors
The Managing Director
Adriano Trapletti

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Balance Sheet

TELECOM ITALIA CAPITAL SOCIÉTÉ ANONYME							
BALANCE SHEET AS AT JUNE 30, 2012							
ASSET - [EUR]		30.JUNE.2012	31.DECEMBER.2011	LIABILITIES - [EUR]		30.JUNE.2012	31.DECEMBER.2011
B. Formation expenses	[3]	29.008.749,24	30.305.101,09	A. Capital and reserves		28.471.131,57	26.762.562,96
C. Fixed assets		7.799.962.896,61	8.793.691.129,80	I. Subscribed capital	[8]	2.336.000,00	2.336.000,00
III. Financial assets				II. Share premium and similar premiums	[9]	11.810.696,39	11.810.696,39
2. Loans to affiliated undertakings	[4]	7.799.962.896,61	8.793.691.129,80	IV. Reserves	[10]		
D. Current assets		1.671.073.781,58	525.120.281,51	1. Legal reserve		234.000,00	234.000,00
II. Debtors				4. Other reserves		1.541.475,00	835.575,00
2. Amounts owed by affiliated undertakings	[5]			V. Profit or loss brought forward		10.840.391,57	12.879.754,13
a) becoming due and payable after less than one year		1.213.151.258,95	155.281.641,13	VI. Result for the financial period		1.708.568,61	-1.333.462,56
b) becoming due and payable after more than one year		457.141.445,79	284.909.514,09	D. Not Subordinated debts		9.474.280.700,65	9.325.312.856,13
4. Other debtors	[6]			1. Debenture loans			
a) becoming due and payable after less than one year		0,00	3.673.074,99	b) Non convertible notes	[11]		
b) becoming due and payable after more than one year		0,00	79.089.653,96	i) becoming due and payable after less than one year		92.719.125,06	90.218.238,27
IV. Cash at bank and in hand	[7]	781.076,84	2.166.397,34	ii) becoming due and payable after more than one year		9.240.245.719,84	8.990.055.829,72
E. Prepayments and accrued income		2.706.404,79	2.958.906,69	2. Amounts owed to credit institutions	[12]		
TOTAL ASSETS		9.502.751.832,22	9.352.075.419,09	a) becoming due and payable after less than one year		4.351.585,92	4.162.994,73
				b) becoming due and payable after more than one year		30.781.076,60	32.004.254,70
				4. Trade creditors			
				a) becoming due and payable after less than one year		581.584,08	605.965,63
				6. Amounts owed to affiliated undertakings	[13]		
				a) becoming due and payable after less than one year		47.514.460,76	78.099.338,54
				b) becoming due and payable after more than one year		55.977.664,93	126.728.392,24
				8. Tax and social security	[14]		
				a) Tax		2.088.714,06	1.399.295,82
				b) Social security		3.850,00	4.905,80
				9. Other creditors	[15]		
				a) becoming due and payable after less than one year		16.919,40	2.033.640,68
				TOTAL LIABILITIES		9.502.751.832,22	9.352.075.419,09

The accompanying notes are an integral part of these annual accounts.

Profit and Loss

TELECOM ITALIA CAPITAL SOCIÉTÉ ANONYME					
PROFIT AND LOSS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012					
A. CHARGES - [EUR]	30.JUNE.2012	30.JUNE.2011	B. INCOME - [EUR]	30.JUNE.2012	30.JUNE.2011
1. Raw materials and consumables	0,00	0,00			
2. Other external charges	339.069,61	355.227,75	6. Income from financial fixed assets	[17] 155.480.592,30	161.707.324,19
3. Staff costs	96.347,68	94.127,63	a) derived from affiliated undertakings	155.480.592,30	161.707.324,19
a) Wages and salaries	82.865,82	81.170,58			
b) Social security costs	10.598,70	11.702,66	8. Other interest and other financial income	[18] 770.860.424,42	280.237.717,03
c) Social security costs relating to pensions	2.883,16	1.254,39	a) derived from affiliated undertakings	584.111.764,05	259.571.653,13
4. Value adjustments	1.809.371,82	1.444,62	b) other interest receivable and similar income	186.748.660,37	20.666.063,90
a) on formation expenses and on tangible and intangible fixed assets	1.809.371,82	1.444,62			
5. Other operating charges	54.980,87	51.735,60	9. Extraordinary income	[19] 0,00	6.070.420,17
8. Interest payable and similar charges	[16] 921.643.250,15	440.100.549,57			
a) concerning affiliated undertakings	569.974.199,89	152.277.922,82	12. Loss for the financial year	0,00	0,00
b) other interest payable and similar charges	351.669.050,26	287.822.626,75			
10. Tax on profit or loss	689.427,98	383.018,66	TOTAL INCOME	926.341.016,72	448.015.461,39
11. Other taxes not included in the previous caption	0,00	0,00			
12. Profit for the financial period	1.708.568,61	7.029.357,56			
TOTAL CHARGES	926.341.016,72	448.015.461,39			

The accompanying notes are an integral part of these annual accounts.

Cash Flow Statements

TELECOM ITALIA CAPITAL SOCIÉTÉ ANONYME		
CASH FLOW STATEMENT AS AT 30 JUNE 12		
	30. JUNE. 2012	30. JUNE. 2011
Operating Activities		
Profit/Loss before tax	2.397.996,59	7.412.376,22
Adjustments for		
Amortization of formation expenses and on tangible and intangible fixed assets	1.809.371,82	1.444,62
Finance Income	-926.341.016,72	-441.945.041,22
Finance Expenses	920.470.187,99	439.021.530,27
Changes in trade and other receivables	252.501,90	24.870.586,21
Changes in trade and other payables	-1.203.940,65	-1.435.732,46
Net cash flows from operating activities	-2.614.899,07	27.925.163,64
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	1.699.667,83	301.626.313,69
Interest, commissions and other financial income received	929.361.674,78	445.758.477,74
Dividends received	0,00	0,00
Income received from participations and funds	0,00	0,00
Net cash flows from investing activities	931.061.342,61	747.384.791,43
Cash flows from Financing activities		
Net change arising from Net Equity	0,00	0,00
Net change in short-term financial payables	-5.600.000,00	0,00
Proceeds from borrowings	0,00	0,00
Repayments of borrowings	-1.955.984,10	-335.828.548,06
Interest, commissions and other financial expenses paid	-922.513.403,23	-439.411.447,45
Dividends paid	0,00	0,00
Net cash flows from financing activities	-930.069.387,33	-775.239.995,51
Net Increase / Decrease in Cash and Cash Equivalents	-1.622.943,79	69.959,56
Net foreign exchange differences in C&CE	238.868,29	160.275,98
Cash and cash equivalents at 01 January	2.165.152,34	27.779.677,06
Cash and cash equivalents at the end of the period	781.076,84	28.009.912,60

The accompanying notes are an integral part of these annual accounts.

TELECOM ITALIA CAPITAL SOCIÉTÉ ANONYME
CASH FLOW STATEMENT AS AT 30 JUNE 12

	30.JUNE.2012	31.DECEMBER.2011
Operating Activities		
Profit/Loss before tax	2.397.996,59	-930.362,23
Adjustments for		
Amortization of formation expenses and on tangible and intangible fixed assets	1.809.371,82	3.906.842,19
Finance Income	-926.341.016,72	-988.416.997,28
Finance Expenses	920.470.187,99	988.274.217,02
Changes in trade and other receivables	252.501,90	25.127.661,11
Changes in trade and other payables	-1.203.940,65	-316.941,50
Net cash flows from operating activities	-2.614.899,07	27.644.419,31
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	1.699.667,83	1.539.934.155,97
Interest, commissions and other financial income received	929.361.674,78	1.006.521.138,43
Dividends received	0,00	0,00
Income received from participations and funds	0,00	0,00
Net cash flows from investing activities	931.061.342,61	2.546.455.294,40
Cash flows from Financing activities		
Net change arising from Net Equity	0,00	0,00
Net change in short-term financial payables	-5.600.000,00	6.600.000,00
Proceeds from borrowings	0,00	0,00
Repayments of borrowings	-1.955.984,10	-1.602.437.081,20
Interest, commissions and other financial expenses paid	-922.513.403,23	-1.003.985.512,23
Dividends paid	0,00	0,00
Net cash flows from financing activities	-930.069.387,33	-2.599.822.593,43
Net Increase / Decrease in Cash and Cash Equivalents	-1.622.943,79	-25.722.879,72
Net foreign exchange differences in C&CE	238.868,29	108.355,00
Cash and cash equivalents at 01 January	2.165.152,34	27.779.677,06
Cash and cash equivalents at the end of the period	781.076,84	2.165.152,34

The accompanying notes are an integral part of these annual accounts.

Notes to the accounts

as at June 30, 2012

Note 1 – General

Telecom Italia Capital (the “Company”) was incorporated in Luxembourg on September 27, 2000 for an unlimited duration. The registered office is currently 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 Group Companies within Telecom Italia. 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 interests 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 annual accounts have been prepared in accordance with accounting principles and regulations generally accepted in the Grand Duchy of Luxembourg (“Luxembourg GAAP”).

As allowed by the amended law of 19 Dec. 2002, the Board of Directors of the Company has decided to include the cash flow statements based on the indirect method.

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.

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 "Interest and other financial charges / Other interest and other 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 » incorporated into "Interest and other financial charges" and "Other interest and other financial income" whose valuation at the year-end rate allows to hedge off the exchange variance risk.

The exchange rate used to convert as of June 30, 2012 the operations in USD into EUR is the following: 1 EUR= USD 1,2590.

Formation expenses

Formation expenses may include incorporation expenses and bond issuance expenses. Incorporation expenses are valued at purchase price including the expenses incidental thereto less cumulated depreciation amounts written off over maximum 5 years. Bond issuance expenses are written off on a straight-line basis over the period of the note.

Fixed assets

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

Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Cash at bank and in hand

Cash at bank and in hand is defined as cash in 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. Cash at bank and in hand and short-term deposits which are held to maturity are carried at cost.

Accrued income and charges

Accrued interest are shown with their principal amount.

Prepayments and accrued income/Accruals and deferred income

“Prepayments and accrued income” and “Accruals and deferred income” accounts include prepaid charges and prepaid income.

Issue discounts are listed with the related notes, while other similar charges are classified in the “Formation expenses”. All are amortized through the profit and loss account on a straight-line basis over the lifetime of the notes.

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.

Notes and other liabilities

Notes and other liabilities are recorded at their nominal value. Where the amount repayable on account is greater than the amount received, the difference is shown in the same line of the debt and is written off over the period of the debt based on a linear/actuarial method.

Provisions

Provisions are recognized when the Company 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 – Formation expenses

This item is composed as follows:

	<i>June 30, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Incorporation expenses	6.007,04	7.451,66
Bond issuance expenses	29.002.742,20	30.297.649,43
	29.008.749,24	30.305.101,09

Note 4 – Loans to affiliated undertakings

This item is composed by EUR 7.799.962.896,61 (EUR 8.793.691.129,80 as per December 31, 2011) being the total amount of medium-long term loans granted to Telecom Italia S.p.A. (the “Parent Company”) utilizing the proceeds received by issuing notes.

	<i>June 30, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Nominal value: EUR: 1.058.000.000,00 Expiring April 1, 2013		
Floater rate: Euribor 6m + 0,73335%	<i>Classified in short term portion</i>	1.058.000.000,00
Nominal value: USD 2.000.000.000,00 Expiring November 15, 2014 [*]		
Floater rate: USDLibor 3m + 0,71000%	1.588.562.351,07	1.545.714.506,53
Nominal value: EUR: 700.000.000,00 Expiring December 18, 2014		
Fixed rate: 5,94017%	700.000.000,00	700.000.000,00
Nominal value: EUR: 20.000.000,00 Expiring December 18, 2014		
Fixed rate: 5,94017%	20.000.000,00	20.000.000,00
Nominal value: EUR: 83.000.000,00 Expiring November 2, 2015		
Floater rate: Euribor 6m + 2,06660%	83.000.000,00	83.000.000,00
Nominal value: EUR 1.816.000.000,00 Expiring September 30, 2019		
Floater rate: Euribor 6m + 0,87870%	1.816.000.000,00	1.816.000.000,00
Nominal value: EUR 642.000.000,00 Expiring December 4, 2019		
Fixed rate: 7,10320%	642.000.000,00	642.000.000,00
Nominal value: EUR: 700.000.000,00 Expiring December 18, 2019		
Fixed rate: 6,78656%	700.000.000,00	700.000.000,00
Nominal value: EUR: 20.000.000,00 Expiring December 18, 2019		
Fixed rate: 6,78656%	20.000.000,00	20.000.000,00
Nominal value: USD 1.000.000.000,00 Expiring November 15, 2034 [*]		
Floater rate: USDLibor 3m + 1,10000%	794.281.175,54	772.857.253,27
Nominal value: EUR 791.119.370,00 Expiring January 18, 2037		
Floater rate: Euribor 6m + 1,45969%	791.119.370,00	791.119.370,00
Nominal value: EUR: 645.000.000,00 Expiring December 5, 2039		
Fixed rate: 7,53220%	645.000.000,00	645.000.000,00
	7.799.962.896,61	8.793.691.129,80

[*] Differences between December 31, 2011 and June 30, 2012 are due to exchange rate impact.

Note 5 – Amounts owed by affiliated undertakings

a) *becoming due and payable after less than one year:*

	<i>June 30, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Current portion of Long Term Loans with Parent Company	1.058.000.000,00	<i>Classified in long term portion</i>
Accruals on long term loans with Parent Company	39.346.938,82	45.998.479,89
Short term loan with TMI UK	6.500.000,00	6.500.000,00
Short term loan with TI Germany	6.500.000,00	8.200.000,00
Accruals on short term loans with Group Companies	97.928,76	117.169,50
Accruals on interest rate swaps with Parent Company	79.814.339,87	77.596.109,71
Accruals on interest rate swaps with Group Companies	11.723.319,62	7.843.542,70
Exchange rate evaluation of currency and interest rate swaps with Parent Company	11.168.731,88	9.026.339,33
	1.213.151.258,95	155.281.641,13

b) *becoming due and payable after more than one year*

	<i>June 30, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Exchange rate evaluation of currency and interest rate swaps with Parent Company	344.627.144,59	269.695.200,77
Exchange rate evaluation of currency and interest rate swaps with Group Companies	112.514.301,20	15.214.313,32
	457.141.445,79	284.909.514,09

Note 6 – Other debtors

a) *becoming due and payable after less than one year:*

	<i>June 30, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Accruals on interest rate swaps with banks	0,00	3.673.074,99
	0,00	3.673.074,99

b) *becoming due and payable after more than one year*

	<i>June 30, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Exchange rate evaluation of currency and interest rate swaps with banks	0,00	79.089.653,96
	0,00	79.089.653,96

Note 7 – Cash at bank and in hand

	<i>June 30, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Bank current accounts	781.076,84	201.437,99
Bank term deposit accounts	0,00	1.963.714,35
Cash and cash equivalent as shown in Cash Flow Statement	781.076,84	2.165.152,34
Accruals on bank term deposits	0,00	1.245,00
	781.076,84	2.166.397,34

Note 8 – Subscribed capital

As of June 30, 2012 the authorized, issued and fully paid in 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 June 30, 2012 and December 31, 2011, the Company is 100% held by Telecom Italia S.p.A.

Note 9 – Share premium and similar premiums

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. Consequently, residual value of issuance premium is EUR 11.810.696,39.

Note 10 – Reserves

Reserves are split as follows:

- The Company is required to allocate a minimum of 5% of its annual net income to a legal reserve, until this reverse equals 10% of the subscribed share capital. This reserve may not be distributed. The legal reserve as of June 30, 2012 amounts to EUR 234.000,00, equal to the 10% of the share capital. The reserve has been set up by the shareholders meeting as of March 2, 2005 by converting a quote of other unavailable reserves;
- Other reserves consist of Tax reserve for an amount of EUR 1.541.475,00. It has been created by the annual shareholders meetings held between the years 2006 and 2012 and is equal to five times the amount of the Net Wealth Tax to be paid for year 2005, 2006, 2007, 2008, 2010 and 2011. It will be unavailable for distribution for a five years 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
Fiscal year 2010	EUR	407.500,00
Fiscal year 2011	EUR	705.900,00
	EUR	1.541.475,00

[*] The reserves of the fiscal years 2005 and 2006 are to be considered as available from May 31, 2012.

	<i>Legal Reserve (EUR)</i>	<i>Other reserves (EUR)</i>	<i>Profit/Loss brought forward (EUR)</i>	<i>Result for the financial year (EUR)</i>
Balance as at 31.12.2011	234.000,00	835.575,00	12.879.754,13	-1.333.462,56
Movements for the year				
Allocation of prior year's loss [*]		0,00	-1.333.462,56	1.333.462,56
Reallocation of Reserve [*]		705.900,00	-705.900,00	
Profit/Loss for the year				1.708.568,61
Balance as at 30.06.2012	234.000,00	1.541.475,00	10.840.391,57	1.708.568,61

[*] Shareholders Meeting held on April 04, 2012 decided to reallocate EUR 705.900,00 from the profit or loss brought forward to the net wealth tax reserve and to allocate the loss of the year 2011, amounting to EUR 1.333.462,56 to the profit or loss brought forward.

Note 11 – Non convertible notes

The Company has issued non-convertible notes for a total outstanding amount of USD 11.650.000.000,00 as at June 30, 2012 (December 31, 2011 – USD 11.650.000.000,00).

i) becoming due and payable after less than one year

	<i>June 30, 2012 EUR</i>	<i>December 31, 2011 EUR</i>
Prepaid charges on notes (issue discounts) - <i>Current portion</i>	-1.963.658,88	-1.910.693,64
Accrued interest on notes	94.682.783,94	92.128.931,91
	92.719.125,06	90.218.238,27

ii) *becoming due and payable after more than one year*

	<i>June 30, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Nominal value: USD 2.000.000.000,00 Expiring November 15, 2013 Fixed Interest Rate 5,25 %	1.588.562.351,07	1.545.714.506,53
Nominal value: USD 1.000.000.000,00 Expiring June 18, 2014 Fixed Interest Rate 6,18 %	794.281.175,54	772.857.253,27
Nominal value: USD 1.250.000.000,00 Expiring September 30, 2014 Fixed Interest Rate 4,95 %	992.851.469,42	966.071.566,58
Nominal value: USD 1.400.000.000,00 Expiring October 1, 2015 Fixed Interest Rate 5,25 %	1.111.993.645,75	1.082.000.154,57
Nominal value: USD 1.000.000.000,00 Expiring June 4, 2018 Fixed Interest Rate 6,99 %	794.281.175,54	772.857.253,27
Nominal value: USD 1.000.000.000,00 Expiring June 18, 2019 Fixed Interest Rate 7,18 %	794.281.175,54	772.857.253,27
Nominal value: USD 1.000.000.000,00 Expiring November 15, 2033 Fixed Interest Rate 6,37 %	794.281.175,54	772.857.253,27
Nominal value: USD 1.000.000.000,00 Expiring September 30, 2034 Fixed Interest Rate 6,00 %	794.281.175,54	772.857.253,27
Nominal value: USD 1.000.000.000,00 Expiring July 18, 2036 Fixed Interest Rate 7,20 %	794.281.175,54	772.857.253,27
Nominal value: USD 1.000.000.000,00 Expiring June 4, 2038 Fixed Interest Rate 7,72 %	794.281.175,54	772.857.253,27
Prepaid charges on notes (issue discounts) – <i>Long term portion</i>	- 13.129.975,18	- 13.731.170,85
	9.240.245.719,84	8.990.055.829,72

Note 12 – Amounts owed to credit institutions

Those items refer to the bank loans used to fund issuance costs for notes released from 2003 to 2006. Loans have a quarterly amortizing period. The residual nominal amount of loans is split as follows:

	<i>June 30, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Related to notes issued as of October 29, 2003 for an initial amount of USD 31.300.000,00:		
Final payment date:		
November 15, 2013	1.934.148,91	2.499.338,60
November 15, 2033	8.874.096,27	8.744.504,03
Nominal residual amount	10.808.245,18	11.243.842,63
Related to notes issued as of October 6, 2004 for an initial amount of USD 35.652.500,00:		
Final payment date:		
September 30, 2014	2.080.339,13	2.445.910,10
September 29, 2034	12.225.481,29	12.046.390,01
Nominal residual amount	14.305.820,42	14.492.300,11
Related to notes issued as of September 28, 2005 for an initial amount of USD 19.684.000,00:		
Final payment date:		
October 1, 2015	4.789.615,22	5.273.110,66
Nominal residual amount	4.789.615,22	5.273.110,66
Related to notes issued as of July 18, 2006 for an initial amount of USD 14.036.250,00:		
Final payment date:		
July 18, 2036	5.058.799,01	4.979.220,08
Nominal residual amount	5.058.799,01	4.979.220,08

Accordingly with the amortization plan of the loans, the item can be detailed as follows:

a) *becoming due and payable after less than one year*

	<i>June 30, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Portion payable within 1 year	4.181.403,23	3.984.218,78
Accrued interest on loans	170.182,69	178.775,95
	4.351.585,92	4.162.994,73

b) *becoming due and payable after more than one year*

	<i>June 30, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Portion payable beyond 1 year	30.781.076,60	32.004.254,70
	30.781.076,60	32.004.254,70

Note 13 – Amounts owed to affiliated undertakings

This item refers to the following payables due to Parent Company and Group Companies:

a) *becoming due and payable after less than one year*

	<i>June 30, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Guarantee fee	1.173.061,65	2.362.594,65
Short term loan with Group Companies	1.000.834,04	6.600.000,00
Exchange rate evaluation of currency interest rate swaps expiring within 1 year	11.068.729,02	30.350.259,06
Accruals on Loans	508,58	15.785,67
Accruals on interest rate swaps	34.271.327,47	38.770.699,16
	47.514.460,76	78.099.338,54

b) *becoming due and payable after more than one year*

	<i>June 30, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Exchange rate evaluation of currency interest rate swaps expiring beyond 1 year	55.977.644,93	126.728.392,24
	55.977.644,93	126.728.392,24

Note 14 – Tax and social security

a) Tax

	<i>June 30, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Income tax	2.054.175,79	1.365.535,31
VAT	16.211,14	14.004,12
Fees Chamber of Commerce	18.075,04	18.075,04
Other taxes	252,09	1.681,35
	2.088.714,06	1.399.295,82

b) Social security

	<i>June 30, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Social security debts	3.850,00	4.905,80
	3.850,00	4.905,80

Note 15 – Other creditors becoming due and payable after less than one year

	<i>June 30, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Exchange rate evaluation of currency swaps with banks	5.916,33	15.292,71
Accruals on currency swaps with banks	95,95	38,99
Accruals on interest rate swaps with banks	0,00	2.018.308,98
Other payables	10.907,12	0,00
	16.919,40	2.033.640,68

Note 16 – Interest payable and similar charges*a) concerning affiliated undertakings*

	<i>June 30, 2012</i>	<i>June 30, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Interest due to Group Companies	153.266,90	51.862,59
Guarantee Fee due to Parent Company	1.173.062,16	1.079.019,30
Other fees due to Group Companies	62.500,00	62.500,00
Charges on interest rate swaps with Parent Company	375.502.184,09	151.084.540,93
Charges on interest rate swaps with Group Companies	193.083.186,74	0,00
	569.974.199,89	152.277.922,82

b) other interest payable and similar charges

	<i>June 30, 2012</i>	<i>June 30, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Interest and charges vs. banks	818.596,48	828.257,06
Other financial commission	1.593,34	1.541,67
Interest and similar expenses on debentures	282.560.572,22	268.560.937,95
Charges on interest rate swaps with banks	67.292.670,95	14.725.382,95
Charges on currency swaps with banks	237,76	15.579,86
Charges on currency swaps with group companies	477,12	0,00
Losses on exchange rates	994.902,39	3.690.927,26
	351.669.050,26	287.822.626,75

Note 17 – Income from financial fixed assets derived from affiliated undertakings

	<i>June 30, 2012</i>	<i>June 30, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Interest on long term loans to Parent Company	155.480.592,30	161.707.324,19
	155.480.592,30	161.707.324,19

Note 18 – Other interest and other financial income

a) *derived from affiliated undertakings*

	<i>June 30, 2012</i>	<i>June 30, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Interest and commissions on receivables from Group Companies	218.787,70	335.288,15
Income on interest rate swaps with Parent Company	495.333.467,17	259.236.364,98
Income on interest rate swaps with Group Companies	88.559.509,18	0,00
	584.111.764,05	259.571.653,13

b) *other interest receivable and similar income*

	<i>June 30, 2012</i>	<i>June 30, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Interest on Bank deposits	1.079,58	93.222,11
Income on interest rate swaps with banks	185.519.324,00	16.911.111,32
Income on currency swaps with banks	0,00	14.043,62
Gain on exchange rates	1.228.256,79	3.647.686,85
	186.748.660,37	20.666.063,90

Note 19 – Hedging contracts and other derivative agreements

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 for the same duration of the hedged notes. The table here below reports the net sum of the notional amount for derivatives and counterparties.

	<i>June 30, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Currency and interest rate swap contracts with the Parent Company	5.906.643.687,00	5.906.643.687,00
Currency and interest rate swap contracts with Group Companies	562.624.698,00	178.000.000,00
Currency and interest rate swap contracts with banks	0,00	384.624.698,00
Interest rate swap contracts with the Parent Company	5.778.395.552,03	5.622.536.517,51
Interest rate swap contracts with Group Companies	774.424.146,15	367.107.195,30
Interest rate swap contracts with banks	0,00	386.428.626,63
Currency swaps with banks	279.828,99	261.313,87
	13.022.367.912,17	12.845.602.038,31

The table here below reports the net sum of the mark to market value of the above reported derivative agreements.

	<i>June 30, 2012</i>	<i>December 31, 2011</i>
	<i>EUR</i>	<i>EUR</i>
Currency and interest rate swap contracts with the Parent Company	265.398.382,64	76.529.802,61
Currency and interest rate swap contracts with Group Companies	53.291.939,02	15.918.919,42
Currency and interest rate swap contracts with banks	0,00	19.675.079,10
Interest rate swap contracts with the Parent Company	1.356.124.166,30	1.315.383.342,23
Interest rate swap contracts with Group Companies	334.796.513,36	122.953.583,86
Interest rate swap contracts with banks	0,00	190.534.463,35
Currency swaps with banks	-6.138,76	-15.623,97
	2.009.604.862,56	1.740.979.566,60

Note 20 – Tax situation

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

Note 21 – Consolidation

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

The Directors have not been remunerated in their capacity as Director during the first six months 2012.

Note 23 – Staff

As of June 30, 2012 the Company had 4 employees on its payroll (December 31, 2011 – 4). The average of employees during the fiscal year has been of 4 resources (2011 – 4).

Note 24 – Litigation

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

Note 25 – Auditor's fees

No fees has been paid to PricewaterhouseCoopers S.à.r.l., for the audit activity during the first six months 2012 (2011 – EUR 32.940,00).

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.

Adriano Trapletti
Managing Director