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*C A P I T A L*

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UNAUDITED INTERIM FINANCIALS AS OF JUNE 30, 2009

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## REPORT OF THE BOARD ON OPERATIONS AS OF JUNE 30, 2009

Telecom Italia Capital (herein below defined as the “Company” or “TI Capital”) ends the first six month of the fiscal year 2009 with a loss of EUR 224,112 (profit of EUR 1,035,272 for the same period during year 2008).

The loss is due to the effects of the default of Lehman Brothers in 2008, which determined a reduction of the net invested capital and a lack of returns during the first six months 2009. The recapitalisation effective as of May 15, 2009 has balanced the position, but such operation has a limited impact on the accounts on hand. Net result includes EUR 460,155 worth of taxes.

During the first six months, TI Capital continued its activity of providing financial assistance to Telecom Italia Group companies. On June 18, 2009 notes for an aggregate amount of USD 2 billion have been issued. The new issuance is articulated in two tranches of USD 1 billion 6.175% due June 18, 2014 and USD 1 billion 7.175% due June 18, 2019 respectively. The notes are unconditionally and irrevocably guaranteed by the mother company Telecom Italia S.p.A. (“TI”). As for the previous issuances, the Company hedged the interest and currency exchange risk by means of derivative contracts.

As per June 30, 2009 the aggregate principal amount of the outstanding notes equals to USD 15.6 billion. The revenues of the aforesaid notes have been utilized to provide funding to Telecom Italia Group companies.

On May 15, 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 February 28, 2009. In execution of the aforementioned resolution, Telecom Italia S.p.A. injected EUR 50,000,000.00 and is currently the sole shareholder of the Company.

As far as the credits towards Lehman Brothers Europe Inc are concerned, the management is performing 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 procedure is not predictable.

Following the crisis on the financial markets 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 economics of the transferred contracts. As of June 30, the residual third parties derivative agreements equals the notional amount of EUR 941.9 million.

During the second half of the year 2009 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.

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, 2009 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, 2009 have not been audited.

The Board of Directors

**TELECOM ITALIA CAPITAL S.A.**  
**BALANCE SHEET AS AT 30 JUNE 2009**

ASSETS - EUR	30/06/2009	31/12/2008
<b>A. Not paid in subscribed capital</b>	-	-
<b>B. Incorporation expenses</b>	-	-
<b>C. Non current assets</b>	<b>10,694,450,174</b>	<b>9,328,390,730</b>
II. Tangible assets (note 3)		
2. Plant and equipments	0	110
3. Other equipment, equipments and furniture	-	-
III. Non current financial assets (note 4)		
2. Receivables from group companies	10,684,859,452	9,318,799,898
3. Equity investments	-	-
5. Securities other than equity investments	-	-
6. Other receivables (note 5)	9,590,722	9,590,722
<b>D. Current Assets</b>	<b>1,154,573,132</b>	<b>1,031,652,974</b>
II. Financial receivables		
1. Trade and services receivables		-
a) payable within 1 year	-	-
2. Receivables from group companies (note 6)		
a) payable within 1 year	1,047,751,159	989,274,873
b) payable beyond 1 year	-	-
4) Other receivables		
a) payable within 1 year	412,613	197,407
b) payable beyond 1 year (note 7)	39,883,580	-
III. Securities in current assets		
1. Parts in group companies	-	-
2. Own shares with its nominal value or its accounting value	-	-
3. Other securities	-	-
IV. Cash and cash equivalent	66,525,781	42,180,694
<b>E. Accrued income and prepaid expenses (note 8)</b>	<b>273,821,998</b>	<b>347,025,761</b>
<b>TOTAL ASSETS</b>	<b>12,122,845,303</b>	<b>10,707,069,465</b>

LIABILITIES - EUR	30/06/2009	31/12/2008
<b>A. Share capital (note 9)</b>	<b>15,392,126</b> -	<b>34,383,763</b>
I. Subscribed share capital	2,336,000	2,336,000
II. Issuance premium	11,810,696	-
IV. Reserves		
1. Legal reserves	234,000	234,000
4. Other reserves	1,235,541	635,455
V. Retained earnings	0	2,664,233
VI. Result of the period	- 224,112 -	40,253,450
<b>B. Provisions for liabilities and charges</b>	-	-
2. Tax provisions	-	-
3. Other provisions	-	-
<b>C. Liabilities</b>	<b>11,899,814,554</b>	<b>10,457,773,280</b>
1. Notes	-	-
b) Non convertible notes (note 10)	-	-
a) payable within 1 year	884,392,246	-
b) payable beyond 1 year	10,152,822,980	9,772,221,025
2. Payables to banks and financial institutions (note 11)		
a) payable within 1 year	-	-
b) payable beyond 1 year	49,653,286	54,248,504
4. Trade and services payables		
a) payable within 1 year	1,406,909	1,073,962
6. Payables to group companies (note 12)		
a) payable within 1 year	104,252,496	2,344,304
b) payable beyond 1 year	678,083,004	-
8. Tax payables and social security contributions (note 13)		
a) payable within 1 year	2,532,171	2,071,880
9. Other payables (note 14)		
a) payable within 1 year	26,671,462	810,456
b) payable beyond 1 year	-	625,003,148
<b>D. Accrued expenses and prepaid income (note 15)</b>	<b>207,638,623</b>	<b>283,679,947</b>
<b>TOTAL LIABILITIES</b>	<b>12,122,845,303</b>	<b>10,707,069,465</b>

**TELECOM ITALIA CAPITAL S.A.**  
**PROFIT AND LOSS AS OF 30 JUNE 2009**

A. EXPENSES - EUR	30/06/2009	30/06/2008
1. Net change in work in progress, semifinished and finished goods	-	-
2.a) Acquisition of goods and services	-	-
b) Other expenses	-	-
3. Personnel expenses	<b>70,262</b>	<b>55,446</b>
a) Wages and salaries	63,187	49,162
b) Social security contributions	7,075	6,284
4.a) Value adjustment in respect of tangible and intangible assets	<b>110</b>	<b>167</b>
b) Value adjustment in respect of current assets	-	-
5. Other operating expenses	<b>551,945</b>	<b>567,579</b>
6. Value adjustment in respect of Financial receivables and non current financial assets	-	-
7. Interest and similar expenses	<b>2,458,217,555</b>	<b>510,988,500</b>
a) concerning group companies (note 16)	1,502,064,992	968,867
b) other interests and charges	956,152,563	510,019,633
10. Exceptional expenses	-	-
11. Income tax	<b>460,155</b>	<b>363,477</b>
12. Other taxes non mentioned in the points above	-	-
13. Net income for the period	-	<b>1,035,272</b>
<b>TOTAL CHARGES</b>	<b>2,459,300,028</b>	<b>513,010,442</b>

B. INCOME - EUR	30/06/2009	30/06/2008
1. Net income	-	-
2. Net change in work in progress, semifinished and finished goods	-	-
3. Increases in capitalized internal construction costs of intangible assets	-	-
4. Other operating incomes	-	<b>21,662</b>
5. Income from Equity Investments	-	-
a) from group companies	-	-
6. Income from other securities	-	-
a) from group companies	-	-
b) other incomes	-	-
7. Other interests and similar incomes	<b>2,459,075,916</b>	<b>512,988,779</b>
a) from group companies	971,349,052	253,803,830
b) other interests and similar incomes	1,487,726,865	259,184,950
9. Exceptional incomes	-	-
10. Net loss for the period	<b>224,112</b>	-
<b>TOTAL INCOMES</b>	<b>2,459,300,028</b>	<b>513,010,442</b>

TELECOM ITALIA CAPITAL S.A.  
CASH FLOW STATEMENT AS OF 30 JUNE 2009

	30.06.2009	31.12.2008
<b>Operating Activities</b>		
Profit before tax	236,044	-40,631,337
Non cash items		
Amortization of property, plant and equipment	110	336
Amortization and impairment of intangible assets	0	0
Finance Income	-2,459,075,916	-1,166,754,536
Finance Expenses	2,457,052,774	1,212,479,657
Changes in trade and other receivables	-287,317	-9,404,557
Changes in trade and other payables	-890,993	1,840,720
<b>Net cash flows from operating activities</b>	<b>-2,965,298</b>	<b>-2,469,716</b>
<b>Cash flows from Investing activities</b>		
Changes in Property, plant and equipment	0	0
Changes in Intangible assets	0	0
Changes in Participations, funds and other securities	0	0
Investments and re-payments in Financial Receivables	-1,457,640,512	-441,572,714
Interest, commissions and other financial income received	2,533,242,677	1,186,080,972
Dividends received	0	0
Income received from participations and funds	0	0
<b>Net cash flows from investing activities</b>	<b>1,075,602,165</b>	<b>744,508,259</b>
<b>Cash flows from Financing activities</b>		
Net change arising from Net Equity	50,000,000	0
Net change in short-term financial payables	-810,454	810,454
Proceeds from borrowings	1,435,290,525	1,284,385,598
Repayments of borrowings	-4,022,918	-796,366,836
Interest, commissions and other financial expenses paid	-2,528,717,538	-1,224,872,372
Dividends paid	0	0
<b>Net cash flows from financing activities</b>	<b>-1,048,260,385</b>	<b>-736,043,156</b>
Net Increase / Decrease in Cash and Cash Equivalents	24,376,482	5,995,386
Net foreign exchange differences in C&CE	-31,037	-303,243
Cash and cash equivalents at 1 July 2008	42,180,694	36,488,551
<b>Cash and cash equivalents at 30 June 2009</b>	<b>66,526,139</b>	<b>42,180,694</b>

## EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS OF TELECOM ITALIA CAPITAL AS OF JUNE 30, 2009

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

## **Note 2 – Summary of significant accounting policies (continued)**

### ***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.



**Note 2 – Summary of significant accounting policies (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:

	<b>30/06/2009</b>	<b>31/12/2008</b>
	<b>EUR</b>	<b>EUR</b>
Acquisition cost at the beginning of the period	1,023	1,023
Acquisition during the period	---	---
Acquisition cost at the end of the period	1,023	1,023
Value adjustments at the beginning of the period	913	576
Value adjustments during the period	110	336
Value adjustments at the end of the period	1,023	913
Net book value at the end of the period	0	110

**Note 4 – Non current financial assets - receivable from group companies**

Following the issuance of a new bond on capital markets during the month of June 2009, the Company granted two loans for an aggregated amount of EUR 1,400,000,000.00 to Telecom Italia S.p.A. (“the Parent Company”). The total of long term loan agreements with the parent company using the proceeds received by issuing notes amounts to EUR 10,684,859,452 (2008: EUR 9,318,799,898).

**Note 5 – Non current financial assets – Other receivables**

As of September 2008, Telecom Italia Capital had two derivative transactions with Lehman Brothers International (Europe). Such instruments hedged financial risks on existing financial payables.

After the bankruptcy of Lehman Brothers Holding Inc. and its subsidiaries on September 2008, the Company initiated legal action aimed at the early termination of those transactions and at the recovery of the receivables. The mark to market value of the terminated transactions amounted to EUR 47,953,608.

In consideration of the bankruptcy procedure, the aforementioned account receivable has been written off by 80%, based on the estimated recovery value of EUR 9,590,722.

**Note 6 – Current financial assets – Receivables from group companies**

During the month of May, 2009 the Company entered into a new loan with Telecom Italia S.p.a for a total amount of EUR 60,000,000. The total of loans with affiliates amount to EUR 1,047,751,159 (2008: EUR 989,274,873).

	<b>30/06/2009</b>	<b>31/12/2008</b>
	<b>EUR</b>	<b>EUR</b>
Long Term Loan Agreement expiring within 1 year	851,590,491	851,615,291
Short Term Loan with Telecom Italia S.p.a	60,000,000	---
Short Term Loan with TIS France	16,000,000	16,000,166
Short Term Loan with TI Germany	12,700,000	12,700,000
Short Term Loan with TI United Kingdom	6,500,948	8,000,000
Short Term Loan with Hansanet	100,959,720	100,959,416
	<u>1,047,751,159</u>	<u>989,274,873</u>

**Note 7 – Current financial assets – Other Receivables payable beyond 1 year**

The item, amounting to EUR 39,883,580 (EUR 0 - 2008) corresponds to the positive difference between the contractual exchange rate and the exchange rate as of June 30, 2009 for swaps hedging currency risks and linked to the notes issued between 2004 and 2009. The CCIRS contracts having a negative difference between the two exchange rates are classified into liabilities (see notes 12 and 14).

**Note 8 – Accrued income and prepaid expenses**

The account includes the amount of accrued interest receivable.

	<b>30/06/2009</b>	<b>31/12/2008</b>
	<b>EUR</b>	<b>EUR</b>
Accrued interest on bank deposits	18,084	33,583
Accrued interest on hedging instruments	121,044,701	121,639,662
Accrued interest on amounts owed by Parent company	86,402,929	159,010,218
Accrued interest on amounts owed by related companies	2,308,451	4,060,442
Prepaid charges and costs on notes (issue discounts and other similar charges)	59,308,388	57,829,728
Other prepayments	4,739,445	4,452,128
	<b>273,821,998</b>	<b>347,025,761</b>

**Note 9 – Share capital**a) Subscribed share capital

As of June 30, 2009 the issued and fully paid share capital of EUR 2,336,000 is represented by 100,000 shares with a nominal value of EUR 23.36 per share.

As of June 30, 2009 the shareholders of the Company are:

	<b>Number of shares as of 30/06/2009</b>	<b>Number of shares as of 31/12/2008</b>
Telecom Italia S.p.A.	100,000	99,999
Telecom Italia Finance S.A.	0	1
	<b>100,000</b>	<b>100,000</b>

b) 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, EUR 47,664,000 of which as issuance premium. 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.

c) 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 March 2, 2005 by converting a quote of other unavailable reserves;
- b) Other reserves of EUR 1,235,541 are divided as follows:
  - reserves set up in order to cover losses of the current fiscal year of EUR 958,916 and
  - Tax reserve for an amount of EUR 276,625. Such reserve has been created by the shareholders meeting held on March 1, 2006 (EUR 83,225) and increased by the shareholders meetings which were held on March 7, 2007 (EUR 84,725) and on March 5, 2008 (EUR 108,675). It is equal to five times the amount of the net wealth tax to be paid for year 2005, 2006 and 2007 and will be unavailable for tax purposes for a five year period since the year following its creation.

**Note 10 – Non convertibles notes**

The Company issued the following non convertible notes for a total amount of EUR 11,037,215,226 of which EUR 884,392,246 maturing within one year:

	<b>30/06/2009</b>	<b>31/12/2008</b>
	<b>in EUR</b>	<b>in EUR</b>
USD 2,000,000,000 29/10/2003 - 15/11/2013 fixed interest rate 5.25%	1,415,027,593	1,437,091,327
USD 1,000,000,000 29/10/2003 - 15/11/2033 fixed interest rate 6.375%	707,513,797	718,545,664
USD 1,250,000,000 06/10/2004 - 15/01/2010 fixed interest rate 4%	884,392,246	898,182,079
USD 1,250,000,000 06/10/2004 - 30/09/2014 fixed interest rate 4.95%	884,392,246	898,182,079
USD 1,000,000,000 06/10/2004 - 30/09/2034 fixed interest rate 6%	707,513,797	718,545,664
USD 700,000,000 28/09/2005 - 01/10/2010 fixed interest rate 4.875%	495,259,657	502,981,964
USD 400,000,000 28/09/2005 - 01/02/2011 floating rate LIBOR 3M+ 0.48%	283,005,518	287,418,265
USD 1,400,000,000 28/09/2005 - 01/10/2015 fixed interest rate 5.25%	990,519,313	1,005,963,929
USD 750,000,000 18/07/2006 - 18/07/2011 fixed interest rate 6.20%	530,635,347	538,909,248
USD 850,000,000 18/07/2006 - 18/07/2011 floating LIBOR 3M + 0.61%	601,386,727	610,763,814
USD 1,000,000,000 18/07/2006 - 18/07/2036 fixed interest rate 7.20%	707,513,797	718,545,664
USD 1,000,000,000 04/06/2008 - 04/06/2018 fixed interest rate 6.999%	707,513,797	718,545,664
USD 1,000,000,000 04/06/2008 - 04/06/2038 fixed interest rate 7.721%	707,513,797	718,545,664
USD 1,000,000,000 (1) 18/06/2009 - 18/06/2014 fixed interest rate 6.175%	707,513,797	---
USD 1,000,000,000 (1) 18/06/2009 – 18/06/2019 fixed interest rate 7.175%	707,513,797	---
	<b>11,037,215,226</b>	<b>9,772,221,025</b>

(1) On June 18, 2009, Telecom Italia Capital S.A. issued USD 1,000,000,000 fixed interest rate 6.175% Notes maturing on June 18, 2014 and USD 1,000,000,000 fixed interest rate 7.175% notes maturing on June 18, 2019.

**Note 11 – Payables to banks and financial institutions**

The issue of the notes mentioned in Note 10 above, generated the following costs: USD 31,300,000 for notes issued as of October 29, 2003; USD 35,652,500 for those issued as of October 6, 2004; USD 19,684,000 for those issued as of September 28, 2005 and of USD 14,036,350 for those issued as of July 18, 2006. In order to finance the aforesaid costs, the Company entered into bank loans for the same duration of the related notes.

<u>Final quarterly payment on</u>	<u>30/06/2009 in EUR</u>	<u>31/12/2008 in EUR</u>
15/01/2010	828,863	1,398,330
01/10/2010	711,047	957,361
01/02/2011	347,908	450,233
18/07/2011	1,343,931	1,646,570
18/07/2011	1,014,704	1,245,042
15/11/2011	3,976,228	4,845,872
15/11/2013	4,960,366	5,550,397
30/09/2014	4,063,184	4,475,672
01/10/2015	7,463,667	8,084,822
15/11/2033	8,471,626	8,695,579
29/09/2034	11,668,689	11,973,113
18/07/2036	4,803,073	4,925,513
	<u>49,653,286</u>	<u>54,248,504</u>

**Note 12 – Payables to group companies**

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

- a) the amount of EUR 104,252,496 is due for the amount of 1,164,781 to the guarantee fee for 2009 (EUR 2,344,304 – 2008) and for the amount of EUR 103,087,715 (EUR 0 - 2008) to the hedging contracts of currency risks expiring within 1 year;
- b) the amount of EUR 678,083,004 is due to the CCIRS contracts expiring beyond 1 year.

**Note 13 – Tax payables and social security contributions**

It represents the amount provisioned in relation to number of taxes to be paid for a total amount of EUR 2,532,171 (EUR 2,071,880 – 2008).

**Note 14 – Other payables**

The item, amounting to EUR 26,671,462 (EUR 625,003,148 - 2008) corresponds to the negative difference between the contractual exchange rate and the exchange rate as of June 30, 2009 for swaps hedging currency risks and linked to the notes issued between 2004 and 2009 (see notes 7 and 12).

**Note 15 – Accrued expenses and prepaid income**

The account includes the amount of accrued interest payables.

	<u>30/06/2009</u> EUR	<u>31/12/2008</u> EUR
Accrued interest payable on debentures	124,371,758	128,077,354
Accrued interest payable on hedging contracts	83,016,757	155,322,315
Accrued interest payable on non hedging contracts	8	
Accrued interest payable to banks	250,100	280,278
	<u>207,638,623</u>	<u>283,679,947</u>

**Note 16 – Interest and similar expenses (concerning group companies)**

This item refers to the following charges versus Telecom Italia S.p.A.:

- a) EUR 1,164,781 - as guarantee fee (EUR 968,867 as of June 30, 2008);
- b) EUR 1,500,900,211 - for the derivative contracts entered with the Parent company.

**Note 17 – Hedging contracts**

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

	<u>30/06/2009</u> EUR	<u>31/12/2008</u> EUR
Currency and interest rates swaps contracts	9,682,632,437	8,241,587,182
Interest rates swaps contracts	7,747,276,072	7,868,075,016
Currency swaps	5,584,212	5,425,618
	<u>17,435,492,721</u>	<u>16,115,087,816</u>

**Note 18 – Tax situation**

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

***Note 19 – 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 of Telecom Italia S.p.A. located in Milano, Piazza degli Affari 2.

***Note 20 – Directors remuneration***

No remuneration has been paid to Directors during the six month period.

***Note 21 – Litigation***

The Company has not been and is not involved into 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**

