



F I N A N C E

Telecom Italia Finance S.A.

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R.C.S. Luxembourg B 76.448

Unaudited Semi-Annual Accounts
as at June 30, 2011

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Directors' report

The first half of the year 2011 of Telecom Italia Finance (the "Company") ends with a profit of EUR 47.702.675,41 versus a positive result of EUR 58.936.271,21 in the first six months 2010.

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

The on-going borrowing and lending activity generated a positive margin equal to EUR 48,9 million (EUR 63,3 million for the corresponding period 2010). The reduced contribution is due to a lower volume of intercompany loans connected with the Company bond repayment on April 20, 2011.

During the first six months Telecom Italia Finance booked dividends on Telecom Italia S.p.A. shares for a net amount of EUR 7,2 million (EUR 6,2 million in the corresponding period 2010).

The value of the financial assets has been adjusted by EUR 4,2 million (EUR 4,8 million in 2010) mainly due to the participation in TI Media for EUR 0,5 million and in the investment fund Clessidra for EUR 3,6 million.

The fiscal charges amount to EUR 0,3 million (EUR 2,8 million as at June 30, 2010).

The net financial position as per June 30, 2011 is positive for 1.404,48 million (1.365,45 million as per December 31, 2010).

Notes

As of June 30, 2011, the total outstanding nominal amount of notes issued by Telecom Italia Finance amounts to EUR 2.957.303.010,75 (EUR 5.040.677.312,47 as of December 31, 2010). The notes are unconditionally and irrevocably guaranteed by the parent company Telecom Italia S.p.A.

During the first six months, the Company bought back in the market EUR 187,45 million in nominal amount of its EUR 1.000.000.000,00 7,25% Notes maturing April 2012.

The repurchased 2012 Notes have been cancelled on June 16, 2011. Due to the cancellation, the principal amount of debt outstanding as of the date of this EMTN Programme Prospectus with regards to these notes is EUR 812.545.000,00.

On April 20, 2011 matured and were repaid the EUR 1.883.885.000,00 7,50% Notes, EUR 42,7 million in nominal amount of which had been repurchased on the market by the Company in 2011.

Participations

The participations detail is reported in the Note 7.

Share Capital

The subscribed share capital of TI Finance is EUR 542.090.241,00, consisting of 55.428.450 ordinary shares, nominal value EUR 9,78 per share; all of the shares have been issued and are fully paid-up.

Risks

The Directors consider the following as the principal risks that could materially affect the result and the financial position of the Company in the remaining six months of the year:

- the value of holdings in associated undertakings, equity investments and securities issued from third parties may be adversely affected by financial and economic development;

- according to its risk management policies, Telecom Italia Finance hedges the foreign currency risk exposure on its assets and liabilities in currencies other than euro through currency swap contracts or natural hedge positions;
- according to its risk management policies and to its management strategy choices and in order to modify its interest rate exposure, Telecom Italia Finance enters into interest rate swaps. However, no assurance can be given that fluctuations in interest rates will not adversely affect its results of operations or cash flows.

Events subsequent to June 30, 2011

During the second half of the year 2011 it is foreseen to continue the activity of financial assistance to Telecom Italia Group companies and continue to manage the market risks above mentioned.

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

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

Financials as of June 30, 2011 herein reported comprise the balance sheet, the profit and loss account, the cash flow statement and the explanatory notes. Additionally, considering that the present accounts have been prepared according to the new local GAAP (law dated as of December 17, 2010) a set of pro-forma tables has been drawn in order to allow the comparison with the previous accounts.

The interim financials have not been audited.

The Board of Directors

Balance Sheet

TELECOM ITALIA FINANCE S.A. BALANCE SHEET AS AT JUNE 30, 2011							
ASSET - [EUR]		30.JUNE.2011	31.DECEMBER.2010	LIABILITIES - [EUR]		30.JUNE.2011	31.DECEMBER.2010
B. Formation expenses and similar expenses	[n.4]	6.304.747,86	7.087.064,05	A. Equity		1.648.727.058,38	1.601.024.382,97
C. Fixed assets		4.545.225.232,18	7.182.805.107,22	I. Subscribed capital	[n.13]	542.090.241,00	542.090.241,00
II. Tangible fixed assets				IV. Reserves	[n.14]		
3. Other equipment, tools and machinery	[n.5]	52.151,52	43.255,15	1. Legal reserve		11.163.715,87	4.812.715,87
III. Financial fixed assets				4. Other reserves		865.769.812,13	865.769.812,13
1. Holdings in associated undertakings	[n.7]	1.530.126.822,26	1.530.611.436,30	V. Profit or loss brought forward		182.000.613,97	61.337.977,52
2. Receivables from group companies	[n.6]	1.602.388.796,00	1.735.934.687,72	VI. Profit or loss for the financial year		47.702.675,41	127.013.636,45
3. Equity investments	[n.7]	252.121,42	302.541,34	C. Provisions		2.610.890,06	11.850.402,02
5. Securities other than equity investments	[n.8]	1.412.405.340,98	3.915.913.186,71	3. Other provisions		2.610.890,06	11.850.402,02
D. Current assets		4.863.614.713,74	4.088.280.965,95	D. Not Subordinated creditors		7.763.874.997,60	9.665.484.696,15
II. Debtors				1. Debenture loans			
2. Receivables from group companies				b) Non convertible notes	[n.15]		
a) with a residual life within one year	[n.9]	534.004.173,92	790.570.669,67	i) payable within 1 year		992.345.138,55	2.163.189.802,49
4. Other receivables				ii) payable beyond 1 year		2.036.906.553,34	3.156.921.305,33
a) with a residual life within one year		4.826.053,73	11.764.449,44	2. Amounts owed to credit institutions			
b) with a residual life beyond one year	[n.10]	13.840.560,43	10.096.058,24	a) payable within 1 year		14.804.936,81	7.154.453,24
III. Transferable securities	[n.11]			b) payable beyond 1 year		421.619.215,55	433.461.649,81
1. Parts in group companies		2.550.799.606,07	1.857.148.602,74	4. Trade creditors			
3. Other securities		324.751.844,15	363.221.727,68	a) payable within 1 year		38.905,92	144.630,76
IV. Cash and cash equivalents	[n.12]	1.435.392.475,44	1.055.479.458,18	6. Amounts owed to affiliated undertakings	[n.16]		
E. Deferred charges		106.863,94	238.433,50	a) payable within 1 year		2.996.953.008,14	2.607.219.910,92
				b) payable beyond 1 year		1.296.504.664,42	1.292.000.000,00
				8. Tax and social security debts			
				a) payable within 1 year		401.784,45	373.303,42
				b) payable beyond 1 year		20.200,87	27.414,53
				9. Other creditors			
				a) payable within 1 year		897,33	433.052,33
				b) payable beyond 1 year		4.279.692,22	4.559.173,32
				E. Deferred income		38.611,68	52.089,58
TOTAL ASSETS		9.415.251.557,72	11.278.411.570,72	TOTAL LIABILITIES		9.415.251.557,72	11.278.411.570,72

Profit and Loss

TELECOM ITALIA FINANCE S.A. PROFIT AND LOSS AS OF JUNE 30, 2011					
A. CHARGES - [EUR]	30.JUNE.2011	30.JUNE.2010	B. INCOME - [EUR]	30.JUNE.2011	30.JUNE.2010
1. Use of merchandise, raw materials and consumables	2.895,29	4.717,01	1. Net turnover	99.698,70	96.761,56
2. Other external charges	491.013,90	1.361.813,21			
3. Staff costs	490.561,48	363.674,97	6. Income from financial fixed assets [n.22]	62.691.371,46	46.851.790,55
a) wages and salaries	427.970,14	311.549,34	a) concerning group companies	62.691.371,46	46.822.790,55
b) social security contributions	46.645,81	37.642,81	b) from others	0,00	29.000,00
c) complementary pensions	15.945,53	14.482,82			
4. Value adjustments	12.751,78	12.483,22	7. Income from financial current assets [n.23]	4.233.127,17	1.757.883,82
a) in respect of tangible and intangible assets	12.751,78	12.483,22	a) concerning group companies	3.474.000,00	0,00
5. Other operating charges	35.019,80	8.307,45	b) other incomes	759.127,17	1.757.883,82
6. Value adjustment and fair value adjustment in respect of financial fixed assets [n.17]	4.159.468,84	4.758.040,34			
7. Value adjustment and fair value adjustment in respect of financial current assets. Loss on disposal of transferable securities [n.18]	14.591.536,60	7.581.553,48	8. Other interest and other financial income [n.24]	226.652.461,00	346.468.866,89
8. Interest and other financial charges [n.19]	225.964.919,37	319.388.866,64	a) concerning group companies	160.910.366,48	251.409.323,30
a) concerning group companies	18.457.101,02	17.279.334,28	b) other interest and financial incomes	65.742.094,52	95.059.543,59
b) other interest and charges	207.507.818,35	302.109.532,36			
9. Extraordinary charges	6.189,62	571,94	9. Extraordinary income	100.447,42	39.360,82
10. Income tax [n.20]	120.073,66	1.365.976,67			
11. Other taxes not included in the previous caption [n.21]	200.000,00	1.432.387,50	12. Loss for the financial year	0,00	0,00
12. Profit for the financial year	47.702.675,41	58.936.271,21			
TOTAL CHARGES	293.777.105,75	395.214.663,64	TOTAL INCOME	293.777.105,75	395.214.663,64

Cash Flow Statements

TELECOM ITALIA FINANCES.A.
CASH FLOW STATEMENT AS AT 30 JUNE 11

	30.JUNE.2011	30.JUNE.2010
Operating Activities		
Profit before tax	47.702.675,41	58.936.271,21
Non cash items		
Amortization of property, plant and equipment	12.751,78	12.483,22
Finance Income [n.3]	-293.456.885,97	-398.640.700,65
Finance Expenses [n.3]	244.195.066,59	331.114.600,83
Changes in trade and other receivables	132.839,83	5.173.220,11
Changes in trade and other payables	-845.093,58	-862.593,14
Net cash flows from operating activities	-2.258.645,94	-4.266.718,42
Cash flows from Investing activities		
Changes in Property, plant and equipment	-21.648,15	-17.168,49
Changes in Participations, funds and other securities	1.485.379.183,88	78.828.231,28
Investments and re-payments in Financial Receivables	413.784.084,02	563.906.086,03
Interest, commissions and other financial income received	351.675.175,75	354.887.482,85
Dividends received	7.124.249,49	9.789.378,04
Income received from participations and funds	0,00	29.000,00
Net cash flows from investing activities	2.257.941.044,99	1.007.423.009,71
Cash flows from Financing activities		
Net change in short-term Financial Payables	423.151.957,97	97.729.619,27
Repayments of borrowings	-1.883.885.000,00	-31.115.000,00
Interest, commissions and other financial expenses paid	-418.437.757,54	-426.915.199,79
Net cash flows from financing activities	-1.879.170.799,57	-360.300.580,52
Net Increase / Decrease in Cash and Cash Equivalents	376.511.599,48	642.855.710,77
Net foreign exchange differences in C&CE	3.135.003,66	-17.651.754,65
Cash and cash equivalents at 01 January	1.054.452.217,92	133.473.580,95
Cash and cash equivalents at 30 June	1.434.098.821,06	758.677.537,07

TELECOM ITALIA FINANCE S.A.
CASH FLOW STATEMENT AS AT 30 JUNE 11

	30.JUNE.2011	31.DECEMBER.2010
Operating Activities		
Profit before tax	47.702.675,41	127.013.636,45
Non cash items		
Amortization of property, plant and equipment	12.751,78	24.757,72
Finance Income [n.3]	-293.456.885,97	-737.512.431,99
Finance Expenses [n.3]	244.195.066,59	597.641.108,62
Changes in trade and other receivables	132.839,83	2.076.406,92
Changes in trade and other payables	-845.093,58	-5.134.745,77
Net cash flows from operating activities	-2.258.645,94	-15.891.268,05
Cash flows from Investing activities		
Changes in Property, plant and equipment	-21.648,15	-26.410,34
Changes in Participations, funds and other securities	1.485.379.183,88	-21.644.942,12
Investments and re-payments in Financial Receivables	413.784.084,02	2.559.310.153,33
Interest, commissions and other financial income received	351.675.175,75	617.420.460,32
Dividends received	7.124.249,49	9.789.378,04
Income received from participations and funds	0,00	29.000,00
Net cash flows from investing activities	2.257.941.044,99	3.164.877.639,23
Cash flows from Financing activities		
Net change in short-term Financial Payables	423.151.957,97	-1.709.984.631,32
Repayments of borrowings	-1.883.885.000,00	-31.115.000,00
Interest, commissions and other financial expenses paid	-418.437.757,54	-473.191.787,62
Net cash flows from financing activities	-1.879.170.799,57	-2.214.291.418,94
Net Increase / Decrease in Cash and Cash Equivalents	376.511.599,48	934.694.952,24
Net foreign exchange differences in C&CE	3.135.003,66	-13.716.315,27
Cash and cash equivalents at 01 January	1.054.452.217,92	133.473.580,95
Cash and cash equivalents at the end of the period	1.434.098.821,06	1.054.452.217,92

Notes to the accounts

as at June 30, 2011

Note 1 – General

Telecom Italia Finance S.A. (“The Company”, “Ti Finance”) was incorporated on June 2, 2000 for an unlimited duration. The registered office is established at 12, Rue Eugène Ruppert L-2453 Luxembourg. The registered number is B 76.448.

The corporate object is to provide any financial assistance to Telecom Italia S.p.A. (Parent Company) itself as well as to all companies in which the Parent Company has a direct or indirect interest. This is implemented by the provision of loans and the granting of guarantees or securities in any kind or form. The object of the Company is further to provide domiciliation and administration services to companies being part of the Telecom Italia Group and to exercise any activity in relation thereto as provided in the law of May 31, 1999 on the domiciliation of companies, as amended. The Company may acquire and hold interests in Luxembourg and/or in foreign undertakings. The Company may also use its funds to invest in real estate and in intellectual property rights in any kind or form. The Company may participate at the creation and development of any other companies and entities and provide financial assistance in any kind or form. The Company may borrow in any kind or form and issue bonds or notes. Generally the Company may carry out any commercial, industrial or financial operation, relating directly or indirectly to 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 accounts in hand are prepared in accordance with the accounting principles and regulations generally accepted in the Grand Duchy of Luxembourg.

The Board of Directors of the company has decided to include the cash flow statement based on the indirect method in order to improve clarity.

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 swap 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 risk.

Holdings in associated undertakings and other Equity investments

Equity investments in non-current assets are evaluated according to the historical cost method. The contingent write-downs are recorded in case of a permanent impairment loss of the investments estimated by the Board of Directors while comparing the net book value with the market value or with the net equity of the company.

Receivables

Receivables are recorded at their nominal value. The contingent write-downs are recorded in case of non-recovery risk.

Other securities in current assets

Securities not issued by group companies in current assets are evaluated to the minor between the market value and the acquisition cost. Bonds purchased are evaluated to acquisition cost that is never over the pair. The contingent write-downs are recorded in case of a permanent impairment loss of the investments estimated by the Board of Directors while comparing the net book value with the market value. The Board of Directors decides which bonds follow the criteria exposed.

Accrued income and charges

Accrued interest are shown with their principal contract.

Deferred charges and deferred income

"Deferred income" and "Deferred charges" accounts include prepaid charges and prepaid income.

Issue discounts and issue premiums 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.

Tangible assets

Tangible 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 tangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Other financial instruments

The commitments related to derivative instruments are recorded off-balance sheet at their nominal value as of transaction date. In case of negative Mark to Market value of non-hedging instruments at the financial statements closing date, a provision shall be recorded.

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 in 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 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.

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 – New layout of Accounts

The layout of the Balance Sheet and the Profit and Loss account as regards the form adopted for their presentation has been changed and reclassifications have been undertaken from the previous year to the current year in order to give a better true and fair view of the financial situation of the Company as well as to comply with the December 19, 2002 law, as amended by the December 10, 2010 law, concerning the accounting and annual accounts of Luxembourg companies.

Changes in Balance Sheet and in Profit and Loss are detailed in the annex “Adjustment on the comparison period” that is integral part of these semi-annual accounts.

In Cash Flow Statements the only change is a reclassification between *Finance Income* and *Finance Expenses* (in *Operating activities* section) done to give consistency with the new profit and loss layout and detailed as follows:

	<i>June 30, 2010</i>		<i>December 31, 2010</i>	
	<i>Financial Income</i>	<i>Financial Expenses</i>	<i>Financial Income</i>	<i>Financial Expenses</i>
Old Cash Flow Statements	-399.741.196,07	332.215.096,25	-739.731.663,09	599.860.339,72
Reclassification				
Amortization of issue premiums	1.100.495,42	- 1.100.495,42	2.219.231,10	- 2.219.231,10
Cash Flow Statements	-398.640.700,65	331.114.600,83	-737.512.431,99	597.641.108,62

Note 4 – Formation expenses

	<i>June 30, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Issuance expenses on debentures loans	6.094.452,17	6.827.206,47
Issuance expenses on amounts owed to credit institutions	210.295,69	259.857,58
	6.304.747,86	7.087.064,05

Note 5 – Tangible fixed assets - Other equipment, tools and machinery

	<i>June 30, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Acquisitions at the beginning of the year	518.452,26	492.827,71
Acquisition during the period	21.648,15	26.444,50
Disposal or reduction during the period	(868,83)	(819,95)
Acquisition cost at the end of the period	539.231,58	518.452,26
Value adjustments at the beginning of the year	475.197,11	451.225,18
Value adjustments during the period	12.751,78	24.757,72
Disposal or reduction during the period	(868,83)	(785,79)
Value adjustments at the end of the period	487.080,06	475.197,11
	52.151,52	43.255,15

Note 6 – Financial fixed assets – Receivables from group companies

This item is composed by EUR 1.602.388.796,00 being the total amount of medium-long term loans granted to the Parent Company and other group companies (2010 – EUR 1.735.934.687,72). It could be detailed by final payment date as follows:

	<i>June 30, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
From Parent Company		
Exp. June 6, 2012	0,00	108.799.371,28
Exp. August 7, 2014	250.000.000,00	250.000.000,00
Exp. October 29, 2029 [*]	172.043.010,75	184.077.312,47
Exp. May 5, 2032 [*]	172.043.010,75	184.077.312,47
Exp. July 28, 2033	1.000.000.000,00	1.000.000.000,00
Total from Parent Company	1.594.086.021,50	1.726.953.996,22
From other group companies		
Mediterranean Nautilus Telekomünikasyon Hizmetleri T. A.S. - August 31, 2012 [*]	8.302.774,50	8.980.691,50
Total from other group companies	8.302.774,50	8.980.691,50
	1.602.388.796,00	1.735.934.687,72

[*] Differences are due to exchange rate impact.

Note 7 – Financial fixed assets – Holding in associated undertakings and Equity investments

		Ownership (%)	Number of shares	Net Book value at the beginning of the period	at the beginning of the year	Gross book value changes during the period	at the end of the period	at the beginning of the year	Value Adjustments changes during the period	at the end of the period	Net Book value at the end of the period
1. Holdings in associated undertakings											
Telecom Italia S.p.A.	Piazza degli Affari, 2 Milan (Italy)	0,64	124.544.373	127.924.973,23	473.126.647,40	.	473.126.647,40	345.201.674,17	940,82	345.202.614,99	127.924.032,41
Telecom Italia Media S.p.A.	Via della Pineta Sacchetti, 229 Rome (Italy)	2,25	32.624.295	7.644.939,35	50.177.899,30	.	50.177.899,30	42.532.959,95	483.673,22	43.016.633,17	7.161.266,13
Telecom Italia Finance Ireland Ltd	3 Harbourmaster place, International financial Services Centre, Dublin 1 (Ireland)	100,00	1.360.000.000	1.360.000.000,00	1.360.000.000,00	.	1.360.000.000,00	.	.	.	1.360.000.000,00
Olivetti Holding B.V.	Prins Bernhardplein 200 Amsterdam (Netherlands)	100,00	1.588.277	0,01	0,01	.	0,01	.	.	.	0,01
Italtel Group S.p.A.	Via Reiss Romoli, Località Castelletto Settimo Milanese (Italy)	34,68	6.160.999 [*]	34.997.013,48	145.993.930,23	.	145.993.930,23	110.996.916,75	.	110.996.916,75	34.997.013,48
Movenda S.p.A.	Via Pian Di Sco 82 Rome (Italy)	25,00	33.333	44.510,23	44.510,23	.	44.510,23	.	.	.	44.510,23
Total Holdings in associated undertakings				1.530.611.436,30	2.029.342.987,17	.	2.029.342.987,17	498.731.550,87	484.614,04	499.216.164,91	1.530.126.822,26
3. Equity investments											
Consolidated IP Holdings Inc. [In Liquidation]	c/o Sherwood Partners 101 University Avenue, Suite 100 Palo Alto (California - United States)	2,93	2.131.366	0,01	0,01	.	0,01	.	.	.	0,01
Infomaster S.p.A.	Via V maggio 81 Genova (Italy)	12,00	19.412	273.913,56	413.304,84	.	413.304,84	139.391,28	50.419,92	189.811,20	223.493,64
Locationet System Ltd. [In Liquidation]	Gold Bldg. 2nd Hamelacha St. P.O.Box 8673 Poleg Industrial Zone, Netanya (Israel)	6,05	947.874	28.627,76	840.183,67	.	840.183,67	811.555,91	.	811.555,91	28.627,76
Piedmont Int. S.A. [In Liquidation]	<i>Not available</i>	17,13	180.000 [**]
Docunet Inc.	400 Oyster Pt Blvd Ste 111 South San Francisco (California - United States)	0,18	124.528	0,01	0,01	.	0,01	.	.	.	0,01
Total Equity investments				302.541,34	1.253.488,53	.	1.253.488,53	950.947,19	50.419,92	1.001.367,11	252.121,42

[*] - The held percentage of Ordinary Share Capital is 19,373% (No. 1.720.634 Ordinary shares). 34,68% is the fully diluted percentage taking into account the No. 4.440.365 Preferred shares having limited voting rights.

[**] - Ownership percentage on the whole share capital. The holdings of the Company is the total of 100.000 Subordinated Junior Preferred Stock and 80.000 Senior Cumulative Preferred Stock

Note 8 – Financial fixed assets – Securities other than equity investments

This item is composed by the investment in notes issued by Parent Company expiring in more than one year and by the investment in other funds.

	<i>June 30, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Notes issued by Parent Company		
Exp. June 26, 2012	<i>Classified in Current portion</i>	2.500.000.000,00
Exp. December 23, 2012	1.400.000.000,00	1.400.000.000,00
Total from Parent Company	1.400.000.000,00	3.900.000.000,00
Investments in other Funds		
Clessidra Capital Partners	11.439.589,12	14.939.024,00
The Golden Mouse Partnership	862.740,20	862.740,20
Accel Internet/Strategic Technology Fund L.P.	55.088,25	59.586,18
Net Launch Ventures L.P.	47.923,41	51.836,33
Total of Investments in Funds	12.405.340,98	15.913.186,71
	1.412.405.340,98	3.915.913.186,71

Note 9 – Current assets – Receivables from group companies with a residual life within one year

This item refers to the accrued loans receivable within one year granted to group companies as detailed herein:

	<i>June 30, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Latin American Nautilus Ltd	41.531.132,26	33.700.625,82
Olivetti S.p.A.	23.355.507,99	23.355.175,20
Telecom Italia Media S.p.A.	50.007.686,94	20.003.047,33
Telecom Italia Netherlands B.V.	1.800.397,35	2.300.407,68
Telecom Italia S.p.A.	357.678.607,81	682.265.451,32
Telecom Italia Spain SL	3.000.221,25	3.750.446,46
TI Sparkle France S.A.	16.217.080,00	18.012.583,70
Telecom Italia Germany	0,00	2.600.484,12
TMI Telemedia Int.	3.528.930,43	3.521.027,12
Mediterranean Nautilus Greece S.A.	23.127.511,01	0,00
Mediterranean Nautilus B.V.	9.033.355,73	0,00
TI Sparkle Singapore P.T.E.	3.466.913,94	0,00
Others	1.256.829,21	1.061.420,92
	534.004.173,92	790.570.669,67

Note 10 – Current assets – Other receivables with a residual life beyond one year

	<i>June 30, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Receivables from Lehman Brothers Special Financing Inc. [*]	9.294.513,57	10.053.405,53
Positive exchange evaluation of long term currency swaps	4.504.664,42	0,00
Other receivables	41.382,44	42.652,71
	13.840.560,43	10.096.058,24

[*] It reflects the estimated recovery value of the credit registered vs. Lehman Brothers Special Financing Inc. in Liquidation (LBSF). Such credit was originally booked for EUR 25.016.035,74. During the year 2009 based on the documentation filed with the US Courts, the position has been converted from EUR into USD for an amount of USD 35.552.789,99.

In accordance with market evaluations, the credit is registered at its recoverably value of 38,67% (USD 13.433.360,47) of the initial value. The credit in hands is supported by the guarantee from Lehman Brothers Holding Inc. in Liquidation.

Note 11 – Current assets – Transferable securities

This item refers to the accrued value of the securities and can be detailed as follows:

	<i>June 30, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Notes issued by Parent Company [*]	2.550.799.606,07	1.857.148.602,74
	2.550.799.606,07	1.857.148.602,74
Notes by other issuers	150.031.323,01	148.557.211,07
Euro Commercial Papers	174.720.521,14	214.664.516,61
	324.751.844,15	363.221.727,68

[*] Current portion of notes issued by Parent Company and expiring on June 26, 2012 (see note 8).

Note 12 – Cash and cash equivalents

	<i>June 30, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Cash in hand	630,85	130,85
Bank current accounts	902.779,22	3.296.126,02
Bank term deposit accounts	1.433.195.410,99	1.051.155.961,05
Cash and cash equivalent as shown in Cash Flow Statement	1.434.098.821,06	1.054.452.217,92
Accruals on bank term deposits	1.293.654,38	1.027.240,26
	1.435.392.475,44	1.055.479.458,18

Note 13 – Subscribed share capital

As of June 30, 2011 and December 31, 2010, the authorized, issued and fully paid capital of EUR 542.090.241,00 is represented by 55.428.450 ordinary shares with a nominal value EUR 9,78 per share.

As of June 30, 2011 and December 31, 2010 the shareholders of the Company are:

	<i>June 30, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Telecom Italia S.p.A.	55.428.449	55.428.449
Mr Adriano Trapletti	1	1
	55.428.450	55.428.450

Note 14 – Reserves

Reserves are split as follows:

	<i>June 30, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Legal reserve	11.163.715,87	4.812.715,87
Other reserves		
Reserves unavailable for distribution	394.805.662,41	394.805.662,41
Other reserve	470.964.149,72	470.964.149,72
Total other reserves	865.769.812,13	865.769.812,13
	876.933.528,00	870.582.528,00

Legal reserve has been set aside for an amount of EUR 1.584.401,26 by shareholders meeting as of April 4, 2008, increased by an amount of EUR 3.228.314,61 by shareholders meeting of April 28, 2010 and increased by an amount of EUR 6.351.000,00 by shareholders meeting of April 11, 2011.

Reserves unavailable for distribution comprise the reserve created subsequently to the share capital increase and decrease respectively on October 8, 2004 and April 5, 2006 and the reserve relating to Telecom Italia S.p.A. shares owned by Ti Finance.

	<i>Legal reserve</i>	<i>Other reserves</i>	<i>Profit brought forward</i>	<i>Profit for financial year</i>
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
Balance as at 31.12.10	4.812.715,87	865.769.812,13	61.337.977,52	127.013.636,45
Movements of the year				
Allocation of prior year's profit	6.351.000,00	0,00	120.662.636,45	-127.013.636,45
Profit for the year	0,00	0,00	0,00	47.702.675,41
Total movements	6.351.000,00	0,00	120.662.636,45	-79.310.961,04
Balance as at 30.06.11	11.163.715,87	865.769.812,13	182.000.613,97	47.702.675,41

Note 15 – Debenture loans – Non convertible notes

	<i>June 30, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Nominal value: Eur 2.000.000.000,00 Expired April 20, 2011 Fixed rate: 7,500%	0,00	1.883.885.000,00
Nominal value: Eur: 107.715.000,00 Expiring March 14, 2012 Floater rate: Euribor 3m + 1,300%	107.715.000,00	<i>Classified in long term portion</i>
Nominal value: Eur 1.000.000.000,00 Expiring April 24, 2012 Fixed rate: 7,250%	812.545.000,00	<i>Classified in long term portion</i>
Prepaid income on notes (issue premiums) <i>Current portion</i>	1.865.069,67	2.219.231,10
Prepaid charges on notes (issue discounts) <i>Current portion</i>	- 1.002.197,94	- 1.499.119,28
Accrued interest on notes	71.222.266,82	278.584.690,67
	992.345.138,55	2.163.189.802,49

Nominal value: Eur: 107.715.000,00		
Expiring March 14, 2012		
Floater rate: Euribor 3m + 1,300%	<i>Classified in</i>	107.715.000,00
	<i>Current portion</i>	
Nominal value: Eur 1.000.000.000,00		
Expiring April 24, 2012		
Fixed rate: 7,250%	<i>Classified in</i>	1.000.000.000,00
	<i>Current portion</i>	
Nominal value: Eur 850.000.000,00		
Expiring January 24, 2013		
Fixed rate: 6,875%	850.000.000,00	850.000.000,00
Nominal value: Jpy 20.000.000.000		
Expiring May 14, 2032		
Fixed rate: 3,550%	172.043.010,75	184.077.312,47
Nominal value: Eur 800.000.000,00		
Expiring January 24, 2033		
Fixed rate: 7,750%	765.000.000,00	765.000.000,00
Nominal value: Eur 250.000.000,00		
Expiring January 24, 2033		
Fixed rate: 7,750%	250.000.000,00	250.000.000,00
Prepaid income on notes (issue premiums)		
<i>Long term portion</i>	5.877.508,24	6.623.842,23
Prepaid charges on notes (issue discounts)		
<i>Long term portion</i>	- 6.013.965,65	- 6.494.849,37
	2.036.906.553,34	3.156.921.305,33

Note 16 – Amounts owed to affiliated undertakings

This item includes accrued amounts owed to affiliated Group Companies:

	<i>June 30, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
ICH - International Comm. Holding NV	250.241.876,86	249.122.828,85
TI Sparkle Luxembourg S.A.	50.826.111,62	48.226.361,92
TI Deutschland Holding GmbH	6.342.724,70	6.583.765,87
TI International NV	2.469.229.266,45	2.096.093.725,53
TI United Kingdom	7.852.634,15	7.815.181,27
ETI TI International	71.286.859,37	71.648.139,53
Mediterranean Nautilus Israel Ltd	69.126.614,71	17.230.789,47
Olivetti Holding BV	2.430.402,71	2.418.268,55
Olivetti Engineering	855.987,40	1.560.214,69
Telecom Italia Finance Ireland Ltd [*]	67.988.824,93	67.980.413,08
Telecom Italia S.p.A.	771.705,24	38.537.256,39
Others	0,00	2.965,77
	2.996.953.008,14	2.607.219.910,92

Telecom Italia Finance Ireland Ltd [**]	1.292.000.000,00	1.292.000.000,00
TI International NV	4.504.664,42	0,00
	1.296.504.664,42	1.292.000.000,00

[*] The amount includes Promissory Notes for EUR 66.000.000,00.

[**] The amount of EUR 1.292.000.000,00 represents a payable beyond one year for Telecom Italia Ireland Ltd and corresponds to the unpaid portion of the share capital in this company.

Note 17 – Value adjustment and fair value adjustment in respect of financial fixed assets

	<i>June 30, 2011</i>	<i>June 30, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Value adjustment on holdings		
Telecom Italia S.p.A.	940,82	0,00
Telecom Italia Media S.p.A.	483.673,22	1.677.701,03
Total value adjustment on holdings	484.614,04	1.677.701,03
Value adjustment on equity investment		
Locationet System Ltd	0,00	189.218,28
Infomaster S.p.A.	50.419,92	139.391,28
Totale value adjustment on equity inv.	50.419,92	328.609,56
Value adjustment on Investment Funds	3.624.434,88	2.751.729,75
	4.159.468,84	4.758.040,34

Note 18 – Value adjustment and fair value adjustment in respect of financial current assets. Loss on disposal of transferable securities

	<i>June 30, 2011</i>	<i>June 30, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Value adjustment on securities	1.269.088,12	1.456.693,15
Losses on securities disposal	270.975,76	455.560,33
Losses on own securities bought back	13.051.472,72	5.669.300,00
	14.591.536,60	7.581.553,48

Note 19 – Interest and other financial charges

	<i>June 30, 2011</i>	<i>June 30, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Guarantee fee due to Parent Company	520.858,22	610.556,50
Charges on interest rate swaps with Parent Company	4.901.407,49	6.246.473,36
Charges on swap currency with other group companies	324.904,70	0,00
Interest due to group companies	12.709.930,61	10.422.304,42
	18.457.101,02	17.279.334,28
Interest and charges vs. banks	11.410.461,67	11.954.266,59
Interest and charges on debentures	148.553.706,85	182.584.046,83
Charges on interest rate swaps	2.538.045,83	18.043.141,55
Charges on currency swaps	1.680.407,04	1.173.935,46
Losses on exchange rates	42.979.139,74	88.152.980,14
Other financial charges and commissions	346.057,22	201.161,79
	207.507.818,35	302.109.532,36

Note 20 – Income Tax

	<i>June 30, 2011</i>	<i>June 30, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Withholding tax on dividend received	120.073,66	85.535,74
Withholding tax on dividend related to previous years dividends cashed-in	0,00	1.280.440,93
	120.073,66	1.365.976,67

Note 21 – Other taxes not included in the previous caption

The item include provisions and payments for the Net Wealth Tax.

Note 22 – Income from financial fixed assets

	<i>June 30, 2011</i>	<i>June 30, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Dividend received from Parent Company	7.223.573,63	6.227.218,65
Interest on long term loans to Parent Company	55.261.603,33	36.987.077,76
Interest on long term loans to other group companies	206.194,50	2.461,15
Value adjustment on holdings in Telecom Italia S.p.A.	0,00	3.606.032,99
	62.691.371,46	46.822.790,55
Dividend received from Investment Funds	0,00	29.000,00
	0,00	29.000,00

Note 23 – Income from financial current assets

	<i>June 30, 2011</i>	<i>June 30, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Gain on expired securities issued by Parent Company	3.474.000,00	0,00
	3.474.000,00	0,00
Value adjustment on securities	676.394,76	460.070,07
Gain on securities disposal	82.732,41	172.881,69
Gain on own securities bought back	0,00	540.000,00
Gain on SICAV disposal	0,00	584.932,06
	759.127,17	1.757.883,82

Note 24 – Other interest and other financial income

	<i>June 30, 2011</i>	<i>June 30, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Interest on securities issued by Parent Company	143.614.503,33	196.465.582,19
Interest and commissions on receivables from Parent Company	6.219.683,09	42.901.399,21
Interest and commissions on receivables from group companies	1.815.671,92	5.446.004,96
Income on interest rate swaps with Parent Company	2.827.790,82	4.146.219,10
Income on currency swaps with group companies	1.670.366,74	1.136.403,58
Interest on own securities bought back	4.762.350,58	1.313.714,26
	160.910.366,48	251.409.323,30
Interest on other securities	4.593.798,61	1.369.613,28
Interest on banks	6.626.747,28	1.407.056,54
Income on interest rate swaps with banks	10.814.094,20	3.989.549,13
Income on currency swaps with banks	428.054,54	12.575,03
Income on other derivatives	279.481,10	279.481,12
Gain on exchange rates	42.999.918,79	88.001.268,49
	65.742.094,52	95.059.543,59

Note 25 – Warranties

All issued notes, derivative instruments, hedging interest and exchange risks and debts towards other financial institutions are guaranteed by the Parent Company.

Note 26 – Off balance sheet commitments

	<i>June 30, 2011</i>	<i>December 31, 2010</i>
	<i>EUR</i>	<i>EUR</i>
Currency swaps	313.349.625,99	76.090.658,44
Interest rate swaps on liabilities	344.086.021,51	368.154.624,94
Interest rate swaps on assets	1.000.000.000,00	1.000.000.000,00
Options	172.043.010,75	184.077.312,47
	1.829.478.658,25	1.628.322.595,85

Furthermore, the Company has the commitment to subscribe up to EUR 25.000.000,00 in the investment fund Clessidra Capital Partner. As of June 30, 2011 payments of EUR 23.047.378,04 have been made.

The Company has also the commitment to subscribe up to EUR 2.400.000,00 in the investment fund Golden Mouse. As of June 30, 2011 payments of EUR 2.399.814,83 have been made.

Note 27 – Tax situation

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

Note 28 – Consolidation

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

According to the Board evaluation, none of its subsidiaries have a material interest for the purposes of art 319 (paragraph 3) of the Law of August 10, 1915 on commercial companies. Hence the Company is exempted from establishing consolidated accounts and a consolidated management report for the period ended June 30, 2011.

Note 29 – Directors remuneration

The Directors have not been remunerated in their capacity as Director during 2011.

Note 30 – Litigation

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

Annex - Adjustment on the comparison period

Accordingly to the Grand Duchy Law of the December 17, 2010 concerning the introduction of the international standards account and modifying the G.D. Law of the December 19, 2002 and in the respect of the G.D. Law of the June 22, 2009 introducing the standard Chart of Accounts of Luxembourg, the Company has drawn the Balance Sheet as at December 31, 2010 and the Profit and Loss as at June 30, 2010 under the new layout.

In the following pages you can find the details concerning the reclassification made-up for the comparison period.

Balance Sheets as at December 31, 2010

TELECOM ITALIA FINANCE S.A.				
RECONCILIATION BETWEEN THE BALANCE SHEET ITEMS APPROVED AS AT DECEMBER 31, 2010 AND THOSE SHOWN ACCORDINGLY WITH THE LAW OF DECEMBER 17, 2010				
BALANCE SHEET APPROVED AS AT DECEMBER 31, 2010		ASSETS - EUR	BALANCE SHEET IN NEW LAYOUT	
		Δ		
B. Incorporation expenses	0,00	7.087.064,05	B. Formation expenses and similar expenses	[i] 7.087.064,05
C. Non current assets	7.192.858.512,75	-10.053.405,53	C. Fixed assets	7.182.805.107,22
II. Tangible assets			II. Tangible fixed assets	
2. Plant and machinery	32.533,31	-32.533,31	3. Other equipment, tools and machinery	[ii] 43.255,15
3. Other fixtures and fitting, tools and equipments	10.721,84	32.533,31	III. Financial fixed assets	
III. Non current financial assets			1. Holdings in associated undertakings	[iii] 1.530.611.436,30
1. Securities with Telecom Italia S.p.A. (Parent company)	3.900.000.000,00	-2.369.388.563,70	2. Receivables from group companies	1.735.934.687,72
2. Receivables from group companies	1.735.934.687,72	.	3. Equity investments	[iv] 302.541,34
3. Equity investments	1.395.041.523,72	-1.394.738.982,38	5. Securities other than equity investments	[v] 3.915.913.186,71
5. Securities other than equity investments	151.785.640,63	3.764.127.546,08		
6. Other receivable	10.053.405,53	-10.053.405,53		
D. Current Assets	3.787.067.136,59	301.213.829,36	D. Current assets	4.088.280.965,95
II. Financial receivables			II. Debtors	
2. Receivables from group companies			2. Receivables from group companies	
a) receivable within 1 year	725.364.688,66	65.205.981,01	a) with a residual life within one year	[vi] 790.570.669,67
4. Other receivables			4. Other receivables	
a) receivable within 1 year	675.372,70	11.089.076,74	a) with a residual life within one year	[vii] 11.764.449,44
III. Securities in current assets			b) with a residual life beyond one year	[viii] 10.096.058,24
1. Parts in group companies	1.646.526.000,00	210.622.602,74	III. Transferable securities	
2. Own securities with its nominal value or its accounting value	0,00	.	1. Parts in group companies	[ix] 1.857.148.602,74
3. Other securities	360.048.857,31	3.172.870,37	3. Other securities	[x] 363.221.727,68
IV. Cash and cash equivalent	1.054.452.217,92	1.027.240,26	IV. Cash and cash equivalents	[xi] 1.055.479.458,18
E. Prepayments and accrued income	307.480.341,85	-307.241.908,35	E. Deferred charges	238.433,50
TOTAL ASSETS	11.287.405.991,19	-8.994.420,47	TOTAL ASSETS	11.278.411.570,72

TELECOM ITALIA FINANCE S.A.				
RECONCILIATION BETWEEN THE BALANCE SHEET ITEMS APPROVED AS AT DECEMBER 31, 2010 AND THOSE SHOWN ACCORDINGLY WITH THE LAW OF DECEMBER 17, 2010				
BALANCE SHEET APPROVED AS AT DECEMBER 31, 2010		LIABILITIES - EUR	BALANCE SHEET IN NEW LAYOUT	
		Δ		
A. Capital and reserves	1.601.024.382,97	0,00	A. Equity	1.601.024.382,97
I. Subscribed share capital	542.090.241,00	.	I. Subscribed capital	542.090.241,00
IV. Reserves			IV. Reserves	
3. Legal reserve	4.812.715,87	.	1. Legal reserve	4.812.715,87
4. Other reserves	865.769.812,13	.	4. Other reserves	865.769.812,13
V. Profit brought forward	61.337.977,52	.	V. Profit or loss brought forward	61.337.977,52
VI. Result of the period	127.013.636,45	.	VI. Profit or loss for the financial year	127.013.636,45
B. Provisions for liabilities and charges	12.201.402,02	-351.000,00	C. Provisions	11.850.402,02
2. Provision for taxation	351.000,00	-351.000,00	3. Other provisions	11.850.402,02
3. Other provisions	11.850.402,02	.		
C. Creditors	9.339.399.802,98	326.084.893,17	D. Not Subordinated creditors	9.665.484.696,15
1. Notes			1. Debenture loans	
b) Non convertible notes			b) Non convertible notes	
a) payable within 1 year	1.883.885.000,00	279.304.802,49	i) payable within 1 year	[xii] 2.163.189.802,49
b) payable beyond 1 year	3.156.792.312,47	128.992,86	ii) payable beyond 1 year	[xiii] 3.156.921.305,33
2. Payables to banks (and financial institutions)			2. Amounts owed to credit institutions	
a) payable within 1 year	27.420,92	7.127.032,32	a) payable within 1 year	[xiv] 7.154.453,24
b) payable beyond 1 year	434.077.312,47	-615.662,66	b) payable beyond 1 year	[xv] 433.461.649,81
4. Trade and services payables			4. Trade creditors	
a) payable within 1 year	144.630,76	.	a) payable within 1 year	144.630,76
6. Payables to associated companies			6. Amounts owed to affiliated undertakings	
a) payable within 1 year	2.567.431.360,42	39.788.550,50	a) payable within 1 year	[xvi] 2.607.219.910,92
b) payable beyond 1 year	1.292.000.000,00	.	b) payable beyond 1 year	1.292.000.000,00
8. Tax payables and social security contributions			8. Tax and social security debts	
a) payable within 1 year	27.414,53	345.888,89	a) payable within 1 year	[xvii] 373.303,42
9. Other payables			b) payable beyond 1 year	[xviii] 27.414,53
a) payable within 1 year	455.178,09	-22.125,76	9. Other creditors	
b) payable beyond 1 year	4.559.173,32	.	a) payable within 1 year	[xix] 433.052,33
			b) payable beyond 1 year	4.559.173,32
D. Accruals and deferred income	334.780.403,22	-334.728.313,64	E. Deferred income	52.089,58
TOTAL LIABILITIES	11.287.405.991,19	-8.994.420,47	TOTAL LIABILITIES	11.278.411.570,72

Profit and Loss as of June 30, 2010

TELECOM ITALIA FINANCE S.A.			
RECONCILIATION BETWEEN THE BALANCE SHEET ITEMS APPROVED AS AT DECEMBER 31, 2010 AND THOSE SHOWED ACCORDINGLY WITH THE LAW OF DECEMBER 17, 2010			
PROFIT AND LOSS APPROVED AS AT JUNE 30, 2010		A. EXPENSES - EUR	PROFIT AND LOSS IN NEW LAYOUT
		Δ	
1. Net change in work in progress, semifinished and finished goods	0,00	4.717,01	1. Use of merchandise, raw materials and consumables [xx] 4.717,01
2.a) Acquisition of goods and services	0,00	1.361.813,21	2. Other external charges [xxi] 1.361.813,21
3. Staff costs	349.192,15	14.482,82	3. Staff costs 363.674,97
a) Wages and salaries	311.549,34	-	a) wages and salaries 311.549,34
b) Social security contributions	37.642,81	-	b) social security contributions 37.642,81
		14.482,82	c) complementary pensions 14.482,82
4.a) Value adjustment in respect of tangible and intangible assets	12.483,22	0,00	4. Value adjustments 12.483,22
			a) in respect of tangible and intangible assets 12.483,22
5. Other operating expenses	1.389.892,43	-1.381.584,98	5. Other operating charges [xxii] 8.307,45
6. Value adjustment in respect of financial assets	6.214.733,49	-1.456.693,15	6. Value adjustment and fair value adjustment in respect of financial fixed assets [xxiii] 4.758.040,34
		7.581.553,48	7. Value adjustment and fair value adjustment in respect of financial current assets. Loss on disposal of transferable securities [xxiv] 7.581.553,48
7. Interest and similar expenses	320.489.362,06	-1.100.495,42	8. Interest and other financial charges 319.388.866,64
a) concerning group companies	19.069.284,98	-1.789.950,70	a) concerning group companies [xxv] 17.279.334,28
b) other interest and charges	301.420.077,08	689.455,28	b) other interest and charges [xxvi] 302.109.532,36
10. Extraordinary expenses	6.124.860,33	-6.124.288,39	9. Extraordinary charges 571,94
12. Other taxes non mentioned in the points above	2.798.364,17	-1.432.387,50	10. Income tax 1.365.976,67
		1.432.387,50	11. Other taxes not included in the previous caption 1.432.387,50
13. Net income for the period	58.936.271,21	0,00	12. Profit for the financial year 58.936.271,21
TOTAL EXPENSES	396.315.159,06	-2.466.472,09	TOTAL CHARGES 393.848.686,97

TELECOM ITALIA FINANCE S.A.			
RECONCILIATION BETWEEN THE BALANCE SHEET ITEMS APPROVED AS AT DECEMBER 31, 2010 AND THOSE SHOWED ACCORDINGLY WITH THE LAW OF DECEMBER 17, 2010			
PROFIT AND LOSS APPROVED AS AT JUNE 30, 2010		B. INCOME - EUR	PROFIT AND LOSS IN NEW LAYOUT
		Δ	
4. Other operating incomes	96.761,56	0,00	1. Net turnover 96.761,56
5. Income from Equity Investments	6.227.218,65	-6.227.218,65	
a) from group companies	6.227.218,65	-6.227.218,65	
6. Income from other securities	204.541.826,54	-157.690.035,99	6. Income from financial fixed assets 46.851.790,55
a) from group companies	200.071.615,18	-153.248.824,63	a) concerning group companies [xxvii] 46.822.790,55
b) other income	4.470.211,36	-4.441.211,36	b) from others 29.000,00
7. Other interest and similar income	185.409.991,49	-183.652.107,67	7. Income from financial current assets 1.757.883,82
a) from group companies	90.953.076,97	-90.953.076,97	a) concerning group companies 0,00
b) other interest and similar income	94.456.914,52	-92.699.030,70	b) other incomes [xxviii] 1.757.883,82
		346.468.866,89	8. Other interest and other financial income 346.468.866,89
		251.409.323,30	a) concerning group companies [xxix] 251.409.323,30
		95.059.543,59	b) other interest and financial incomes [xxx] 95.059.543,59
9. Extraordinary income	39.360,82	0,00	9. Extraordinary income 39.360,82
10. Net loss for the period	0,00	0,00	12. Loss for the financial year 0,00
TOTAL INCOME	396.315.159,06	-1.100.495,42	TOTAL INCOME 395.214.663,64

Details of reclassifications

In the following pages we explain the reclassifications carried out in the audited accounts in order to meet the new requirements, showing for each item the line used in the Audited Balance Sheet as at December 31, 2010 and, where applicable, the related note and the description used in it. For the Profit and Loss Statement, the comparison period is June 30, 2010 (Unaudited Semi-Annual Accounts).

[i] – Formation expenses

The item includes Other Similar Charges the Company paid for bond issuances.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
Assets		
E. Prepayments and accrued income	[9] Prepaid charges and expenses on notes (issue discounts and other similar charges)	7.087.064,05
		<hr/> 7.087.064,05

[ii] – Tangible fixed assets – Other equipment, tools and machinery

The adoption of the National Chart of Accounts led to expose together the tangible assets owned by the Company.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
Assets		
C. Non current assets		
II. Tangible assets		
2. Plant and machinery	[3]	32.533,31
3. Other fixtures and fittings, tools and equipments	[3]	10.721,84
		<hr/> 43.255,15

[iii] – Financial fixed assets – Holdings in associated undertakings

The item includes the significant holdings in associated of the Company, specifically: shareholding in Telecom Italia S.p.A., Telecom Italia Media S.p.A., Telecom Italia Finance Ireland Ltd, Olivetti Holding BV, Italtel Group S.p.A. and Movenda S.p.A..

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
Assets		
C. Non current assets		
III. Non current financial assets		
3. Equity investments	[5]	1.395.041.523,72
5. Securities other than equity investments	[5]	135.569.912,58
		1.530.611.436,30

[iv] – Financial fixed assets – Equity investments

The item includes holdings in other companies, specifically: Consolidated IP Holdings Inc., Infomaster S.p.A., Locationet System Ltd., Piedmont Int. SA and Docunet Inc..

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
Assets		
C. Non current assets		
III. Non current financial assets		
3. Equity investments	[5]	0,00
5. Securities other than equity investments	[5]	302.541,34
		302.541,34

[v] – Financial fixed assets – Securities other than equity investments

The item includes the Securities held and issued by the Parent Company and other investments held in Funds.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
Assets		
C. Non current assets		
III. Non current financial assets		
1. Securities with Telecom Italia S.p.A.		3.900.000.000,00
5. Securities other than equity investments	[5]	Fondo Clessidra Capital Partners, The Golden Mouse Partnership, Accel Internet/Strategic Technology Fund LP, Net Launch Ventures LP 15.913.186,71
		3.915.913.186,71

[vi] – Debtors – Receivables from group companies with a residual life within one year

The item refers to loans receivable within one year granted to group companies and the related accruals.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
Assets		
C. Current assets		
II. Financial receivables		
2. Receivables from group companies		
a) receivable within 1 year	[7]	725.364.688,66
E. Prepayments and accrued income	[9]	Accrued interest and commissions on loans to the Parent Company 65.114.112,80
	[9]	Accrued interest and commissions on loans to related companies 91.868,21
		790.570.669,67

[vii] – Debtors – Other receivables with a residual life within one year

The item includes the positive exchange rate evaluation on currency swaps and the accrued interest on other financial operations.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
Assets		
C. Current assets		
II. Financial receivables		
4. Other receivables		
a) receivable within 1 year		632.720,33
E. Prepayments and accrued income	[9]	11.131.729,11
		11.764.449,44

[viii] – Debtors – Other receivables with a residual life beyond one year

This item includes the estimated recovery value of the credit registered vs. Lehman Brothers Special Financing Inc. in Liquidation.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
Assets		
C. Non current assets		
III. Non current financial assets		
6. Other receivable	[6]	10.053.405,53
D. Current assets		
II. Financial receivables		
4. Other receivable		
a) receivable within 1 year		42.652,71
		10.096.058,24

[ix] – Transferable Securities – Parts in group companies

The item includes the held securities issued by Parent Company with a residual life within one year.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
Assets		
D. Current assets		
III. Securities in current assets		
1. Parts in group companies		1.646.526.000,00
E. Prepayments and accrued income	[9]	Accrued interest on related companies securities 210.622.602,74
		1.857.148.602,74

[x] – Transferable securities – Other securities

The item includes other securities held with a residual life within one year.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
Assets		
D. Current assets		
III. Securities in current assets		
3. Other securities	[8]	Notes 145.630.035,57
	[8]	Euro Commercial Papers 214.418.821,74
E. Prepayments and accrued income	[9]	Accrued interest on other securities 3.172.870,37
		363.221.727,68

[xi] – Cash and cash equivalents

The item includes cash in hand, current accounts, bank deposits and accruals on bank deposits.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
Assets		
D. Current assets		
IV. Cash and cash equivalent		1.054.452.217,92
E. Prepayments and accrued income	[9]	Accrued interest on bank deposits 1.027.240,26
		1.055.479.458,18

[xii] – Debenture loans – Non convertible notes payable within one year

The item includes notes issued by the Company that have a residual life within one year, together with all the accruals on notes and the current portion of issue discounts and issue premiums.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
<u>Assets</u>		
E. Prepayments and accrued income	[9] Prepaid charges and costs on notes (issue discounts and other similar charges)	- 1.499.119,28
<u>Liabilities</u>		
C. Creditors		
1. Notes		
b) non convertible notes		
a) payable within 1 year	[12]	1.883.885.000,00
D. Accruals and deferred income	[14] Accrued interest on notes	278.584.690,67
	[14] Prepaid income (issue premiums)	2.219.231,10
		2.163.189.802,49

[xiii] – Debentures loans – Non convertible notes payable beyond one year

The item includes the notes issued by the Company that have a residual life beyond one year and the net amount of medium long term portion of issue premiums and issue discounts.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
<u>Assets</u>		
E. Prepayments and accrued income	[9] Prepaid charges and costs on notes (issue discounts and other similar charges)	- 6.494.849,37
<u>Liabilities</u>		
C. Creditors		
1. Notes		
b) non convertible notes		
b) payable beyond 1 year	[12]	3.156.792.312,47
D. Accruals and deferred income	[14] Prepaid income (issue premiums)	6.623.842,23
		3.156.921.305,33

[xiv] – Amounts owed to credit institutions payable within one year

The item includes the payables to banks in short term and the accruals on the liabilities to banks payable beyond one year.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
<u>Assets</u>		
E. Prepayments and accrued income	[9]	- 384.789,16
		Prepaid charges and costs on notes (issue discounts and other similar charges)
<u>Liabilities</u>		
C. Creditors		
2. Payables to banks (and financial institutions)		
a) payable within one year		27.420,92
D. Accruals and deferred income	[14]	7.511.821,48
		Accrued interest on payables to banks
		7.154.453,24

[xv] – Amounts owed to credit institutions payable beyond one year

The item includes payable to banks in long term netted by the amount of related issue discounts.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
<u>Assets</u>		
E. Prepayments and accrued income	[9]	- 615.662,66
		Prepaid charges and costs on notes (issue discounts and other similar charges)
<u>Liabilities</u>		
C. Creditors		
2. Payables to banks (and financial institutions)		
b) payable beyond 1 year		434.077.312,47
		433.461.649,81

[xvi] – Amounts owed to affiliated undertakings payable within one year

The item includes amounts owed to affiliated group companies and the related accruals.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
Liabilities		
C. Creditors		
6. Payables to associated companies		
a) payable within one year	[13]	2.567.431.360,42
D. Accruals and deferred income		
	[14]	2.473.388,78
	[14]	37.315.161,72
		2.607.219.910,92

[xvii] – Tax and social security debts payable within one year

The item includes amounts provisioned and owed for VAT.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
Liabilities		
B. Provisions for liabilities and charges		
2. Provision for taxation		351.000,00
C. Creditors		
9. Other payables		
a) payable within one year		22.303,42
		373.303,42

[xviii] – Tax and social security debts payable beyond one year

The item includes amounts owed to the Social Security office.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
Liabilities		
C. Creditors		
8. Tax payables and social security contributions		
a) payable within one year		27.414,53
		27.414,53

[xix] – Other creditors payable within one year

The item includes exchange evaluation of currency swaps, the related accruals and other operative payables.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
<u>Liabilities</u>		
C. Creditors		
9. Other payables		
a) payable within one year		432.874,67
D. Accruals and deferred income	[14]	Accrued interest in other financial operations
		177,66
		433.052,33

[xx] – Use of merchandise, raw materials and consumables

The item includes the charges for consumable materials acquisition.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
<u>Expenses</u>		
5. Other operating expenses		4.717,01
		4.717,01

[xxi] – Other external charges

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
<u>Expenses</u>		
5. Other operating expenses		1.361.813,21
		1.361.813,21

[xxii] – Other operating charges

The item includes all the other operating charges not mentioned in previous figures.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
<u>Expenses</u>		
5. Other operating expenses		22.790,27
		22.790,27

[xxiii] – Value adjustment and fair value adjustment in respect of financial fixed assets

The item includes the negative adjustment recorded on the holdings in associated undertakings and on other equity investments.

[xxiv] – Value adjustment and fair value adjustment in respect of financial current assets. Loss on disposal of transferable securities

The item includes minus and adjustment to market value recorded on bonds portfolio.

<i>Line in previous schemes</i>	<i>Note</i>		<i>Amount</i>
Expenses			
6. Value adjustment in respect of financial assets	[15]	Value adjustment on other securities	1.456.693,15
10. Exceptional expenses	[17]	Losses on disposal of securities	6.124.860,33
			7.581.553,48

[xxv] – Interest and other financial charges concerning group companies

The item includes negative interest paid and accrued on amounts owed to group companies.

[xxvi] – Interest on other financial charges – Other interest and charges

The item includes negative interest paid and accrued on amounts owed to third parties (for interest rate swaps, bond and payables to banks), commissions, losses on exchange rates and net impact of issue discounts and issue premiums and other similar charges.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
<u>Expenses</u>		
7. Interest and similar expenses		
a) concerning group companies	[16] Losses on exchange rates	1.789.950,70
b) other interest and charges	[16] Interest and charges vs bank	12.155.428,38
	[16] Interest and other charges on debentures	183.684.542,25
	[16] Interest for derivative contracts vs third parties	19.217.077,01
	[16] Losses on exchange rates	86.363.029,44
<u>Income</u>		
7. Other interests and similar income		
b) other interests and similar income	[19] Interest on banks	- 1.100.495,42
		302.109.532,36

[xxvii] – Income from financial fixed assets concerning group companies

The item includes positive interest and value adjustment on fixed financial assets related to group companies.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
<u>Income</u>		
5. Income from equity investments		
a) from group companies		6.227.218,65
6. Income from other securities		
a) from group companies		3.606.032,99
7. Other interests and similar income		
b) from group companies	[19] Interest on receivables from group companies	36.989.538,91
		46.822.790,55

[xxviii] – Income from financial current assets – Other incomes

The item includes positive interest, plus-value and value adjustment on current financial assets

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>
<u>Income</u>		
6. Income from other securities		
b) other income		1.757.883,82
		1.757.883,82

[xxix] – Other interest and other financial income concerning group companies

The item includes positive interest on short term financial assets with group companies.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>	
<u>Income</u>			
6. Income from other securities			
a) from group companies		196.465.582,19	
b) other income		1.313.714,26	
7. Other interest and similar income			
a) from group companies	[19]	Interest on receivable from group companies	48.347.404,17
	[19]	Interest for derivative entered with group companies	5.282.622,68
			251.409.323,30

[xxx] – Other interest and other financial income

The item includes positive interest on short term financial assets with third parties.

<i>Line in previous schemes</i>	<i>Note</i>	<i>Amount</i>	
<u>Income</u>			
6. Income from other securities			
b) other income		1.369.613,28	
7. Other interest and similar income			
a) from group companies	[19]	Gain on exchange rates	333.511,21
b) other income	[19]	Interest on banks	1.407.056,54
	[19]	Gain on exchange rates	87.667.757,28
	[19]	Interest on derivatives contracts vs third parties	4.281.605,28
			95.059.543,59

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