Half-year Financial Report at June 30, 2010

Contents

This document has been translated into English solely for the convenience of the readers. In the event of a discrepancy, the Italian-language version prevails.

Key Operating and Financial Data
Telecom Italia Group

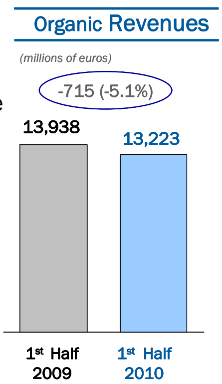
Half-year 2010 Highlights

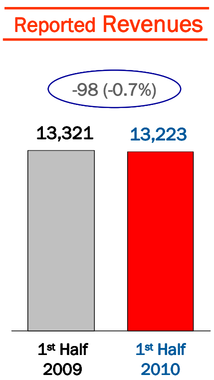
Revenues and EBITDA	The Telecom Italia Group's commitment is stronger in the first half of 2010 as it transforms its business in Italy and Brazil. The trend of revenues indicates a steady improvement (-0,5% in the second quarter of 2010 and -1% in the first quarter 2010) aided by a positive real/euro exchange rate effect. In terms of Organic revenues, the focus on service revenues shows a continual and significant recovery (-3.4% in the second quarter of 2010, -4.1% in the first quarter of 2010, -6.2% in the fourth quarter of 2009), in line with the Strategic Plan. Rigorous control over costs combined with the benefits obtained from the Efficiency Projects begun last year have enabled the Group's to increase EBITDA (+3.4%) and ensure stability in organic EBITDA.
Profit attributable to owners of the Parent	Profit attributable to owners of the Parent in the first half of 2010 is 1,211 million euros, up 26.3% due to the effect of improvements recorded at the operating and financial level.
Financial discipline and debt reduction	Adjusted net financial debt decreases 370 million euros compared to December 31, 2009 and 1,280 million euros compared to June 30, 2009. The sale of HanseNet, positive operating dynamics and rigorous financial discipline neutralize the impacts of distributing dividends and the confiscation of Telecom Italia Sparkle's liquid resources for precautionary reasons.

The trend of the key operating and financial indicators in the first half of 2010 can be summarized as follows:

Organic consolidated **Revenues:** amount to 13,223 million euros. The organic change(*) is -5.1% compared to the same period last year. Reported consolidated revenues show a change of -0.7% (-98 million euros) owing largely to the Brazil Business Unit's positive real/euro exchange effect.
In particular:

- the organic reduction in **Domestic** Business Unit **Revenues** is 7.4%; as far as first-half 2010 vs. first-half 2009 performance by customer segment is concerned, revenues are down 10.9% in the Consumer segment, 6.6% in the Business segment and 5.9% in the Top Clients Segment. However, the Business and Top Clients segments report gains compared to the previous quarters.



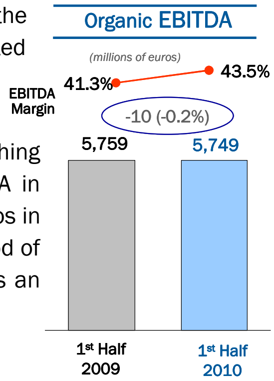


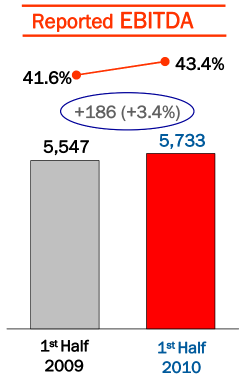
- **Revenues in Brazil** grow 2.1% compared to the first half of 2009 (organic change of +61 million euros). The marketing policy for SIMs without a correlated handset sale, although bringing a reduction in revenues from handset sales, is compensated by the positive organic change in Service Revenues of 5.8% in the half compared to the same period of the prior year. This gain is supported by the growth of the customer base which recorded an increase of 3.3 million lines in the first half of 2010 compared to the end of 2009.

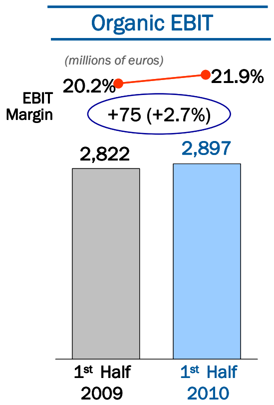
(*) The organic change in Revenues, EBITDA and EBIT is calculated by excluding the effects of the change in the scope of consolidation, exchange differences and non-organic components constituted by non-recurring items and other non-organic income/expenses.

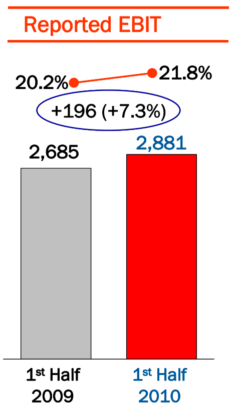
Organic consolidated **EBITDA:** shows a focus on higher margin revenues, efficiency measures and cost controls aimed at maintaining cash costs. This is borne out by the trend in the organic EBITDA margin and organic consolidated EBITDA in the first half of 2010.

Specifically, the organic consolidated **EBITDA margin** gains 2.2 percentage points in the first half of 2010, reaching 43.5% (41.3% in the first half of 2009). Organic EBITDA in terms of amount is 5,749 million euros (5,759 million euros in the first half of 2009), basically in line with the same period of last year, whereas reported EBITDA in terms of amount is an increase of 186 million euros (+3.4%).









Organic consolidated **EBIT:** totals 2,897 million euros in the first half of 2010. The organic change is positive for +2.7% compared to the first half of 2009 (reported EBIT: +196 million euros, +7.3%).

Organic consolidated **EBIT margin:** is 21.9% in the first half of 2010, with a gain of 1.7 percentage points over the same period of the prior year (20.2%).

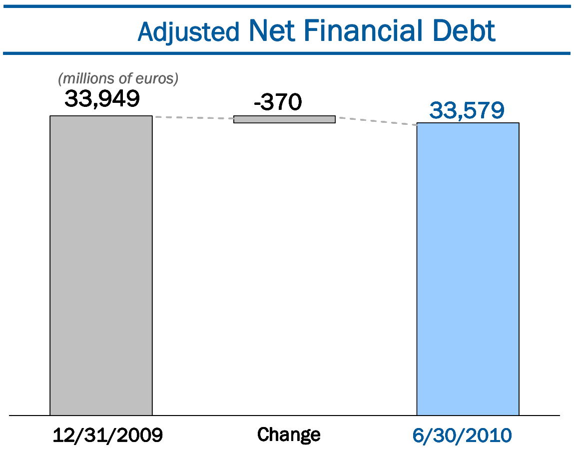
Finance income/expenses, Investment Results and income taxes: the financial component, investment management and the equity valuation of associates record an overall improvement of 126 million euros against the first half of the prior year. The financial income/expense balance, in particular, improves by 84 million euros largely due to lower interest rates and the reduction in net financial debt.
Income taxes increase by 35 million euros compared to the first half of 2009, principally in connection with a higher taxable base.

Profit before tax from continuing operations: displays a positive trend in operations and effective financial management and leads to a higher profit before tax in the first half of 2010 of 20.1%, reaching 1,924 million euros (1,602 million euros in the same period of the prior year).

Profit for the period attributable to owners of the Parent: is 1,211 million euros, increasing 252 million euros (+26.3%) compared to the first half of 2009, and is credited to the operating and financial improvements described above.

Operating free cash flow: is 2,152 million euros, down 92 million euros compared to the first half of 2009, however, the amount generated in the second quarter of 2010 of 1,398 million euros is 58 million euros higher than in the same period of 2009. Cash flows as a percentage of revenues represent 16.3% in the first half of 2010 compared to 16.8% in the first half of 2009.

Adjusted net financial debt: is 33,579 million euros at June 30, 2010, down 370 million euros compared to December 31, 2009 (33,949 million euros). The change is mainly due to the positive effects of operating dynamics and the sale of HanseNet which fully absorbed the negative impact of the confiscation of 282 million of liquid assets for precautionary reasons ordered by the courts as part of the action taken in the Telecom Italia Sparkle case and the payment of dividends for 1,060 million euros.



Liquidity margin: amounts to 4.9 billion euros at June 30, 2010. During the first half, a new bond issue of 1.25 billion euros was placed on the European market and bonds were repaid for about 4.3 billion euros. There is another 7.75 billion euros of irrevocable long-term credit lines (of which 6.5 billion euros expires in 2014 and 1.25 billion euros, relating to a credit line obtained in February 2010, expires in 2013), not subject to events which limit utilization. In the present environment of financial market uncertainty, the Telecom Italia Group keeps a high level of financial coverage, optimizing, at the same time, the average cost of debt.

Consolidated Operating and Financial Data (*)

(millions of euros)	1st Half 2010	1st Half 2009	Change %
Revenues	13,223	13,321	(0.7)
EBITDA (1)	5,733	5,547	3.4
EBIT(1)	2,881	2,685	7.3
Profit before tax from continuing operations	1,924	1,602	20.1
Profit from continuing operations	1,242	955	30.1
Profit (loss) from Discontinued operations/Non-current assets held for sale	(2)	(19)	89.5
Profit for the period	1,240	936	32.5
Profit for the period attributable to owners of the Parent	1,211	959	26.3
Investments:			
Industrial	2,021	1,922	5.2
Financial	-	4	

Consolidated Financial Position Data (*)

(millions of euros)	6/30/2010	12/31/2009	Change
Total assets	84,063	86,181	(2,118)
Total equity	28,234	27,120	1,114
- attributable to owners of the Parent	26,870	25,952	918
- attributable to non-controlling interests	1,364	1,168	196
Total liabilities	55,829	59,061	(3,232)
Total equity and liabilities	84,063	86,181	(2,118)
Share capital	10,585	10,585	-
Net financial debt carrying amount (1)	34,029	34,747	(718)
Adjusted net financial debt (1)	33,579	33,949	(370)
Adjusted net invested capital (2)	61,813	61,069	744
Debt Ratio (Adjusted net financial debt /Adjusted net invested capital)	54.3%	55.6%	(1.3) pp

Consolidated Profit Ratios (*)

	1st Half 2010	1st Half 2009	Change
EBITDA(1) / Revenues	43.4%	41.6%	1.8 pp
EBIT(1) / Revenues (ROS)	21.8%	20.2%	1.6 pp

(*) The statement of financial position and income statement figures for the first half of 2009 have been restated for the correction of prior years' errors - as defined by IAS 8 (*Accounting Policies, Changes in Accounting Estimates and Errors*) - arising as a result of the Telecom Italia Sparkle case, described in detail in the consolidated financial statements at December 31, 2009 of the Telecom Italia Group.

Besides, starting with the half-year condensed consolidated financial statements at June 30, 2010 of the Telecom Italia Group, following a detailed review of the indirect taxes paid by the Group in the different fiscal jurisdictions and also in light of the forthcoming adoption of IFRS by the TIM Brasil Group, some taxes paid in Brazil have been reclassified from "Other operating expenses" to "Revenues" and "Other income" as deductions. Other minor alignments, in terms of classification, have also been made. The periods presented for purposes of comparison have been duly reclassified.

Additional details on the principal impacts of the restatement and reclassifications are disclosed in the Note "Restatement for errors" and the Note "Form, content and other general information" of the condensed half-year consolidated financial statements at June 30, 2010 of the Telecom Italia Group.

(1) Details are provided in the section "Alternative Performance Measures".
(2) Adjusted net invested capital = Total equity + Adjusted net financial debt.

Headcount, number in the Group at period-end (3)

(number)	6/30/2010	12/31/2009	Change
Headcount (excluding headcount of Discontinued operations)	70,590	71,384	(794)
Headcount of Discontinued operations (4)	-	2,205	(2,205)

Headcount, average number in the Group (3)

(equivalent number)	1st Half 2010	1st Half 2009	Change
Headcount (excluding headcount of Discontinued operations)	67,130	71,110	(3,980)
Headcount of Discontinued operations (4)	-	2,258	(2,258)

(3) Headcount includes the number of people with temp work contracts.
(4) The figures for 2009 refer to the cash-generating unit (CGU) HanseNet Telekommunikation GmbH, sold during the first quarter of 2010.

Operating Data

	6/30/2010	12/31/2009	Change
Fixed-line network connections in Italy at period-end (thousands)	18,062	18,525	(463)
Physical accesses at period-end (Consumer + Business) (thousands)	15,741	16,097	(356)
Mobile lines at period-end (thousands)	74,958	71,958	3,000
of which Mobile lines in Italy (thousands)	*30,545*	*30,856*	(311)
of which Mobile lines in Brazil (thousands)	*44,413*	*41,102*	3,311
Broadband accesses in Italy at period-end (thousands)	8,958	8,741	217
of which retail broadband accesses (thousands)	*7,134*	*7,000*	134

The Telecom Italia Group Half-year Financial Report at June 30, 2010 has been prepared as set out in art. 154-ter (Financial Reports) of Legislative Decree 58/1998 (Consolidated Financial Law – TUF), and subsequent amendments and additions, and has been drawn up in accordance with international accounting standards issued by the International Accounting Standards Board and endorsed by the European Union (denominated "IFRS") as well as the measures enacted implementing art. 9 of Legislative Decree 38/2005.
The Financial Report includes:

- *the Interim Management Report*
- *the half-year condensed consolidated financial statements*
- *the certification of the half-year condensed consolidated financial statements pursuant to art. 81-ter of Consob Regulation 11971 dated May 14, 1999, with amendments and additions*

The accounting principles and consolidation principles adopted in the preparation of the half-year condensed consolidated financial statements at June 30, 2010 have been applied on a basis consistent with those adopted in the annual consolidated financial statements at December 31, 2009, to which reference can be made, except for new standards and interpretations adopted by the Group beginning from January 1, 2010. Such new standards and interpretations did not have any impact on the half-year condensed consolidated financial statements at June 30, 2010.
The Telecom Italia Group, in addition to the conventional financial performance measures established by IFRS, uses certain alternative performance measures in order to present a better understanding of the trend of operations and financial condition. Specifically, these alternative performance measures refer to: EBITDA, EBIT, the organic change in Revenues, EBITDA and EBIT, and net financial debt carrying amount and adjusted net financial debt. Additional details on such measures are presented under "Alternative performance measures.
Furthermore, particularly the section entitled "Business Outlook for the Year 2010" contains forward-looking

statements in relation to the Group's intentions, beliefs or current expectations regarding financial performance and other aspects of the Group's operations and strategies. Readers at the present Half-year Financial Report are reminded not to place undue reliance on forward-looking statements; actual results may differ significantly from forecasts owing to numerous factors, the majority of which is beyond the scope of the Group's control.

PRINCIPAL CHANGES IN THE SCOPE OF CONSOLIDATION

In the first half of 2010, HanseNet Telekommunikation GmbH (a company operating in the broadband sector in Germany), which had already been classified in Discontinued operations/Non-current assets held for sale, was excluded from the scope of consolidation following its sale on February 16, 2010.
At June 30, 2010, following the decision taken for their disposal, the BBNed group (included in Other Operations) and the company Elettra (included in the Domestic Business Unit – International Wholesale) are considered as disposal groups in accordance with IFRS 5. Accordingly, the assets and liabilities of the two disposal groups have been reclassified to two specific line items in the consolidated statement of financial position at June 30, 2010: "Discontinued operations/Non-current assets held for sale" and "Liabilities directly associated with Discontinued operations/Non-current assets held for sale".

During 2009, the following principal changes in the scope of consolidation occurred:

- *on December 30, 2009, Tim Participações purchased a 100% investment in the Brazilian fixed-line operator Intelig Telecomunicações Ltda and the company was consolidated as of the same date by the Telecom Italia Group in the Brazil Business Unit;*
- *beginning May 1, 2009, Telecom Media News S.p.A. was excluded from the scope of consolidation following the sale of a 60% stake by Telecom Italia Media S.p.A..*

Corporate Boards at June 30, 2010

▶ Board of Directors

The board of directors of Telecom Italia was elected by the shareholders' meeting held on April 14, 2008 for three years, up to the approval of the 2010 annual financial statements.
The shareholders' meeting held on April 29, 2010 appointed Mauro Sentinelli director of the Company up to the expiry of the term of office of the board of directors (the approval of the 2010 financial statements). Mauro Sentinelli was appointed in place of Stefano Cao who, in turn, in 2009 had replaced the director Gianni Mion. At June 30, 2010, the board of directors of Telecom Italia is composed of 15 directors:

Chairman	Gabriele Galateri di Genola
Chief Executive Officer	Franco Bernabè
Directors	César Alierta Izuel
	Paolo Baratta (independent)
	Tarak Ben Ammar
	Roland Berger (independent)
	Elio Cosimo Catania (independent)
	Jean Paul Fitoussi (independent)
	Berardino Libonati
	Julio Linares López
	Gaetano Micciché
	Aldo Minucci
	Renato Pagliaro
	Mauro Sentinelli
	Luigi Zingales (independent)
Secretary to the Board	Antonino Cusimano

The board of directors formed the following internal committees:

- **Executive Committee** (*) composed of: Gabriele Galateri di Genola (Chairman), Franco Bernabè, Roland Berger, Elio Cosimo Catania, Julio Linares López, Aldo Minucci and Renato Pagliaro;

  (*) On May 7, 2009, the board of directors appointed Stefano Cao member of the Executive Committee to replace Gianni Mion who resigned. On December 22, 2009, Stefano Cao resigned from the post of director and member of the Executive Committee.
- **Committee for Internal Control and Corporate Governance** composed of: Paolo Baratta (Chairman), Roland Berger, Jean Paul Fitoussi and Aldo Minucci;
- **Nomination and Remuneration Committee**, composed of: Elio Cosimo Catania (Chairman), Berardino Libonati and Luigi Zingales.

▶ Board of Statutory Auditors

The board of statutory auditors of Telecom Italia was elected by the shareholders' meeting held on April 8, 2009 and will remain in office until approval of the 2011 annual financial statements.

The board of statutory auditors is composed as follows:

Chairman	Enrico Maria Bignami
Acting Auditors	Gianluca Ponzellini
	Lorenzo Pozza
	Salvatore Spiniello
	Ferdinando Superti Furga
Alternate Auditors	Silvano Corbella
	Maurizio Lauri
	Vittorio Giacomo Mariani
	Ugo Rock

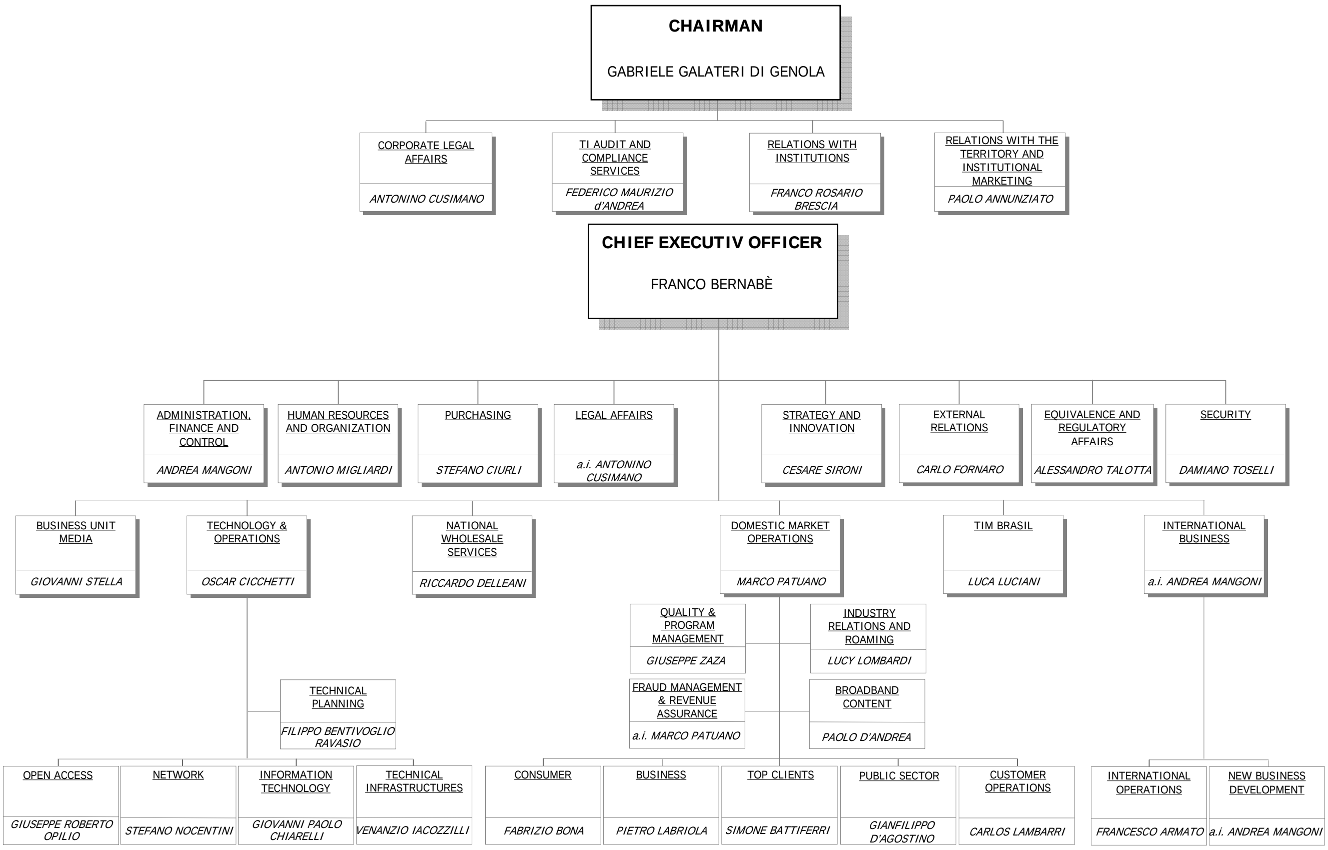
► Independent Auditors

The shareholders' meeting held on April 29, 2010 appointed the audit firm of PricewaterhouseCoopers S.p.A., which takes over from Reconta Ernst & Young S.p.A., for the audit of the financial statements for the period 2010-2018.

► Manager responsible for preparing the corporate financial reports

Andrea Mangoni (Head of the Group Administration, Finance and Control Function) is the manager responsible for preparing the corporate financial reports of Telecom Italia.

Macro-Organization Chart at June 30, 2010 – Telecom Italia Group



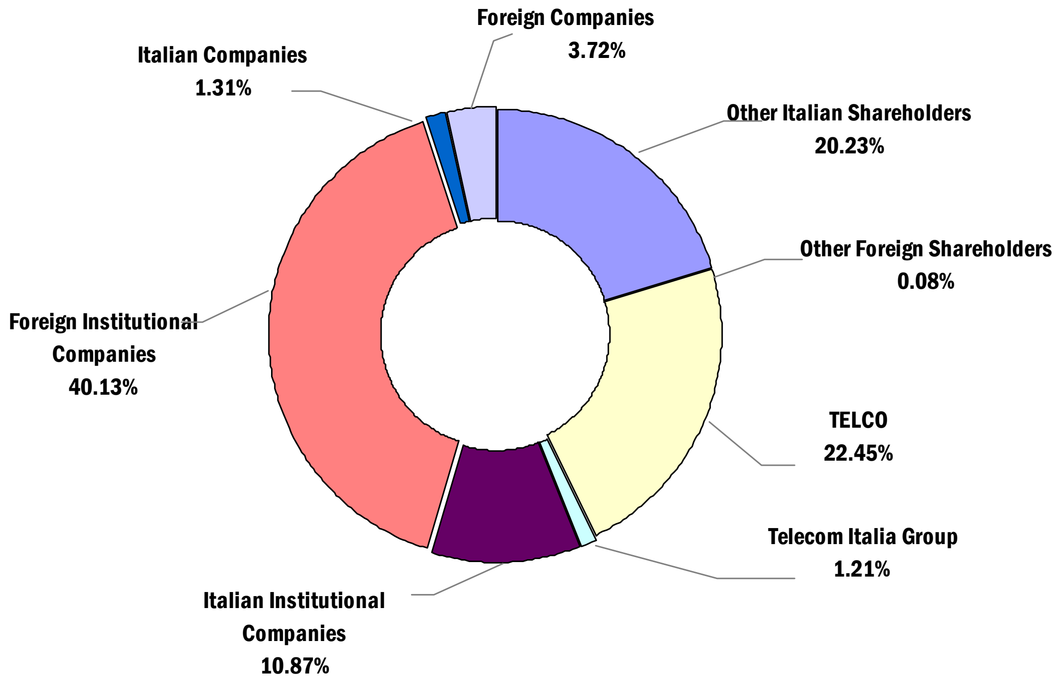
Information for Investors

► Telecom Italia S.p.A. share capital at June 30, 2010

Share capital	10,673,865,180 euros
Number of ordinary shares (par value 0.55 euros each)	13,380,906,939
Number of savings shares (par value 0.55 euros each)	6,026,120,661
Number of Telecom Italia ordinary treasury shares	37,672,014
Number of Telecom Italia ordinary shares held by Telecom Italia Finance S.A.	124,544,373
Percentage of treasury shares held by the Group to total share capital	0.84%
Market capitalization (based on June 2010 average prices)	17,158 million euros

► Shareholders

Composition of Telecom Italia S.p.A. shareholders according to the Shareholders Book at June 30, 2010, supplemented by communications received and other available sources of information (ordinary shares)



In reference to the Shareholders' Agreement among Telco shareholders, it should be noted that on October 28, 2009, Sintonia requested the non-proportional spin-off of Telco. On the same date, the other shareholders signed a Modifying Agreement and renewed the Shareholders' Agreement under which it was agreed to make some modifications (both subjective and objective) to the Shareholders' Agreement, effective April 28, 2010.

From that date the Shareholders' Agreement, as modified, is therefore in effect and was renewed for a further three years until April 27, 2013. As set out in the Shareholders' Agreement, as modified, the shareholders have the right to ask for the spin-off of Telco via communication to be sent between October 1 and October 28, 2012. Each shareholder may also withdraw from the Shareholders' Agreement to be communicated in the period between April 1, and April 28, 2011.

On December 22, 2009, Sintonia purchased from Telco 275,115,716 Telecom Italia ordinary shares, equal to 2.06% of the relative ordinary share capital, and Telco purchased from Sintonia the entire share held by Sintonia in Telco (equal to 8.39% of the relative share capital), which was subsequently cancelled.
On January 11, 2010, the shareholders signed a Modifying Agreement to the Shareholders' Agreement in order to (i) confirm their financial support to Telco, (ii) agree on the way in which the shareholders can provide such financial support in the event it becomes necessary under the loan contract – guaranteed by a Telecom Italia ordinary share pledge arrangement – signed on the same date between Telco and a pool of financial institutions and (iii) regulate, among the shareholders, the manner of exercising the option rights by virtue of which the shareholders acquired, again on the same date, the right to purchase Telecom Italia ordinary shares which would become available to the financial institutions following any enforcement of the pledge on the part of the latter.

Major holdings in share capital

At June 30, 2010, taking into account the results in the Shareholders Book, communications sent to CONSOB and the Company pursuant to Legislative Decree 58 dated February 24, 1998, art. 120 and other sources of information, the principal shareholders of Telecom Italia S.p.A. ordinary share capital are as follows:

Holder	Type of ownership	% stake in ordinary share capital
Telco S.p.A.	Direct	22.45%
Findim Group S.A.	Direct	4.99%

Furthermore, the following companies, as investment advisory firms, notified CONSOB that they are in possession of Telecom Italia S.p.A. ordinary shares:

- Brandes Investment Partners LP: on July 23, 2008, for a quantity of ordinary shares equal to 4.02% of total Telecom Italia S.p.A. ordinary shares;
- Blackrock Inc.: on May 20, 2010, for a quantity of ordinary shares equal to 2.82% of total Telecom Italia S.p.A. ordinary shares;
- Alliance Bernstein LP: on November 14, 2008, for a quantity of ordinary shares equal to 2.07% of total Telecom Italia S.p.A. ordinary shares.

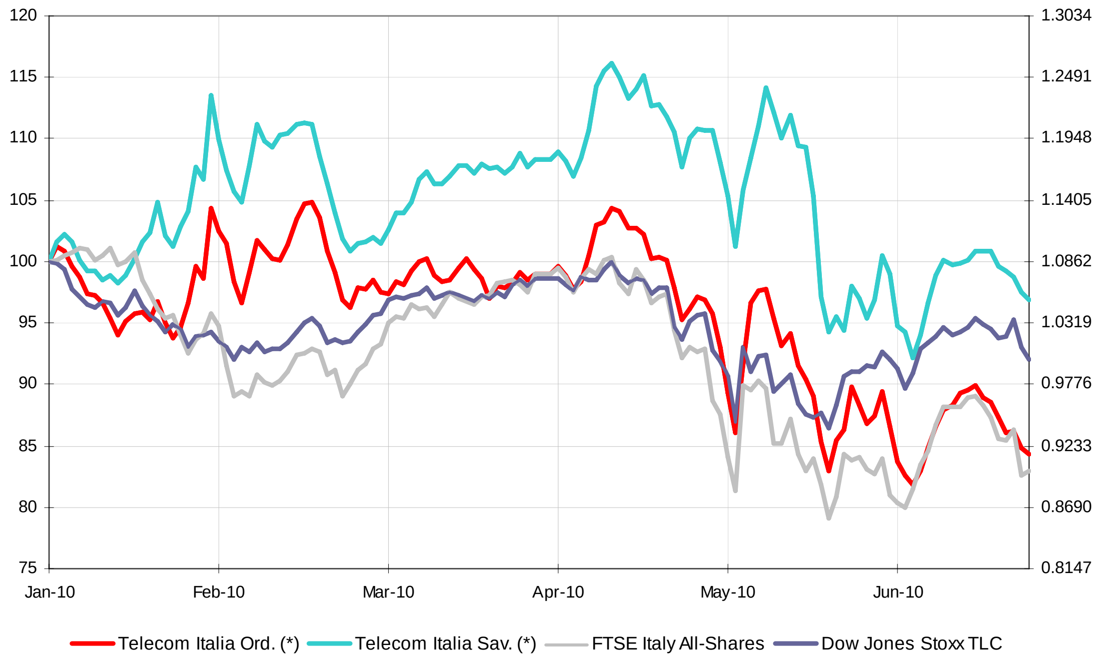
► Common representatives

The special meeting of the savings shareholders held on May 28, 2010 elected Emanuele Rimini as the common representative for three financial years (up to the approval of the financial statements at December 31, 2012).
Francesco Pensato is the common representative of the bondholders for the following bonds:

- Telecom Italia S.p.A. 2002-2022 bonds at floating rates, open special series, reserved for subscription by employees of the Telecom Italia Group, in service or retired (with a mandate for the three-year period 2008-2010);
- Telecom Italia S.p.A. 750,000,000 euros, 4.50% notes due 2011 (with a mandate for the three-year period 2009-2011 and, therefore, up to maturity);
- Telecom Italia S.p.A. 1,250,000,000 euros 5.375% notes due 2019 (with a mandate for the three-year period 2009-2011).

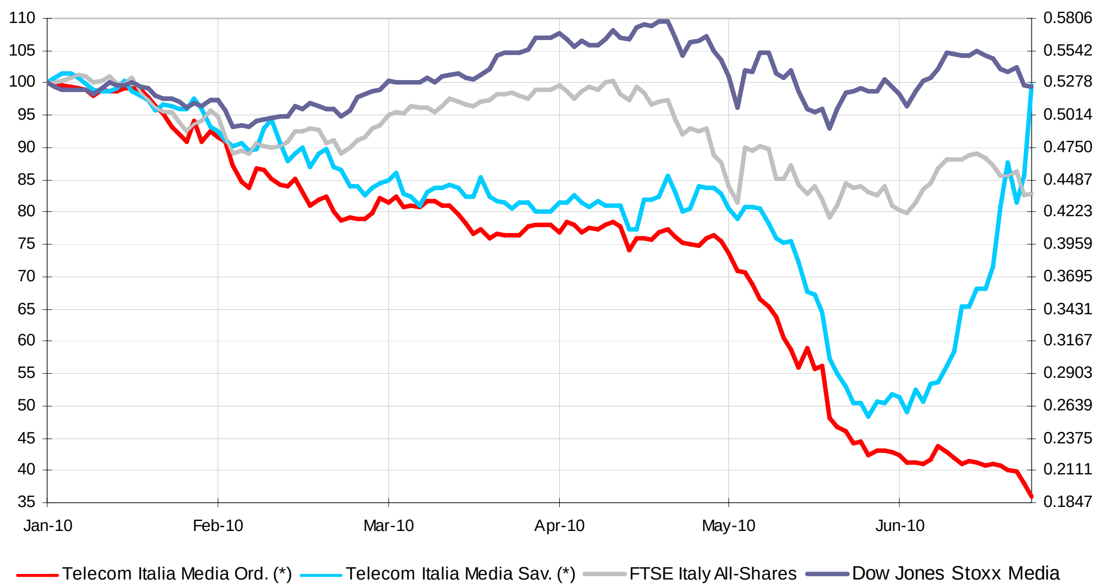
▶ Performance of the stocks of the major companies in the Telecom Italia Group

Relative performance by Telecom Italia S.p.A.
1/1/2010 – 6/30/2010 vs. FTSE Italy All-Shares Index and Dow Jones Stoxx TLC Index (*)



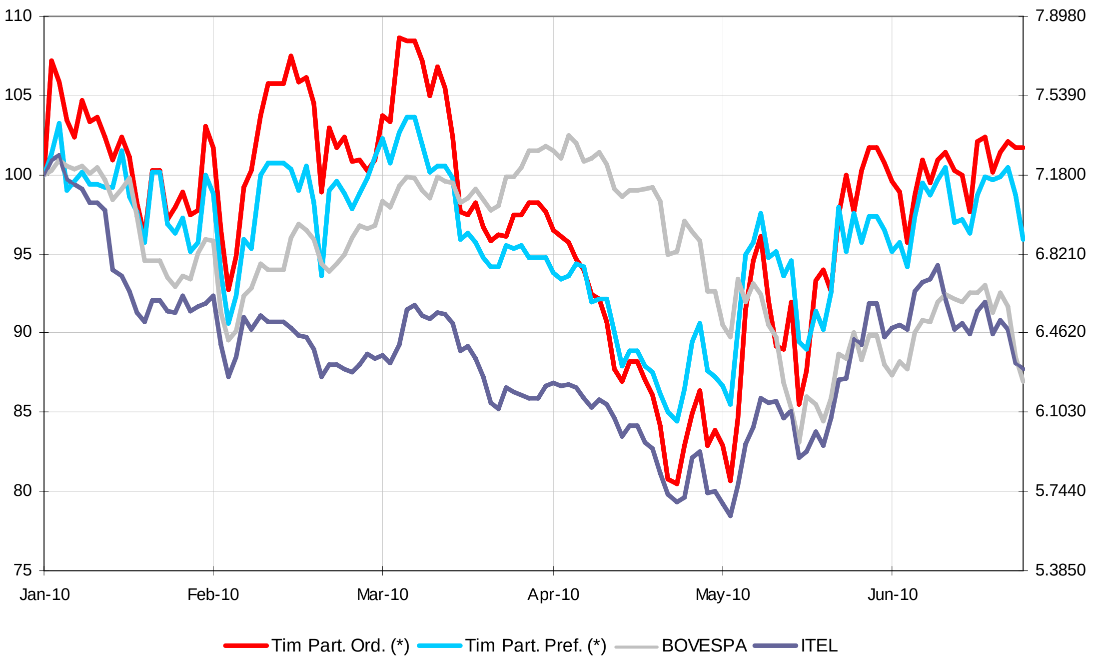
(*) Stock market prices. Source: Reuters.

Relative performance by Telecom Italia Media S.p.A.
1/1/2010 – 6/30/2010 vs. FTSE Italy All-Shares Index and Dow Jones Stoxx MEDIA Index (*)



(*) Stock market prices. Source: Reuters.

Relative performance by Tim Participações S.A.
1/1/2010 – 6/30/2010 vs. BOVESPA Index and ITEL Index (in Brazilian reais) (*)



(*) Stock market prices. Source: Reuters.

Both the ordinary and savings shares of Telecom Italia S.p.A. and the preferred shares of Tim Participações S.A. are listed on the New York Stock Exchange (NYSE). Telecom Italia S.p.A. shares are listed through ordinary and savings American Depositary Shares (ADS) representing, respectively, 10 ordinary shares and 10 savings shares.

Rating at June 30, 2010

	Rating	Outlook
STANDARD & POOR'S	BBB	Stable
MOODY'S	Baa2	Stable
FITCH RATINGS	BBB	Stable

Standard & Poor's, on July 13, 2010, confirmed its BBB rating of Telecom Italia with a stable outlook for the Group.
Moody's, on June 28, 2010, confirmed its Baa2 rating of Telecom Italia with a stable outlook for the Group.
Fitch Ratings, on July 26, 2010, confirmed its BBB rating of Telecom Italia with a stable outlook for the Group.

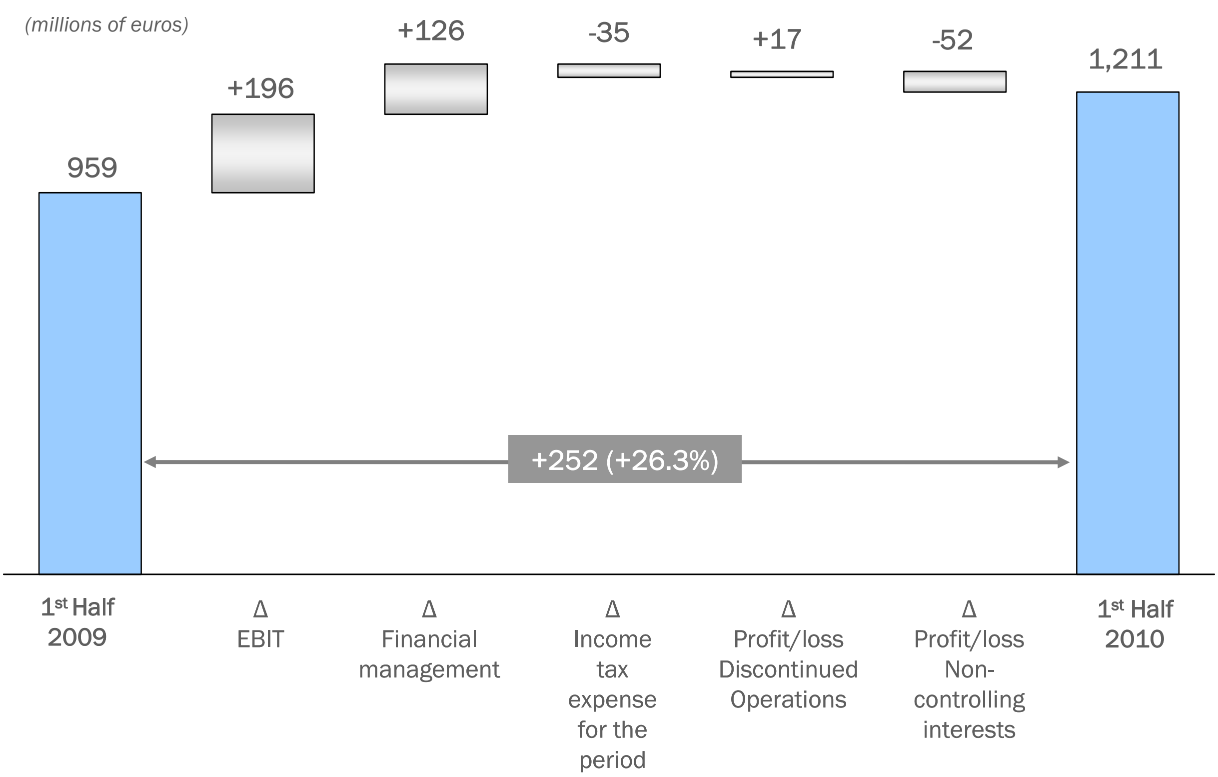
Review of Operating and Financial Performance - Telecom Italia Group

Half-year 2010 consolidated operating performance

The main profit indicators in the first half of 2010 compared to those in the first half of 2009 are as follows:

(millions of euros)	1st Half 2010 (a)	1st Half 2009 (b)	Change (a-b) amount	%	% organic
REVENUES	13,223	13,321	(98)	(0.7)	(5.1)
EBITDA	5,733	5,547	186	3.4	(0.2)
EBITDA MARGIN	*43.4%*	*41.6%*	*1.8 pp*		
ORGANIC EBITDA MARGIN	*43.5%*	*41.3%*	*2.2 pp*		
EBIT	2,881	2,685	196	7.3	2.7
EBIT MARGIN	*21.8%*	*20.2%*	*1.6 pp*		
ORGANIC EBIT MARGIN	*21.9%*	*20.2%*	*1.7 pp*		
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	1,924	1,602	322	20.1	
PROFIT FROM CONTINUING OPERATIONS	1,242	955	287	30.1	
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE	(2)	(19)	17	89.5	
PROFIT FOR THE PERIOD	1,240	936	304	32.5	
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	1,211	959	252	26.3	

The following chart summarizes the main line items which had an impact on the profit attributable to owners of the Parent in the first half of 2010:



Revenues

Revenues amount to 13,223 million euros in the first half of 2010 with a reduction of 0.7% compared to 13,321 million euros in the first half of 2009 (-98 million euros). In terms of the organic change, the reduction in consolidated revenues is 5.1% (-715 million euros).

In detail, the organic change in revenues is calculated by:

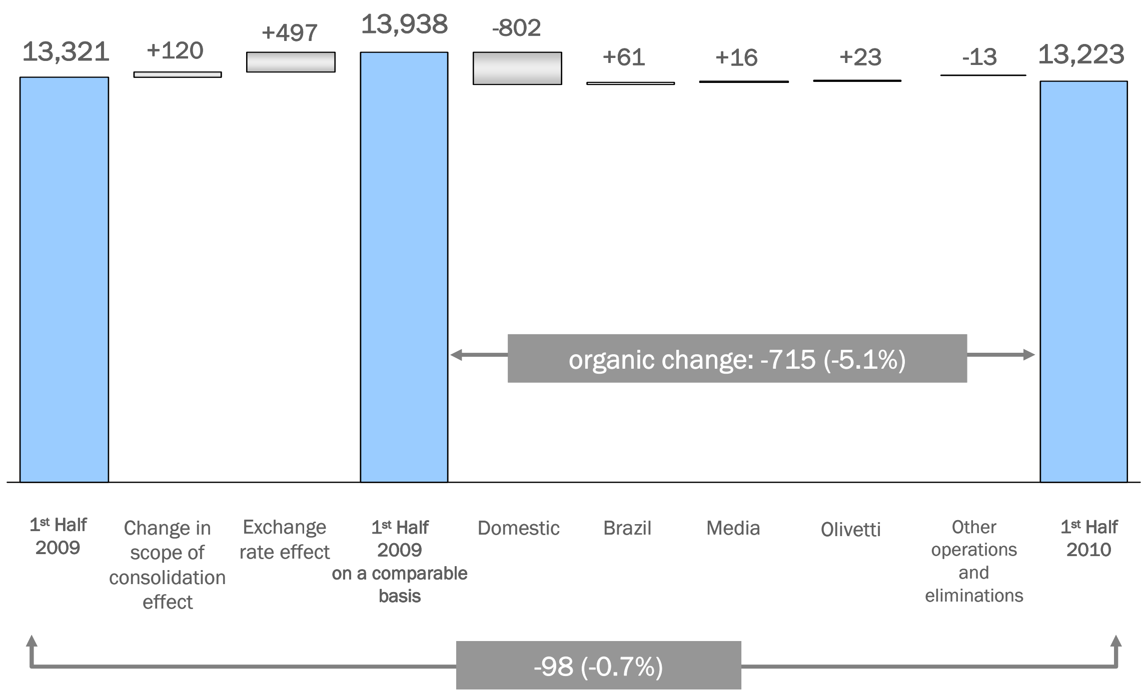
- excluding the effect of the change in the scope of consolidation (+120 million euros, referring for 122 million euros to the entry in scope of consolidation in the first half of 2010 of Intelig Telecomunicações Ltda, in the Brazil Business Unit);
- excluding the effect of exchange differences (+497 million euros, mainly due to the positive exchange effect of the Brazil Business Unit[(*)], equal to +496 million euros).

The breakdown of Revenues by operating segment is the following:

(millions of euros)	1st Half 2010	% of total	1st Half 2009	% of total	Change amount	Change %	Change % organic
Domestic	10,091	76.3	10,892	81.8	(801)	(7.4)	(7.4)
- *Core Domestic*	*9,563*	*72.3*	*10,337*	*77.6*	*(774)*	*(7.5)*	*(7.5)*
- *International Wholesale*	*805*	*6.1*	*877*	*6.6*	*(72)*	*(8.2)*	*(8.3)*
Brazil	2,875	21.7	2,196	16.5	679	30.9	2.1
Media, Olivetti and Other Operations	346	2.6	313	2.3	33	10.5	
Adjustments and Eliminations	*(89)*	*(0.6)*	*(80)*	*(0.6)*	*(9)*	*(11.3)*	
Total consolidated revenues	13,223	100.0	13,321	100.0	(98)	(0.7)	(5.1)

The following chart summarizes the changes in organic revenues in the periods under comparison:

(millions of euros)



(*) The average exchange rate used to translate the Brazilian real to euro (expressed in terms of units of local currency per 1 euro), is equal to 2.38434 for the first half of 2010 and 2.92345 for the first half of 2009. The effect of the change in the exchange rates is calculated applying, to the period under comparison, the foreign currency translation rates used for the current period.

The Domestic Business Unit (divided into Core Domestic and International Wholesale), although reporting a trend of declining organic revenues compared to the first half of 2009 (-7.4%; -6.3% in the Services component alone), affirms a trend of increasing revenues that was already apparent in the previous quarter in the Services component (-6.1% in the second quarter of 2010 compared to -6.5% in the first quarter and -7.9% in the fourth quarter of 2009). Handset sales, on the other hand, continue to contract (-29.1%), consistently with the rationalization of the product portfolio focusing more on quality, with a higher percentage of hi-tech handsets and devices using mobile internet, and on the profit margins from these handsets and devices.

As for the Brazil Business Unit, organic revenues record a growth of 2.1% over the same period of the prior year. The good trend in service revenues (+5.8% in organic terms), driven by the increase in the customer base (+3.3 million lines compared to the end of 2009) was countered by the fall in sales of handsets (-39.5% in organic terms.)

For an in-depth analysis of revenue performance by individual Business Unit, please refer to the section "The Business Units of the Telecom Italia Group".

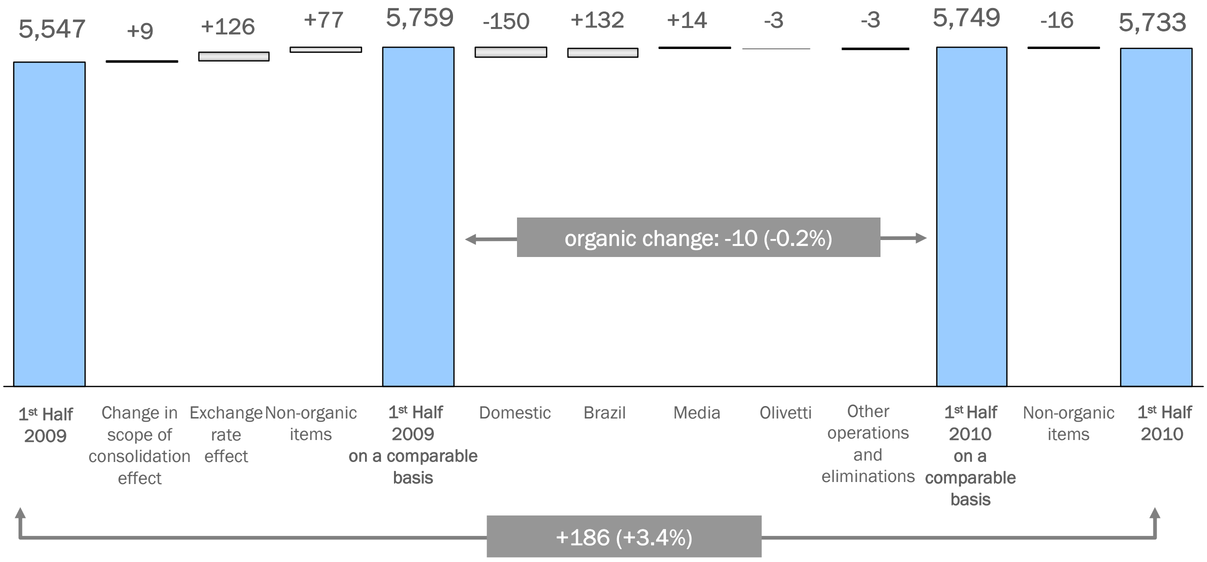
EBITDA

EBITDA is 5,733 million euros and grew 186 million euros (+3.4%) compared to the corresponding period of 2009. The EBITDA margin went from 41.6% in the first half of 2009 to 43.4% in the first half of 2010. In organic terms, organic EBITDA fell 0.2% while the organic EBITDA margin rose 2.2 percentage points (43.5% in the first half of 2010 compared to 41.3% in the first half of 2009).

Details of EBITDA and EBITDA margins by operating segment are as follows:

(millions of euros)	1st Half 2010	*% of total*	1st Half 2009	*% of total*	Change amount	%	% organic
Domestic	4,920	*85.8*	5,038	*90.8*	(118)	*(2.3)*	(2.9)
EBITDA margin	*48.8*		*46.3*		*2.5 pp*		*2.2 pp*
Brazil	823	*14.4*	527	*9.5*	296	56.2	18.9
EBITDA margin	*28.6*		*24.0*		*4.6 pp*		*4.1 pp*
Media, Olivetti and Other Operations	(11)	*(0.2)*	(18)	*(0.3)*	7	38.9	
Adjustments and Eliminations	*1*	-	-	-	1		
Total consolidated EBITDA	5,733	*100.0*	5,547	*100.0*	186	3.4	(0.2)
EBITDA margin	*43.4*		*41.6*		*1.8 pp*		*2.2 pp*

The following chart summarizes the changes in organic EBITDA:



(Revenues and income) / costs and expenses excluded from the calculation of organic EBITDA are the following:

(millions of euros)	1st Half 2010	1st Half 2009	Change
Disputes and settlements	4	41	(37)
Costs for services of the Brazil Business Unit associated with the conclusion of a dispute	-	22	(22)
Other	12	14	(2)
Total net non-organic (revenues and income) / costs and expenses	16	77	(61)

EBITDA was particularly impacted by the change in the line items analyzed below:

Acquisition of goods and services

Acquisition of goods and services stands at 5,368 million euros, decreasing 232 million euros (-4.1%) compared to the first half of 2009 (5,600 million euros). The reduction is considerably higher (-526 million euros) if the positive exchange effect of the Brazil Business Unit is excluded (+294 million euros). The reductions, mainly referring to the Domestic Business Unit, refer to purchases of goods and products for marketing and to the costs for the portion of revenues to be paid to other operators.

In detail:

(millions of euros)	1st Half 2010	1st Half 2009	Change
Purchases of goods	559	854	(295)
Portion of revenues to paid to other operators and interconnection costs	2,154	2,189	(35)
Commercial and advertising costs	987	921	66
Power, maintenance and outsourced services	595	602	(7)
Rent and leases	289	287	2
Other service expenses	784	747	37
Total acquisition of goods and services	5,368	5,600	(232)
% of Revenues	*40.6*	*42.0*	*(1.4) pp*

Employee benefits expenses

Details are as follows:

(millions of euros)	1st Half 2010	1st Half 2009	Change
Total employee benefits expenses - Italy	1,674	1,774	(100)
Total employee benefits expenses - Foreign	171	129	42
Total employee benefits expenses	1,845	1,903	(58)
% of Revenues	*14.0*	*14.3*	*(0.3) pp*

In the Italian component of ordinary employee benefits expenses, the reduction of 100 million euros is mainly due to the decrease in the number of the average salaried workforce (-3,368 compared to the first half of 2009; of that number, -434 refer to the application of the so-called solidarity contracts for Telecom Italia S.p.A. Directory Assistance).

In the foreign component of employee benefits expenses, the increase of 42 million euros is due to the exchange effect (+22 million euros) and the entry of the company Intelig in the scope of consolidation of the Brazil Business Unit.

The average salaried number of the workforce is the following:

(equivalent number)	1st Half 2010	1st Half 2009	Change
Average salaried workforce – Italy	57,731	61,099	(3,368)
Average salaried workforce – Foreign	9,399	10,011	(612)
Total average salaried workforce (1)	67,130	71,110	(3,980)
Discontinued operations (2) – Foreign	-	2,258	(2,258)
Total average salaried workforce – including Discontinued operations (2)	67,130	73,368	(6,238)

(1) Includes the average headcount with temp work contracts: 77 in the first half of 2010 (512 in the first half of 2009).
(2) In the first half of 2009, the figure refers to HanseNet Telekommunikation GmbH, sold at the beginning of 2010.

Headcount at June 30, 2010 is the following:

(number)	6/30/2010	12/31/2009	Change
Headcount – Italy	60,455	60,872	(417)
Headcount – Foreign	10,135	10,512	(377)
Total (1)	70,590	71,384	(794)
Discontinued operations (2) – Foreign	-	2,205	(2,205)
Total - including Discontinued operations (2)	70,590	73,589	(2,999)

(1) Includes headcount with temp work contracts: 84 at 6/30/2010 and 56 at 12/31/2009.
(2) At December 31, 2009, the figure refers to HanseNet Telekommunikation GmbH, sold at the beginning of 2010.

Other income

Details are as follows:

(millions of euros)	1st Half 2010	1st Half 2009	Change
Late payment fees charged for telephone services	35	34	1
Recovery of employee benefit expenses, purchases and services rendered	19	16	3
Capital and operating grants	17	29	(12)
Damage compensation, penalties and sundry recoveries	7	6	1
Sundry income	26	30	(4)
Total	104	115	(11)

Other operating expenses

Details are as follows:

(millions of euros)	1st Half 2010	1st Half 2009	Change
Writedowns and expenses in connection with credit management	236	273	(37)
Provision charges	38	45	(7)
Telecommunications operating fees and charges	208	143	65
Indirect duties and taxes	58	65	(7)
Penalties, settlement compensation and administrative sanctions	9	46	(37)
Association dues and fees, donations, scholarships and traineeships	12	13	(1)
Sundry expenses	9	21	(12)
Total	(570)	(606)	(36)

Other operating expenses decreased 36 million euros compared to the first half of 2009 despite the positive exchange effect of the Brazil Business Unit (+50 million euros).

Specifically, writedowns and expenses in connection with credit management include mainly 154 million euros referring to the Domestic Business Unit (189 million euros in the first half of 2009) and 77 million euros to the Brazil Business Unit (82 million euros in the first half of 2009).

Provision charges recorded mainly for pending disputes include 19 million euros essentially referring to the Domestic Business Unit (32 million euros in the first half of 2009) and 17 million euros to the Brazil Business Unit (11 million euros in the first half of 2009).

The increase of 65 million euros in telecommunications operating fees and charges is entirely due to the Brazil Business Unit and includes a positive exchange effect of +26 million euros.

Depreciation and amortization

Details are as follows:

(millions of euros)	1st Half 2010	1st Half 2009	Change
Amortization of intangible assets with a finite useful life	1,183	1,103	80
Depreciation of property, plant and equipment – owned and leased	1,662	1,696	(34)
Total	2,845	2,799	46

The increase in amortization and depreciation charges is mainly in reference to the net effect of the change in the Brazilian real/euro exchange rate (+111 million euros) and higher charges by the Brazil Business Unit (+56 million euros, excluding the exchange effect), countered by the reduction in amortization and depreciation charges recorded by the Domestic Business Unit (-119 million euros).

Net losses on disposals of non-current assets

Net losses on disposals of non-current assets total 2 million euros; in the first half of 2009, net losses were recorded for 15 million euros, including the negative impact of 11 million on the sale of the 60% stake in Telecom Media News.

Impairment reversals (losses) on non-current assets

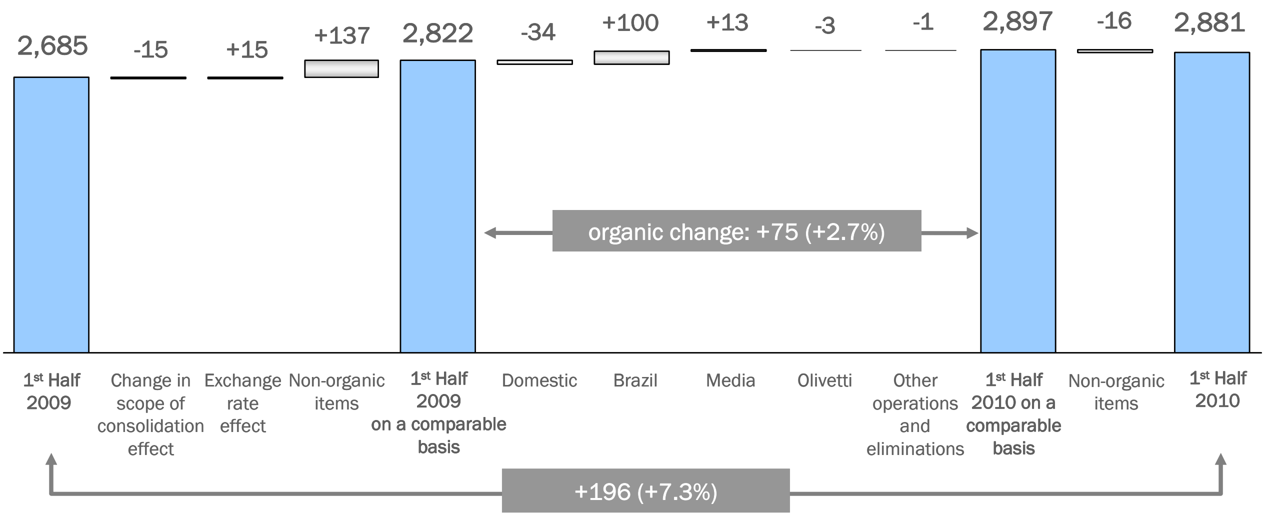
The impairment losses on non-current assets amount to 5 million euros and refer mainly to software development by the Domestic Business Unit. In the first half of 2009, net impairment losses on non-current assets amounted to 48 million euros and referred to some software development for the Domestic Business Unit's credit management platform, no longer usable in light of the fixed-mobile convergence process.

EBIT

EBIT is 2,881 million euros, increasing 196 million euros compared to the first half of 2009 (+7.3%). The EBIT margin went from 20.2% in the first half of 2009 to 21.8% in the first half of 2010. The organic change in EBIT is a positive 75 million euros (+2.7%) and the organic EBIT margin is 21.9% in the first half of 2010 (20.2% in the corresponding period of the prior year).

The following chart summarizes the changes in EBIT:

(millions of euros)



(Revenues and income) / costs and expenses excluded from the calculation of organic EBIT are the following:

(millions of euros)	1st Half 2010	1st Half 2009	Change
Non-organic costs and expenses already described under EBITDA	16	77	(61)
Impairment loss on intangible assets	-	48	(48)
Losses on disposals of investments	-	11	(11)
Other expenses, net	-	1	(1)
Total net non-organic (revenues and income)/costs and expenses	16	137	(121)

Share of profits (losses) of associates and joint ventures accounted for using the equity method
Details are as follows:

(millions of euros)	1st Half 2010	1st Half 2009	Change
ETECSA	36	31	5
Other	3	2	1
Total	39	33	6

Other income (expenses) from investments
Other income (expenses) from investments in the first half of 2010 amount to a positive 2 million euros and principally include the net gains on the disposal of investments in minor companies. In the first half of 2009, the amount was a negative 34 million euros and included the writedown of 39 million euros on the investments in the Italtel Group.

Finance income (expenses)
Details are as follows:

(millions of euros)	1st Half 2010	1st Half 2009	Change
Fair value measurement of call options on 50% of Sofora Telecomunicaciones share capital	-	5	(5)
Early closing of derivative instruments	(9)	12	(21)
Net finance expenses, fair value adjustments of derivatives and underlyings and other items	(989)	(1,099)	110
Total	(998)	(1,082)	84

The change in finance income (expenses) is impacted by interest rates' reduction and lower net debt exposure.

Income tax expense

Income tax expense is 682 million euros, increasing 35 million euros compared to the first half of 2009, mainly as a result of a higher taxable base.

Profit (Loss) from Discontinued operations/Non-current assets held for sale

In the first half of 2010, the balance is a loss of 2 million euros and includes expenses incurred in connection with sales transactions of prior years. In the first half of 2009, the balance was a loss of 19 million euros and referred to the contribution to the consolidated financial statements by HanseNet, sold at the beginning of 2010.

Profit for the period

The profit for the period can be analyzed as follows:

(millions of euros)	1st Half 2010	1st Half 2009
Profit for the period	1,240	936
Attributable to:		
Owners of the Parent:		
Profit (loss) from continuing operations	1,213	978
Profit (loss) from Discontinued operations/Non-current assets held for sale	(2)	(19)
Profit (loss) attributable to owners of the Parent	1,211	959
Non-controlling interests:		
Profit (loss) from continuing operations	29	(23)
Profit (loss) from Discontinued operations/Non-current assets held for sale	-	-
Profit (loss) attributable to Non-controlling interests	29	(23)

Consolidated financial position performance

Financial position structure

(millions of euros)	6/30/2010	12/31/2009	Change
	(a)	(b)	(a-b)
ASSETS			
Non-current assets	69,627	68,510	1,117
Goodwill	*43,810*	*43,627*	*183*
Intangible assets with a finite useful life	*6,205*	*6,282*	*(77)*
Tangible assets	*14,592*	*14,902*	*(310)*
Other non-current assets	*5,020*	*3,699*	*1,321*
Current assets	14,299	16,438	(2,139)
Inventories, Trade and miscellaneous receivables and other current assets	*8,930*	*7,870*	*1,060*
Current income tax receivables	*87*	*79*	*8*
Investments	*39*	*39*	*-*
Securities other than investments, Financial receivables and other non-current financial assets, Cash and cash equivalents	*5,243*	*8,450*	*(3,207)*
Discontinued operations/Non-current assets held for sale	137	1,233	(1,096)
of a financial nature	*19*	*81*	*(62)*
of a non-financial nature	*118*	*1,152*	*(1,034)*
	84,063	86,181	(2,118)
EQUITY AND LIABILITIES			
Equity	28,234	27,120	1,114
Non-current liabilities	39,359	39,851	(492)
Current liabilities	16,429	18,243	(1,814)
Liabilities directly associated with Discontinued operations/Non-current assets held for sale	41	967	(926)
of a financial nature	*-*	*659*	*(659)*
of a non-financial nature	*41*	*308*	*(267)*
	84,063	86,181	(2,118)

Non-current assets

- **Goodwill:** increases 183 million euros due to the effect of the change in the exchange rates of the Brazilian companies (+194 million euros), countered by the reclassification of the goodwill of the BBNed group (5 million euros) and the goodwill allocated to Elettra (6 million euros) to Non-current assets held for sale at June 30, 2010.

- **Intangible assets with a finite useful life:** decreased 77 million euros, from 6,282 million euros at the end of 2009 to 6,205 million euros at June 30, 2010, as a result of the following:
  - additions (+896 million euros);
  - amortization charge for the period (-1,183 million euros);
  - disposals, exchange differences, change in the scope of consolidation, reclassifications and other movements (for a net balance of +210 million euros).

- **Tangible assets:** decreased 310 million euros from 14,902 million euros at the end of 2009 to 14,592 million euros at June 30, 2010, as a result of:
  - additions (+1,125 million euros);
  - depreciation charge for the period (-1,662 million euros);
  - disposals, exchange differences, change in the scope of consolidation, reclassifications and other movements (for a net balance of +227 million euros).

Discontinued operations/Non-current assets held for sale

At June 30, 2010, following the decision taken for their disposal, the BBNed group (included in Other Operations) and the company Elettra (included in the Domestic Business Unit – International Wholesale) are considered as disposal groups. Accordingly, the assets and liabilities of the two disposal groups have been reclassified to two specific line items in the consolidated statement of financial position: "Discontinued operations/Non-current assets held for sale" (equal to 137 million euros at June 30, 2010) and "Liabilities directly associated with Discontinued operations/Non-current assets held for sale" (equal to 41 million euros at June 30, 2010). In particular, these line items include:

- assets of a financial nature for 19 million euros;
- goodwill of the BBNed group equal to 5 million euros;
- goodwill allocated to Elettra equal to 6 million euros;
- other assets of a non-financial nature for 107 million euros;
- liabilities of a non-financial nature for per 41 million euros.

At December 31, 2009, Discontinued operations/Non-current assets held for sale referred to HanseNet Telekommunikation GmbH, sold at the beginning of 2010, and included:

- assets of a financial nature for 81 million euros;
- goodwill equal to 103 million euros;
- other assets of a non-financial nature for 1,049 million euros.
- liabilities of a financial nature for 659 million euros;
- liabilities of a non-financial nature for 308 million euros.

Consolidated equity

Consolidated equity amounts to 28,234 million euros (27,120 million euros at December 31, 2009), of which 26,870 million euros is attributable to owners of the Parent (25,952 million euros at December 31, 2009) and 1,364 million euros is attributable to Non-controlling interests (1,168 million euros at December 31, 2009).

In greater detail, the changes in equity are the following:

(millions of euros)	6/30/2010	12/31/2009
At the beginning of the period (historical data)	27,120	26,856
Restatement for errors (*)		(497)
Change in accounting principles (**)		(31)
At the beginning of the period (restated)	27,120	26,328
Profit for the period	2,103	1,572
Dividends declared by:	(1,063)	(1,053)
- Telecom Italia S.p.A.	*(1,029)*	*(1,029)*
- Other Group companies	*(34)*	*(24)*
Effect of capital transactions by Telecom Italia Media	47	-
Bond conversions, equity instruments granted and purchase of treasury shares	1	(9)
Change in scope of consolidation and other changes	26	282
At the end of the period	28,234	27,120

(*) Includes the impact of the restatement for errors – as defined by IAS 8 – arising as a result of the Telecom Italia Sparkle case, described in detail in the consolidated financial statements at December 31, 2009 of the Telecom Italia Group. The principal impacts are described in the Note "Restatement for errors" in these half-year condensed consolidated financial statements at June 30, 2010 of the Telecom Italia Group.
(**) Includes the impact of the retrospective application of IFRIC 13 (Customer Loyalty Programmes).

Net financial debt and cash flows

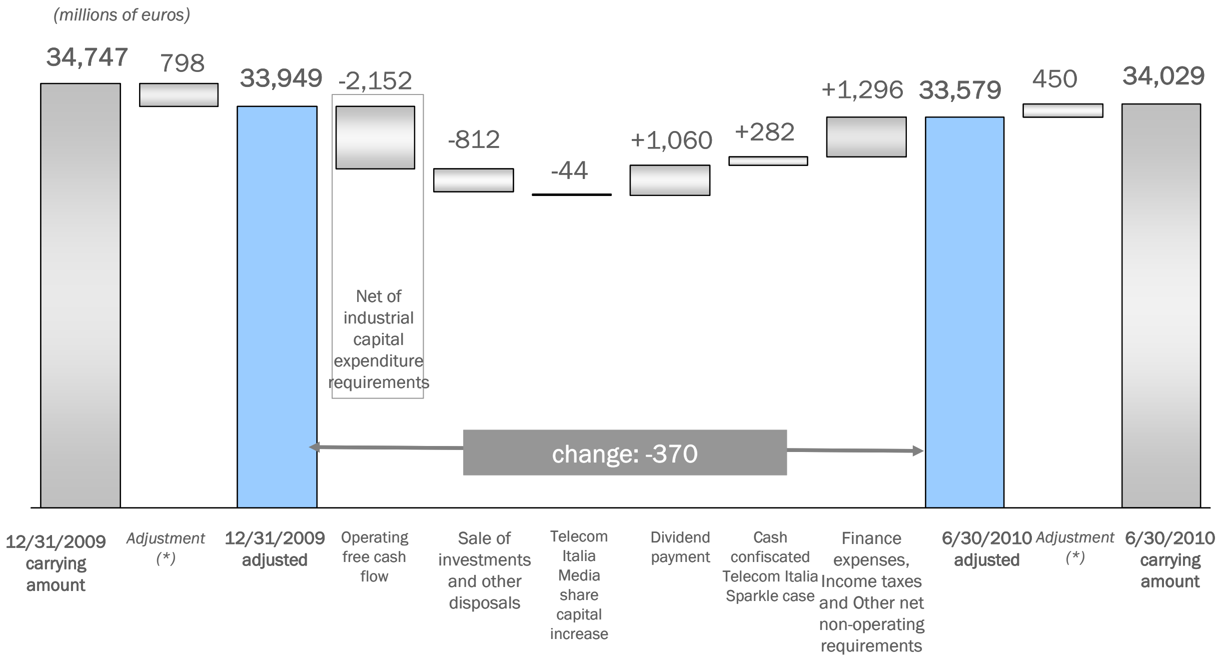
Net financial debt is composed as follows:

Net financial debt

(millions of euros)	6/30/2010	12/31/2009	Change
	(a)	(b)	(a-b)
NON-CURRENT FINANCIAL LIABILITIES			
Bonds	26,955	26,369	586
Amounts due to banks, other financial payables and liabilities	7,721	8,863	(1,142)
Finance lease liabilities	1,508	1,565	(57)
	36,184	36,797	(613)
CURRENT FINANCIAL LIABILITIES (*)			
Bonds	3,997	3,667	330
Amounts due to banks, other financial payables and liabilities	1,700	3,024	(1,324)
Finance lease liabilities	238	250	(12)
	5,935	6,941	(1,006)
Financial liabilities relating to Discontinued operations/Non-current assets held for sale	-	659	(659)
GROSS FINANCIAL DEBT	42,119	44,397	(2,278)
NON-CURRENT FINANCIAL ASSETS			
Securities other than investments	(13)	(15)	2
Financial receivables and other non-current financial assets	(2,815)	(1,104)	(1,711)
	(2,828)	(1,119)	(1,709)
CURRENT FINANCIAL ASSETS			
Securities other than investments	(1,361)	(1,843)	482
Financial receivables and other current financial assets	(375)	(1,103)	728
Cash and cash equivalents	(3,507)	(5,504)	1,997
	(5,243)	(8,450)	3,207
Financial assets relating to Discontinued operations/Non-current assets held for sale	(19)	(81)	62
FINANCIAL ASSETS	(8,090)	(9,650)	1,560
NET FINANCIAL DEBT CARRYING AMOUNT	34,029	34,747	(718)
Reversal of fair value measurement of derivatives and related financial assets/liabilities	*(450)*	*(798)*	348
ADJUSTED NET FINANCIAL DEBT	33,579	33,949	(370)
Detailed as follows:			
TOTAL ADJUSTED GROSS FINANCIAL DEBT	39,932	42,980	(3,048)
TOTAL ADJUSTED FINANCIAL ASSETS	(6,353)	(9,031)	2,678
(*) of which current portion of medium/long-term debt:			
Bonds	*3,997*	*3,667*	*330*
Amounts due to banks, other financial payables and liabilities	*1,219*	*2,576*	*(1,357)*
Finance lease liabilities	*238*	*250*	*(12)*

The financial risk management policies of the Telecom Italia Group are directed towards diversifying market risks, fully hedging exchange rate risk and minimizing interest rate exposure by an appropriate diversification of the portfolio, which is also achieved by using carefully selected derivative financial instruments. Such instruments, it should be stressed, are not used for speculative purposes and all have an underlying.
Furthermore, in order to determine its exposure to interest rates, the Group defines an optimum composition for the fixed-rate and floating-rate debt structure and uses derivative financial instruments to achieve that prefixed composition. Taking into account the Group's operating activities, the optimum mix of medium/long-term non-current financial liabilities has been established, on the basis of the nominal amount, at around 60% - 70% for the fixed-rate component and 30% - 40% for the floating-rate component.
In managing market risks, the Group has adopted a "Guideline policy for debt management using derivative instruments" and mainly uses IRS and CCIRS derivative financial instruments.
The volatility of interest rates and exchange rates, featuring prominently in the financial markets beginning in the fourth quarter of 2008, significantly impacted the fair value measurement of derivative positions and the related financial assets and liabilities.
Having said this and in order to present a more realistic analysis of net financial debt, starting from the June 2009 report, in addition to the usual indicator (renamed "Net financial debt carrying amount"), a new indicator was also presented denominated "Adjusted net financial debt" which excludes effects that are purely accounting and non-monetary in nature deriving from the fair value measurement of derivatives and related financial assets and liabilities. The measurement of derivative financial instruments, which also has the objective of pre-setting the exchange rate and the interest rate of future variable contractual flows, does not, in fact, require an actual financial settlement.

The following chart summarizes the main transactions which had an impact on the change in net financial debt during the first half of 2010:



(*) Adjustment of the fair value measurement of derivatives and related financial assets and liabilities.

Net operating free cash flow

(millions of euros)	1st Half 2010	1st Half 2009	Change
EBITDA	5,733	5,547	186
Capital expenditures on an accrual basis	(2,021)	(1,922)	(99)
Change in net operating working capital:	(1,518)	(1,358)	(160)
Change in inventories	*109*	*(4)*	*113*
Change in trade receivables and net amounts due on construction contracts	*(598)*	*(210)*	*(388)*
Change in trade payables (*)	*(1,025)*	*(1,287)*	*262*
Other changes in operating receivables/payables	*(4)*	*143*	*(147)*
Change in provisions for employees benefits	(5)	(26)	21
Change in operating provisions and Other changes	(37)	3	(40)
Net operating free cash flow	2,152	2,244	(92)
% of Revenues	*16,3*	*16,8*	*(0,5) pp*

(*) Including the change in trade payables for amounts due to fixed asset suppliers.

Net operating free cash flow amounts to 2,152 million euros in the first half of 2010, decreasing 92 million euros compared to the corresponding period of the prior year. The reduction is mainly due to higher capital expenditure requirements, particularly by the Brazil Business Unit, the changes in net operating working capital and also the negative change in operating provisions.

Capital expenditures on an accrual basis

Amounts to 2,021 million euros, increasing 99 million euros compared to the first half of 2009. The breakdown is as follows:

(millions of euros)	1st Half 2010	*% of total*	1st Half 2009	*% of total*	Change
Domestic	1,487	*73.6*	1,604	*83.4*	(117)
Brazil	507	*25.1*	288	*15.0*	219
Media, Olivetti and Other Operations	27	*1.3*	30	*1.6*	(3)
Adjustments and Eliminations	-	-	-	-	-
Total	2,021	*100.0*	1,922	*100.0*	99
% sui Revenues	*15.3*		*14.4*		*0.9 pp*

The increase in capital expenditures is attributable to the change in the real/euro exchange rate (+65 million euros) and higher capital expenditures by the Brazil Business Unit for the development of its network and IT platform, countered by the reduction in the Domestic Business Unit owing to the impact of the programs to cut costs and capital expenditures begun in 2009.

The following also had an effect on net financial debt during the first half of 2010:

Sale of investments and other disposals flow

Amounts to 812 million euros and mainly refers to the sale of HanseNet and is inclusive of the negative cash flow of about 50 million euros generated by the company sold from December 31, 2009 to the date of sale (February 16, 2010).

Cash confiscated in the Telecom Italia Sparkle case

The cash confiscated includes 282 million euros as a precautionary measure as part of the proceedings in the

Telecom Italia Sparkle case in which the courts issued a seizure order.
On April 2, 2010, in addition to the above sum, Telecom Italia Sparkle provided two guarantees for approximately 195 million euros on behalf of the courts (for about 72 million euros) and the Financial Administration (for about 123 million euros).
On July 19, 2010, moreover, a total of 418 million euros was paid to the Revenue Agency; Telecom Italia Sparkle has therefore filed an appeal to revoke the seizure as a precautionary measure for the sum of 298 million euros (corresponding to the "VAT receivable unlawfully deducted for the tax years relating to the alleged illegal activities under investigation") ordered by the Rome court in February 2010. Such appeal was upheld on August 5, 2010 and, as a result, the restitution of such sums has been arranged, except for 10 million euros which will remain confiscated for precautionary reasons in connection with the criminal case in progress.
Telecom Italia Sparkle will also take steps for the restitution of the bank guarantee provided to the Financial Administration for the amount of about 123 million euros. Such guarantee, in any case, should be considered as having lapsed owing to the payment made by Telecom Italia Sparkle to the Financial Administration. Additional details are provided in the half-year condensed consolidated financial statements at June 30, 2010 of the Telecom Italia Group in the Note "Contingent liabilities, other information, commitments and guarantees".

Telecom Italia Media share capital increase

In June, Telecom Italia Media concluded a share capital increase for a total of 239.5 million euros. An amount of 44 million euros refers to the portion of Telecom Italia Media's capital increase, net of incidental transaction charges, subscribed by the market; the remaining portion was subscribed by the Telecom Italia Group. Following the transaction, the percentage holding in Telecom Italia Media's capital held by the Telecom Italia Group rose from 67.96% to 77.42%.

Finance expenses, income taxes and other net non-operating requirements flow

Finance expenses, income taxes and other net non-operating requirements flow mainly includes the payment, made in the first half of 2010, for net finance expenses, income taxes and also the change in non-operating receivables and payables.

Sales of receivables to factoring companies

The sales of receivables to factoring companies finalized during the first half of 2010 resulted in a positive effect on net financial debt at June 30, 2010 of 633 million euros (1,034 million euros at December 31, 2009 and 623 million euros at June 30, 2009).

Gross financial debt

Bonds

Bonds at June 30, 2010 are recorded for 30,952 million euros (30,036 million euros at December 31, 2009). Their nominal repayment amount is 29,969 million euros, increasing 863 million euros compared to December 31, 2009 (29,106 million euros).
The change in bonds during the first half of 2010 is as follows:

NEW ISSUES

(millions of original currency)	Currency	Amount	Issue date
Telecom Italia Finance S.A. 107.7 million euros Floating Rate Notes Euribor 3 months + 1.3% maturing 3/14/2012 (1)	Euro	107.715	3/12/2010
Telecom Italia S.p.A. 1,250 million euros 5.25% maturing 2/10/2022	Euro	1,250	2/10/2010

(1) These bonds were issued as a result of the contract terms established by the current bonds denominated **"Telecom Italia Finance S.A. Euro 118,830,000 Guaranteed Floating Rate Extendable Notes due 2010"**, net of 20 million euros repurchased by the Company in 2009. Under the Terms and Conditions, the holders of the bonds for a nominal amount of 31,115,000 euros waived their right to extend the bonds' maturity to 2012 and have been reimbursed for that amount on June 14, 2010. For the remaining amount of 107,715,000 euros, bonds have been issued on March 12, 2010 denominated "Telecom Italia Finance S.A. Euro 107,715,000 Guaranteed Floating Rate Extendable Notes due 2012" maturing on March 14, 2012.

REPAYMENTS

(millions of original currency)	Currency	Amount	Repayment date
Telecom Italia Finance Floating Rate Notes 138.83 million euros Euribor 3 months + 1.30% (2)	Euro	138.83	6/14/2010
Telecom Italia S.p.A. Floating Rate Notes 796 million euros Euribor 3 months + 0.20% (3)	Euro	796	6/7/2010
Telecom Italia Capital S.A. 4% 1,250 million dollars, issued with a guarantee from Telecom Italia S.p.A.	USD	1,250	1/15/2010
Telecom Italia S.p.A. 1.5% 2001-2010 convertible bonds with a repayment premium	Euro	574	1/1/2010

(2) These bonds were issued as a result of the contract terms established by the current bonds denominated **"Telecom Italia Finance S.A. Euro 118,830,000 Guaranteed Floating Rate Extendable Notes due 2010"**, net of 20 million euros repurchased by the Company in 2009. Under the Terms and Conditions, the holders of the bonds for a nominal amount of 31,115,000 euros waived their right to extend the bonds' maturity to 2012 and have been reimbursed for that amount on June 14, 2010. For the remaining amount of 107,715,000 euros, bonds have been issued on March 12, 2010 denominated "Telecom Italia Finance S.A. Euro 107,715,000 Guaranteed Floating Rate Extendable Notes due 2012" maturing on March 14, 2012.

(3) Net of 54 million euros bought back by the company during 2009.

BUYBACKS

As occurred in 2008, in 2009 and in the first half of 2010, the Telecom Italia Group bought back bonds to:

- give investors a further possibility of monetizing their positions;
- partially repay some debt securities before maturity, increasing the overall return on the Group's liquidity without inviting any additional risks.

In particular, the following bonds were repurchased:

(millions of original currency)	Currency	Amount	Buyback period
Telecom Italia Finance S.A. 1,884 million euros 7.50% maturing April 2011 (*)	Euro	113.432	January– May 2010

(*) In October 2009, an amount of 2.683 million euros was already bought back. The total amount bought back between 2009 and 2010 is therefore 116.115 million euros.

In reference to the **Telecom Italia S.p.A. 2002-2022 bonds, reserved for subscription by employees of the Group,** the nominal amount at June 30, 2010 is equal to 313 million euros and decreased by 35 million euros compared to December 31, 2009 (348 million euros).

***

Revolving Credit Facility and Term Loan

The following table shows the composition and the drawdown of the syndicated committed credit lines available at June 30, 2010. These are represented by the Revolving Credit Facility for a total of 8 billion euros expiring August 2014 and the new syndicated revolving line for a total of 1.25 billion euros signed February 12, 2010 and expiring February 2013. In January 2010, the syndicated line denominated Term Loan 2010 for 1.5 billion euros became due and was repaid from cash resources:

(billions of euros)	6/30/2010		12/31/2009	
	Agreed	Drawn down	Agreed	Drawn down
Term Loan – expiring 2010	--	--	1.5	1.5
Revolving Credit Facility – expiring 2013	1.25	--	--	--
Revolving Credit Facility – expiring 2014	8.0	1.5	8.0	1.5
Total	9.25	1.5	9.5	3.0

Lehman Brothers Bankhaus AG London Branch bank is the Lender of the Revolving Credit Facility expiring 2014 with a commitment of 127 million euros of which 23.8 million euros has been disbursed.

The bank's commitment under the Term Loan of 19.9 million euros, disbursed in full, was duly repaid on the loan's expiration date of January 28, 2010.

With regard to Lehman Brothers Bankhaus AG's commitment, the Telecom Italia Group has not received any communication from Lehman Brothers Bankhaus AG, or from its representatives or directors or agent of the committed facilities which, at this time, entails changes compared to the situation prior to the bankruptcy of Lehman Brothers Holding Inc..

Maturities of financial liabilities and average cost of debt

The average maturity of non-current financial liabilities (including the current portion of medium/long-term financial liabilities) is 7.97 years.

The average cost of the Group's debt, considered as the cost for the period calculated on an annual basis and resulting from the ratio of debt-related expenses to average exposure, is about 5.1%.

For details of the maturities of financial liabilities in terms of expected nominal repayment amount, as contractually agreed, reference should be made to the Notes "Financial liabilities (current and non-current)" and "Financial risk management" in the first-half condensed consolidated financial statements at June 30, 2010 of the Telecom Italia Group.

Current financial assets and liquidity margin

The Telecom Italia Group's available liquidity margin, calculated as the sum of *Cash and cash equivalents* and *Securities other than investments*, amounts to 4,868 million euros at June 30, 2010 (7,347 million euros at December 31, 2009) which, together with its unused committed credit lines for 7.75 billion euros, allows the Group to amply meet its repayment obligations over the next 24 months. Notwithstanding the amount of the financing repayments made in the first half (about 4.3 billion euros) and the payment of dividends, the new bond issues and the effect of the sale of HanseNet enable the Group to maintain an adequate level of liquidity.

In particular:

- *Cash and cash equivalents* amount to 3,507 million euros (5,504 million euros at December 31, 2009). The different technical forms of investing available cash at June 30, 2010, which includes Euro Commercial Paper for 135 million euros, can be analyzed as follows:
  - Maturities: investments have a maximum maturity of three months;
  - Counterpart risk: investments are made with leading banking, financial and industrial institutions with high-credit-quality and a rating of at least A;
  - Country risk: investments are made mainly in major European financial markets.
- *Securities other than investments* amount to 1,361 million euros (1,843 million euros at December 31, 2009). Such forms of investment represent alternatives to the investment of liquidity with the aim of raising the return. These mainly consist of 1,174 million euros (nominal amount) in Italian treasury bonds purchased by Telecom Italia S.p.A. (with A ratings by S&P's); 165 million euros (nominal amount) in bonds issued by counterparts with a rating of at least A with different maturities, but all with an active market, that is, readily convertible into cash.

***

In the **second quarter of 2010, adjusted net financial debt** increased 317 million euros: the payment of dividends absorbed the positive effects from operating dynamics.

Adjusted net financial debt

(millions of euros)	6/30/2010	3/31/2010	Change
NET FINANCIAL DEBT CARRYING AMOUNT	34,029	34,134	(105)
Reversal of fair value measurement of derivatives and related financial assets/liabilities	*(450)*	*(872)*	*422*
ADJUSTED NET FINANCIAL DEBT	33,579	33,262	*317*
Detailed as follows:			
TOTAL ADJUSTED GROSS FINANCIAL DEBT	*39,932*	*40,406*	*(474)*
TOTAL ADJUSTED NET FINANCIAL ASSETS	*(6,353)*	*(7,144)*	*791*

Events Subsequent to June 30, 2010

With regard to subsequent events, reference should be made to the specific Note “Events subsequent to June 30, 2010” in the half-year condensed consolidated financial statements at June 30, 2010 of the Telecom Italia Group.

Business Outlook for the Year 2010

As for the Telecom Italia Group’s outlook for the current year, the objectives linked to the principal economic indicators, as outlined in the Business Plan 2010-2012, are, for the full year 2010:

- Organic revenues (at comparable exchange rates and scope of consolidation 2010): a contraction of 2% to 3% against the previous year;
- Organic EBITDA: basically stable in comparison with the prior year;
- Capital expenditures: approximately 4.3 billion euros;
- Adjusted net financial debt: about 32 billion euros at year-end 2010.

Such changes for 2010 could nevertheless be influenced by risks and uncertainties owing to numerous factors, the majority of which is beyond the scope of the Group’s control, among which the following are noted:

- changes in the general macroeconomic situation in the Italian and South American markets;
- variations in business conditions;
- changes to laws and regulations (price and rate variations);
- outcomes of disputes and litigations with regulatory authorities, competitors and other parties;
- financial risks (interest rate and/or exchange rate trends).

Half-year Condensed Consolidated Financial Statements

Separate Consolidated Income Statements

(millions of euros)	1st Half 2010 (a)	1st Half 2009 Restated (b)	Change (a - b) amount	%
Revenues	13,223	13,321	(98)	(0.7)
Other income	104	115	(11)	(9.6)
Total operating revenues and other income	13,327	13,436	(109)	(0.8)
Acquisition of goods and services	(5,368)	(5,600)	232	4.1
Employee benefits expenses	(1,845)	(1,903)	58	3.0
Other operating expenses	(570)	(606)	36	5.9
Changes in inventories	(125)	(24)	(101)	°
Internally generated assets	314	244	70	28.7
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION, CAPITAL GAINS (LOSSES) AND IMPAIRMENT REVERSALS (LOSSES) ON NON-CURRENT ASSETS (EBITDA)	5,733	5,547	186	3.4
Depreciation and amortization	(2,845)	(2,799)	(46)	(1.6)
Gains (losses) on disposals of non-current assets	(2)	(15)	13	86.7
Impairment reversals (losses) on non-current assets	(5)	(48)	43	89.6
OPERATING PROFIT (EBIT)	2,881	2,685	196	7.3
Share of profits (losses) of associates and joint ventures accounted for using the equity method	39	33	6	18.2
Other income (expenses) from investments	2	(34)	36	°
Finance income	3,464	1,537	1,927	125.4
Finance expenses	(4,462)	(2,619)	(1,843)	(70.4)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	1,924	1,602	322	20.1
Income tax expense	(682)	(647)	(35)	(5.4)
PROFIT FROM CONTINUING OPERATIONS	1,242	955	287	30.1
Profit (loss) from Discontinued operations/Non-current assets held for sale	(2)	(19)	17	89.5
PROFIT FOR THE PERIOD	1,240	936	304	32.5
Attributable to:				
* Owners of the Parent	1,211	959	252	26.3
* Non-controlling interests	29	(23)	52	°

Consolidated Statements of Comprehensive Income

In accordance with revised IAS 1 (*Presentation of Financial Statements*), which came into effect on January 1, 2009, the following statements of comprehensive income include the profit for the period as shown in the separate consolidated income statements and all non-owner changes in equity.

(millions of euros)		1st Half 2010	1st Half 2009 Restated
PROFIT FOR THE PERIOD	(A)	1,240	936
Other components of the statements of comprehensive income:			
Available-for-sale financial assets:			
Profit (loss) from fair value adjustments		15	(12)
Loss (profit) transferred to the separate consolidated income statement		5	-
Income tax expense		(7)	8
	(B)	13	(4)
Hedging instruments:			
Profit (loss) from fair value adjustments		1,394	(786)
Loss (profit) transferred to the separate consolidated income statement		(1,111)	(71)
Income tax expense		(76)	240
	(C)	207	(617)
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		589	571
Loss (profit) on translating foreign operations transferred to the separate consolidated income statement		-	-
Income tax expense		-	-
	(D)	589	571
Share of other profits (losses) of associates and joint ventures accounted for using the equity method			
Profit (loss)		54	(14)
Loss (profit) transferred to the separate consolidated income statement		-	-
Income tax expense		-	-
	(E)	54	(14)
Total	(F=B+C+D+E)	863	(64)
TOTAL PROFIT FOR THE PERIOD	(A+F)	2,103	872
Attributable to:			
* Owners of the Parent		1,928	777
* Non-controlling interests		175	95

Consolidated Statements of Financial Position

(millions of euros)	6/30/2010 (a)	12/31/2009 (b)	Change (a-b)
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	43,810	43,627	183
Intangible assets with a finite useful life	6,205	6,282	(77)
	50,015	**49,909**	**106**
Tangible assets			
Property, plant and equipment owned	13,387	13,606	(219)
Assets held under finance leases	1,205	1,296	(91)
	14,592	**14,902**	**(310)**
Other non-current assets			
Investments in associates and joint ventures accounted for using the equity method	527	435	92
Other investments	48	53	(5)
Securities, financial receivables and other non-current financial assets	2,828	1,119	1,709
Miscellaneous receivables and other non-current assets	1,050	893	157
Deferred tax assets	567	1,199	(632)
	5,020	**3,699**	**1,321**
TOTAL NON-CURRENT ASSETS (A)	**69,627**	**68,510**	**1,117**
CURRENT ASSETS			
Inventories	293	408	(115)
Trade and miscellaneous receivables and other current assets	8,637	7,462	1,175
Current income tax receivables	87	79	8
Investments	39	39	-
Securities other than investments	1,361	1,843	(482)
Financial receivables and other current financial assets	375	1,103	(728)
Cash and cash equivalents	3,507	5,504	(1,997)
Current assets sub-total	**14,299**	**16,438**	**(2,139)**
Discontinued operations/Non-current assets held for sale			
of a financial nature	19	81	(62)
of a non-financial nature	118	1,152	(1,034)
	137	**1,233**	**(1,096)**
TOTAL CURRENT ASSETS (B)	**14,436**	**17,671**	**(3,235)**
TOTAL ASSETS (A+B)	**84,063**	**86,181**	**(2,118)**

(millions of euros)	6/30/2010 (a)	12/31/2009 (b)	Change (a-b)
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Parent	26,870	25,952	918
Non-controlling interests	1,364	1,168	196
TOTAL EQUITY (C)	**28,234**	**27,120**	**1,114**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	36,184	36,797	(613)
Employee benefits	1,082	1,075	7
Deferred tax liabilities	237	160	77
Provisions	754	735	19
Miscellaneous payables and other non-current liabilities	1,102	1,084	18
TOTAL NON-CURRENT LIABILITIES (D)	**39,359**	**39,851**	**(492)**
CURRENT LIABILITIES			
Current financial liabilities	5,935	6,941	(1,006)
Trade and miscellaneous payables and other current liabilities	10,233	11,019	(786)
Current income tax payables	261	283	(22)
Current liabilities sub-total	**16,429**	**18,243**	**(1,814)**
Liabilities directly associated with Discontinued operations/Non-current assets held for sale			
of a financial nature	-	659	(659)
of a non-financial nature	41	308	(267)
	41	**967**	**(926)**
TOTAL CURRENT LIABILITIES (E)	**16,470**	**19,210**	**(2,740)**
TOTAL LIABILITIES (F=D+E)	**55,829**	**59,061**	**(3,232)**
TOTAL EQUITY AND LIABILITIES (C+F)	**84,063**	**86,181**	**(2,118)**

Consolidated Statements of Cash Flows

(millions of euros)	1st Half 2010	1st Half 2009 Restated
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit from continuing operations	1,242	955
Adjustments for:		
Depreciation and amortization	2,845	2,799
Impairment losses (reversals) on non-current assets (including investments)	52	117
Net change in deferred tax assets and liabilities	618	584
Losses (gains) realized on disposals of non-current assets (including investments)	1	11
Share of losses (profits) of associates and joint ventures accounted for using the equity method	(39)	(33)
Change in employee benefits	(5)	(26)
Change in inventories	109	(4)
Change in trade receivables and net amounts due from customers on construction contracts	(598)	(210)
Change in trade payables	(621)	(947)
Net change in current income tax receivables/payables	(4)	(241)
Net change in miscellaneous receivables/payables and other assets/liabilities	(626)	68
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	2,974	3,073
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of intangible assets on an accrual basis	*(896)*	*(789)*
Purchase of tangible assets on an accrual basis	*(1,125)*	*(1,133)*
Total purchase of intangible and tangible assets on an accrual basis	(2,021)	(1,922)
Change in amounts due to fixed asset suppliers	*(404)*	*(340)*
Total purchase of intangible and tangible assets on a cash basis	(2,425)	(2,262)
Acquisition of control of subsidiaries or other businesses, net of cash acquired	(3)	-
Acquisitions of other investments	-	(4)
Change in financial receivables and other financial assets	(339)	72
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of	141	(11)
Proceeds from sale/repayment of intangible, tangible and other non-current assets	12	52
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	(2,614)	(2,153)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in current financial liabilities and other	1,281	(1,172)
Proceeds from non-current financial liabilities (including current portion)	1,457	5,153
Repayments of non-current financial liabilities (including current portion)	(4,323)	(2,229)
Consideration paid for equity instruments	-	(11)
Share capital proceeds/reimbursements (including subsidiaries)	44	-
Dividends paid	(1,060)	(1,050)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	(2,601)	691
CASH FLOWS FROM (USED IN) DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE (D)	-	22
AGGREGATE CASH FLOWS (E=A+B+C+D)	(2,241)	1,633
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD (F)	5,484	5,226
Net foreign exchange differences on net cash and cash equivalents (G)	117	71
NET CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (H=E+F+G)	3,360	6,930

Additional Cash Flow Information

(millions of euros)	1st Half 2010	1st Half 2009 Restated
Income taxes (paid) received	(49)	(286)
Interest expense paid	(1,795)	(1,923)
Interest income received	618	575
Dividends received	1	3

ANALYSIS OF NET CASH AND CASH EQUIVALENTS:

(millions of euros)	1st Half 2010	1st Half 2009 Restated
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD:		
Cash and cash equivalents - from continuing operations	5,504	5,396
Bank overdrafts repayable on demand – from continuing operations	(101)	(190)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	81	20
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	-	-
	5,484	5,226
NET CASH AND CASH EQUIVALENTS AT END OF THE PERIOD:		
Cash and cash equivalents - from continuing operations	3,507	7,026
Bank overdrafts repayable on demand – from continuing operations	(166)	(138)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	19	42
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	-	-
	3,360	6,930

Highlights – The Business Units of the Telecom Italia Group

The highlights of the Telecom Italia Group are presented in this Half-year Financial Report according to the following operating segments:

- **Domestic** Business Unit: includes domestic operations for voice and data services on fixed and mobile networks for final customers (retail) and other operators (wholesale), the operations of the Telecom Italia Sparkle group (international wholesale) as well as the relative support activities.
- **Brazil** Business Unit: includes telecommunications operations in Brazil.
- **Media** Business Unit: includes television network operations and management.
- **Olivetti** Business Unit: includes manufacturing operations for digital printing systems, office products and Information Technology services.
- **Other Operations**: includes finance companies and other minor companies not strictly related to the core business of the Telecom Italia Group.

Following the sale in the first half of 2010 of HanseNet, which had already been classified in Discontinued Operations, the European BroadBand Business Unit is no longer presented. The other companies of that Business Unit are now included in Other Operations.
Beginning January 1, 2010, the companies Shared Service Center and HR Services, previously consolidated under Other Operations, are now consolidated in the Domestic Business Unit. For purposes of comparison, the disclosure by operating segment for the periods under comparison has been appropriately restated:

	Revenues		EBITDA		EBIT		Capital expenditures		Headcount at period-end (number)	
(millions of euros)	1st Half 2010	1st half 2009	1st Half 2010	1st half 2009	1st Half 2010	1st half 2009	1st Half 2010	1st half 2009	6/30/2010	12/31/2009
Domestic	10,091	10,892	4,920	5,038	2,758	2,711	1,487	1,604	58,899	59,367
Brazil	2,875	2,196	823	527	165	37	507	288	9,415	9,783
Media	127	114	9	(6)	(21)	(47)	21	24	803	757
Olivetti	176	153	(16)	(12)	(18)	(15)	3	2	1,105	1,098
Other Operations	43	46	(4)	-	(14)	(11)	3	4	368	379
Adjustments and Eliminations	(89)	(80)	1	-	11	10	-	-		-
Consolidated total	13,223	13,321	5,733	5,547	2,881	2,685	2,021	1,922	70,590	71,384

Highlights of the operating data of the Telecom Italia Group Business Units are presented in the following table.

	6/30/2010	12/31/2009	6/30/2009
DOMESTIC FIXED			
Fixed-line network connections in Italy at period-end (thousands)	18,062	18,525	19,170
Physical accesses (Consumer + Business) at period-end (thousands)	15,741	16,097	16,621
Voice pricing plans (thousands)	5,721	5,417	5,461
Broadband accesses in Italy at period-end (thousands)	8,958	8,741	8,443
of which retail accesses (thousands)	*7,134*	*7,000*	*6,859*
Virgilio average daily page views during period (millions)	45.4	44.7	47.0
Virgilio average daily single visitors (millions)	3.6	3.2	3.1
Network infrastructure in Italy:			
- access network in copper (millions of km - pair)	110.5	110.5	109.3
- access and carrier network in optical fiber (millions of km - fiber)	4.1	4.1	3.9
Network infrastructure abroad:			
- European backbone (km of fiber)	55,000	55,000	55,000
- Mediterranean (km of submarine cable)	7,000	7,000	7,000
- South America (km of fiber)	30,000	30,000	30,000
Total traffic:			
Minutes of traffic on fixed-line network (billions)	63.9	134.4	70.2
- Domestic traffic	54.6	115.6	60.7
- International traffic	9.3	18.8	9.5
DOMESTIC MOBILE			
Number of lines at period-end (thousands)	30,545	30,856	32,630
of which prepaid lines (thousands) (1)	*23,833*	*24,398*	*26,347*
Change in lines (%)	(1.0)	(11.3)	(6.2)
Churn rate (2)	11.5	29.4	14.5
Total outgoing traffic per month (millions of minutes)	3,109	2,982	2,970
Total average outgoing and incoming traffic per month (millions of minutes)	4,405	4,260	4,206
Average monthly revenues per line (3)	20.1	20.0	19.5
BRAZIL			
Number of lines at period-end (thousands)	44,413	41,102	37,826
MEDIA			
La7 audience share Free to Air (analog mode) (average during period, in %)	2.8	3.0	3.0
La7 audience share Free to Air (analog mode) (average of last month of period, in %)	3.1	2.9	3.4

(1) Excluding "not human" SIMs.
(2) The data refers to total lines. The churn rate represents the number of mobile customers who discontinued service during the period expressed as a percentage of the average number of customers.
(3) The values are calculated on the basis of revenues from services (including revenues from prepaid cards) as a percentage of the average number of lines.

The Business Units of the Telecom Italia Group

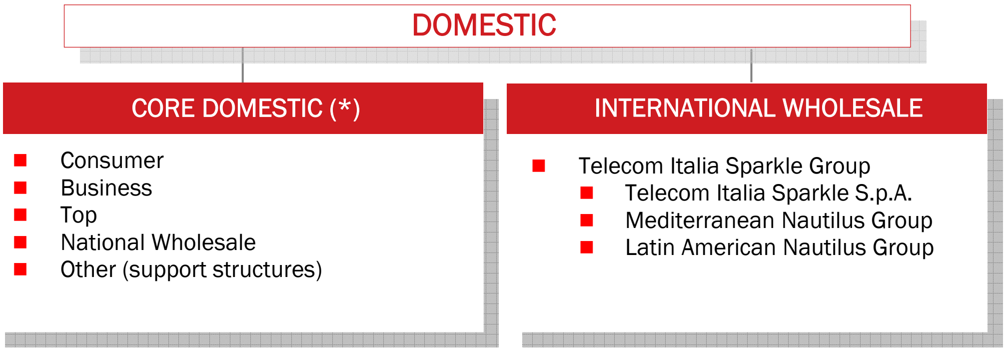
Domestic

► The Business Unit

The Domestic Business Unit operates as the consolidated market leader in the sphere of voice and data services on fixed and mobile networks for final retail customers and other wholesale operators. In the international field, the Business Unit develops fiber optic networks for wholesale customers (in Europe, in the Mediterranean and in South America).

► The structure of the Business Unit

The Domestic Business Unit is organized as follows:



(*) Principal companies: Telecom Italia S.p.A., Matrix S.p.A., Telenergia S.p.A., Telecontact Center S.p.A., Path.Net S.p.A., HR Services S.r.l. and Shared Service Center S.r.l..

As regards the new "customer centric" organization which the Telecom Italia Group has adopted for the domestic market since 2009, the manner of representing the Business Unit has changed from the one presented in the 2008 annual report in which such information had been organized by fixed and mobile "technology". For 2010, details of revenues will still be reported by fixed and mobile technology.
The principal operating and financial data of the Domestic Business Unit are now reported according to two Cash-generating units (CGU):

- **Core Domestic:** Core Domestic includes all telecommunications activities inherent to the Italian market. Revenues indicated in the tables that follow are divided according to the net contribution of each market segment to the CGU's results, excluding infrasegment transactions. The sales market segments defined on the basis of the new "customer centric" organizational model are as follows:
  - **Consumer**: Consumer comprises the aggregate of voice and internet services and products managed and developed for persons and families in the fixed and mobile telecommunications markets, public telephony and web portal/services by the company Matrix;
  - **Business**: Business is constituted by the aggregate of voice, data, internet and ICT solutions services and products managed and developed for SMEs (small and medium enterprises) and SOHOs (Small Office Home Office) in the fixed and mobile telecommunications markets;
  - **Top**: Top comprises the aggregate of voice, data, internet and ICT solutions services and products managed and developed for Top, Public Sector, Large Account and Enterprise clientele in the fixed and mobile telecommunications markets;
  - **National Wholesale**: National Wholesale consists of the management and development of the portfolio of regulated and unregulated wholesale services for fixed and mobile telecommunications operators in the domestic market;
  - **Other** (support structures): Other includes:
    - Technology & Operations: services related to the development, building and operation of network infrastructures, real estate properties – plant and information technology, in addition to delivery and assurance processes regarding clientele services;
    - Staff & Other: services carried out by Staff functions and other support activities performed by minor companies of the Group (Telenergia) offered to the market and other Business Units.

- **International Wholesale:** International Wholesale includes the activities of the Telecom Italia Sparkle group which operates in the international voice, data and internet services market aimed at fixed and mobile telecommunications operators, ISPs/ASPs (Wholesale market) and multinational companies through its own networks in the European, Mediterranean and South American markets.

► Main operating and financial data

Key results for the first half of 2010 by the Domestic Business Unit, overall and by segment of clientele / business area, compared to those of the first half of 2009 are presented in the following tables. Starting from the first half of 2010, the companies HR Services and Shared Service Center are consolidated in the Domestic Business Unit. The companies' activities largely relate to services provided internally to the Business Unit. The data for comparative periods have been appropriately reclassified.

Domestic Business Unit

(millions of euros)	1st Half 2010	1st Half 2009	Change		
			amount	%	% organic
Revenues	10,091	10,892	(801)	(7.4)	(7.4)
EBITDA	4,920	5,038	(118)	(2.3)	(2.9)
EBITDA margin	*48,8*	*46,3*		*2.5 pp*	*2.2 pp*
EBIT	2,758	2,711	47	1.7	*(1.2)*
EBIT margin	*27.3*	*24.9*		*2.4 pp*	*1.7 pp*
Capital expenditures	1,487	1,604	(117)	(7.3)	
Headcount at period-end (number)	58,899	(*) 59,367	(468)	(0.8)	

(*) Headcount at December 31, 2009.

Core Domestic

(millions of euros)	1st Half 2010	1st Half 2009	Change		
			amount	%	% organic
Revenues (1)	9,563	10,337	(774)	(7.5)	(7.5)
. Consumer	4,941	5,544	(603)	(10.9)	(10.9)
. Business	1,784	1,911	(127)	(6.6)	(6.6)
. Top	1,708	1,816	(108)	(5.9)	(5.9)
. National Wholesale	1,029	974	55	5.6	5.6
. Other	101	92	9	n.s.	n.s.
EBITDA	4,773	4,867	(94)	(1.9)	(2.6)
EBITDA margin	*49.9*	*47.1*		*2.8 pp*	*2.5 pp*
EBIT	2,672	2,603	69	2.7	(0.6)
EBIT margin	*27.9*	*25.2*		*2.7 pp*	*2.0 pp*
Capital expenditures	1,460	1,573	(113)	(7.2)	
Headcount at period-end (number)	57,650	(*) 58,098	(448)	(0.8)	

(*) Headcount at December 31, 2009.

(1) The amounts indicated are net of infrasegment transactions.

International Wholesale

(millions of euros)	1st Half 2010	1st Half 2009	Change amount	Change %	Change % organic
Revenues	805	877	(72)	(8.2)	(8.3)
of which third parties	*580*	*621*	*(41)*	*(6.6)*	*(6.4)*
EBITDA	150	184	(34)	(18.5)	(16.8)
EBITDA margin	*18.6*	*21.0*		*(2.4) pp*	*(2.0) pp*
EBIT	84	115	(31)	(27.0)	(24.3)
EBITDA margin	*10.4*	*13.1*		*(2.7) pp*	*(2.3) pp*
Capital expenditures	29	31	(2)	(6.5)	(6.5)
Headcount at period-end (number)	1,249	(*) 1,269	(20)	(1.6)	

(*) Headcount at December 31, 2009.

Revenues

Revenues Core Domestic

As regards the market segments, for the first half of 2010, the following changes compared to the corresponding period of 2009 are noted:

- **Consumer:** the reduction in revenues of the Consumer segment is 603 million euros (-10.9%), of which 482 million euros (-9.1%) refers to service revenues and 121 million to product revenues. The decrease in service revenues is principally attributable to the contraction in voice service revenues, particularly Fixed-line voice (-212 million euros) and outgoing Mobile voice (-230 million euros), basically generated by the marketing policies commenced in the second half of 2009 aimed at bringing prices to a more competitive level and also the shrinkage of the customer base, which however presents an upward trend thanks to the first benefits coming in from the new commercial policy. Such contraction in revenues is also affected by the trend in Mobile termination revenues (-87 million euros, of which -56 million euros can be traced to the effect of the reduction in rates). Instead, the other non-traditional business areas (VAS and internet), despite the slight drop in text messaging revenues (-40 million euros) and mobile content (-13 million euros), show a positive change over 2009 thanks to the continual growth of both Fixed (+48 million euros), and Mobile (+42 million euros) broadband services;
- **Business**: the Business segment records a reduction in revenues of 127 million euros (-6.6%), nevertheless confirming in the second quarter of 2010 a steadily growing trend over the previous quarters (in the second quarter of 2010: -5.4%; in the first quarter of 2010: -8.0%; in the fourth quarter of 2009: -10.2%). This improved performance, registered in both the Fixed and Mobile areas, is the outcome of the positive marketing policies begun in the second half of 2009 and aimed at more effectively protecting the Customer Base and also a better quality of acquired customers (especially in the Mobile area). In the Fixed area, Voice Accesses display a contraction in the second quarter of 2010 (-24,000) less than in the first quarter of 2010 (-25,000). Broadband Accesses grew by 16,000, lower than the growth of the first quarter of 2010 (+27,000), which was the highest since the second quarter of 2008. In Mobile, the net increase in total lines (+105,000) is the highest recorded since the second quarter of 2008.
- **Top:** the Top segment records a reduction in revenues of 108 million euros (-5.9%). However, the trend improved in the second quarter of 2010 (-4.8%) compared to the first quarter (-7.2%) which is correlated to the growth of sales and Fixed and Mobile revenues which basically held steady. Such result was achieved despite a constantly declining scenario in Voice and Data Revenues in the Fixed area (largely owing to price dynamics typical of mature services) countered by the increase in ICT Services (Service Revenues +1.3%) and Mobile Revenues (+10.5%), with the latter supported by the continual increase in the Customer Base and VAS (+29.5%), especially Interactive services (+32.2%).
- **National Wholesale:** the increase in revenues (+55 million euros, +5.6%) is generated by the growth of the customer base of the OLOs (Other Licensed Operators) for Local Loop Unbundling, Wholesale Line Rental and Bitstream.

International Wholesale Revenues

In the first half of 2010, International Wholesale (the Telecom Italia Sparkle group) reported revenues of 805 million euros, down 72 million euros compared to the same period of 2009 (-8.2%), mainly for the reduction of voice service (-69 million euros).

***

Besides the summary by market segment reported above, sales information by technology (fixed and mobile) is also presented below as a continuation of the information presented in the annual and interim reports of the previous periods.

Revenues of the Business Unit by technology and market segment are reported below:

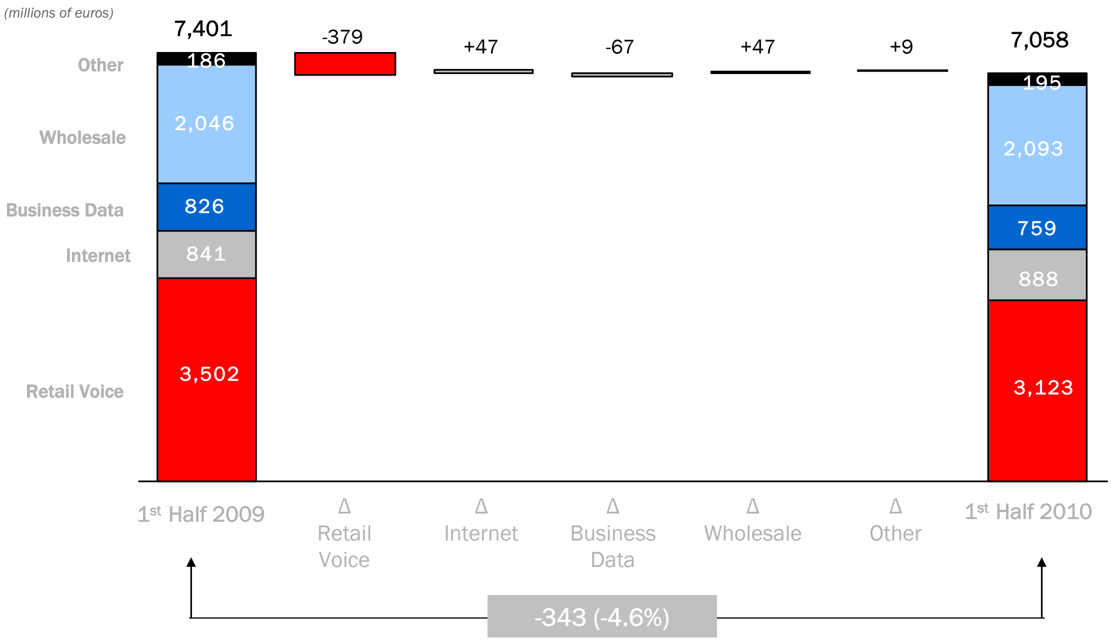
(millions of euros)	1st Half 2010			1st Half 2009			Change %		
Market segment	Total	Fixed (*)	Mobile (*)	Total	Fixed (*)	Mobile (*)	Total	Fixed (*)	Mobile (*)
Consumer	4,941	2,383	2,673	5,544	2,552	3,151	(10,9)	(6,6)	(15,2)
Business	1,784	1,175	634	1,911	1,271	672	(6,6)	(7,6)	(5,7)
Top	1,708	1,305	452	1,816	1,449	409	(5,9)	(9,9)	10,5
National Wholesale	1,029	1,450	126	974	1,348	68	5,6	7,6	85,3
Other (support structures)	101	98	23	92	97	12	n.s.	n.s.	n.s.
Total Core Domestic	9,563	6,411	3,908	10,337	6,717	4,312	(7,5)	(4,6)	(9,4)
International Wholesale	805	805		877	877		(8,2)	(8,2)	
Eliminations	*(277)*	*(158)*		*(322)*	*(193)*		n.s.	n.s.	
Total Domestic	10,091	7,058	3,908	10,892	7,401	4,312	(7,4)	(4,6)	(9,4)

(*)The breakdown by fixed and mobile technology is presented before intersegment eliminations.

Fixed Telecommunications Revenues

In the first half of 2010, fixed telecommunications revenues amount to 7,058 million euros, decreasing 343 million euros (-4.6%) compared to the same period of the prior year. The organic change in revenues is a reduction of 344 million euros (-4.6%).
At June 30, 2010, the number of retail voice accesses is 15.7 million (-356,000 accesses compared to December 31, 2009). The wholesale customer portfolio increased and reached approximately 6.5 million accesses (+297,000 accesses compared to December 31, 2009).
The total broadband portfolio at June 30, 2010 is equal to approximately 9 million accesses (+217,000 accesses compared to December 31, 2009), of which wholesale is over 1.8 million.

The following chart shows the trend of revenues in the major business areas:



Retail Voice

(millions of euros)	1st Half 2010	% of total	1st Half 2009	% of total	Change amount	%
Traffic	1,215	*38.9*	1,422	*40.6*	(207)	(14.6)
Accesses	1,653	*52.9*	1,778	*50.8*	(125)	(7.0)
VAS voice services	90	*2.9*	108	*3.1*	(18)	(16.7)
Voice products	165	*5.3*	194	*5.5*	(29)	(14.9)
Total Retail Voice	3,123	*100.0*	3,502	*100.0*	(379)	(10.8)

Retail voice revenues, in all market segments, show an ongoing reduction in the customer base, which nevertheless display a continuing improvement thanks partly to the launch of the new customer plans “Voce senza limiti” in the Consumer segment, and in traffic volumes, due to the competitive environment in which the Group operates. Combined with these changes, is a reduction of regulated fixed-mobile termination rates. In particular, the decrease in revenues from accesses in the retail area (-125 million euros) is compensated in part, in the domestic business, by the expansion of national Wholesale services (+53 million euros for regulated intermediate services such as Local Loop Unbundling and Wholesale Line Rentals).

Internet

(millions of euros)	1st Half 2010	% of total	1st Half 2009	% of total	Change amount	%
Total Internet	888	*100,0*	841	*100,0*	47	5,6
of which content/portal	*71*	*8,1*	*69*	*8,3*	*2*	*2,9*

Revenues from internet total 888 million euros, increasing 47 million euros (+5.6%) compared to the same period of 2009, thanks to the growth of Broadband, whose total domestic retail broadband access portfolio reached over 7.1 million accesses, with an increase of 134,000 units compared to the end of 2009. Flat-rate packages now account for 85% (83% at year-end 2009) thanks in part to developing new plans aimed at the Consumer segment “Internet senza limiti” and “Tutto senza limiti”.

Business Data

(millions of euros)	1st Half 2010	% of total	1st Half 2009	% of total	Change amount	%
Leased Lines	83	11.0	97	11.7	(14)	(14.4)
Data transmission	237	31.2	259	31.4	(22)	(8.5)
Data products	82	10.8	95	11.5	(13)	(13.7)
ICT	357	47.0	375	45.4	(18)	(4.8)
of which ICT services	*242*		*240*		*2*	*0.8*
of which ICT products	*115*		*135*		*(20)*	*(14.8)*
Total Business Data	759	100.0	826	100.0	(67)	(8.1)

Revenues of the Business Data area fell 67 million euros (-8.1%) compared to the same period of 2009. The change reflects the current negative economic picture and the contraction of prices for traditional leased lines and data transmission business. Specifically, the reduction of revenues in the ICT area is 18 million euros (-4.8%) owing to the slump in product sales (-20 million euros) consistently with the policy focusing on revenues with a higher margin, while the services area continues to grow (+2 million; +0.8%).

Wholesale

(millions of euros)	1st Half 2010	% of total	1st Half 2009	% of total	Change amount	%
National Wholesale	1,511	72.2	1,417	69.3	94	6.6
International Wholesale (*)	582	27.8	629	30.7	(47)	(7.5)
Total Wholesale	2,093	100.0	2,046	100.0	47	2.3

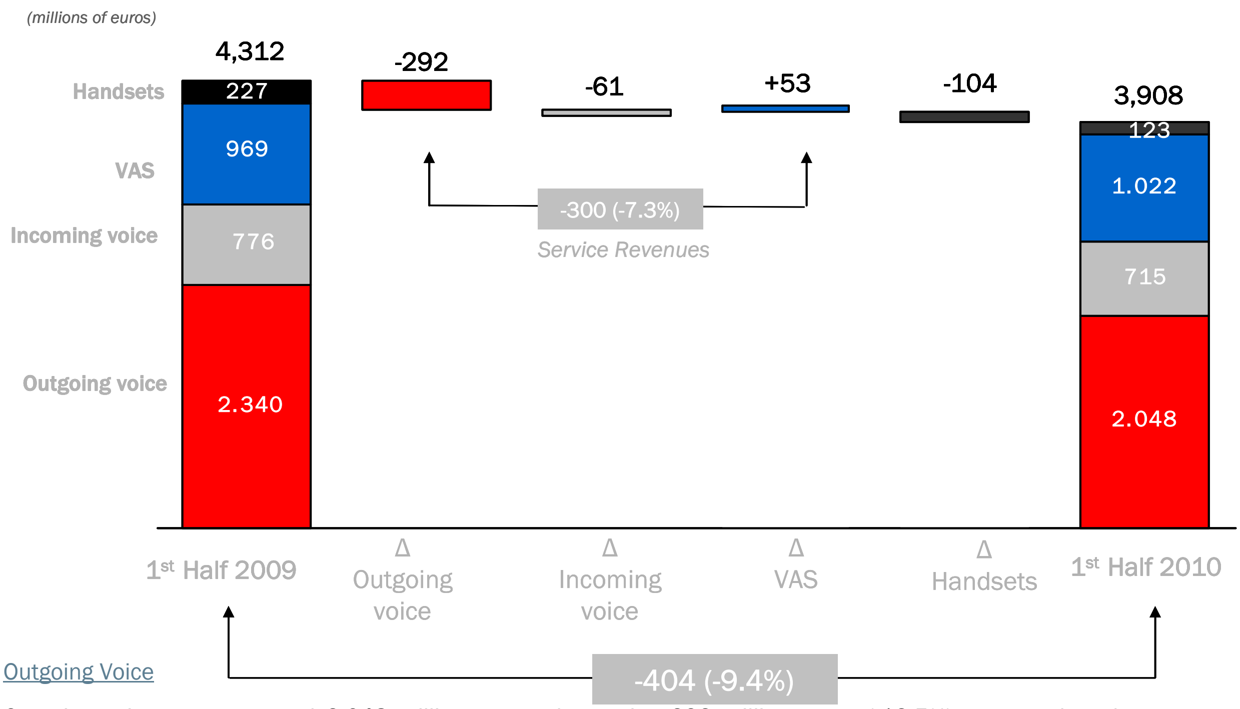
(*) Includes sales to the third-party market and to domestic mobile telecommunications.

The customer portfolio of Telecom Italia’s Wholesale division reached about 6.5 million accesses for voice services and 1.8 million for broadband services in the first half of 2010.
On the whole, revenues from national wholesale services show an increase of 94 million euros (+6.6%) compared to the same period of 2009. The change in wholesale revenues is related to the expansion of the customer base of alternative operators served through the various types of accesses.

Mobile Telecommunications Revenues

Mobile telecommunications revenues total 3,908 million euros in the first half of 2010, decreasing 404 million euros (-9.4%): revenues from services posted a decline of 7.3% and product revenues a contraction of 45.8%.
At June 30, 2010, the number of Telecom Italia mobile lines is about 30.5 million, recording an increase of 152,000 lines compared to the first quarter of 2010. The reduction compared to December 31, 2009 can be attributed to a greater selectivity in the sales policy focused on higher-value customers.

The following chart summarizes the trend of the main types of revenues:



Outgoing Voice

Outgoing voice revenues total 2,048 million euros, decreasing 292 million euros (-12.5%) compared to the same period of 2009. The reduction is generated mainly by the sales policies begun in the fourth quarter of 2009 and geared to bringing prices to more competitive levels, particularly encouraging traffic within the TIM customer community.

Incoming Voice

Incoming voice revenues amount to 715 million euros, decreasing 61 million euros (-7.9%) compared to the same period of 2009, principally due to the reduction in the termination prices on the mobile network.

Value-Added Services (VAS)

Value-added services (VAS) revenues amount to 1,022 million euros, increasing 5.5% compared to the same period of 2009. Such growth is primarily attributable to interactive VAS which increased 18.6%, thanks especially to the contribution made by Browsing revenues (+28.9%). The ratio of VAS revenues to revenues from services is about 27%.

Handset Sales

Handset sales revenues are 123 million euros, decreasing 104 million euros (-45.8%) compared to the same period of 2009. The rationalization of the equipment portfolio continues focusing more on quality, with a higher percentage of hi-tech handsets and devices using mobile internet, and on the profit margins from these handsets and devices.

***

EBITDA

EBITDA of the Domestic Business Unit amounts to 4,920 million euros, decreasing 118 million euros compared to the same period of 2009 (-2.3%). The EBITDA margin is 48.8%, up 2.5 percentage points over the same period of 2009. The contraction in revenues is partly compensated by selective control over commercial expenditures and rigorous fixed cost cutting actions.

Organic EBITDA is 4,936 million euros (-150 million euros, -2.9% compared to the first half of 2009); the organic EBITDA margin is 48.9% (46.7% in the same period of 2009).
Details are as follows:

(millions of euros)	1st Half 2010	1st Half 2009	Change
HISTORICAL EBITDA	4,920	5,038	(118)
Non-organic (income) expenses	16	48	(32)
Disputes and settlements	*4*	*41*	*(37)*
Other	*12*	*7*	*5*
COMPARABLE EBITDA	4,936	5,086	(150)

With regard to changes in costs, the following is noted:

- *acquisition of goods and services* totals 3,586 million euros, decreasing 532 million euros (-12.9%) compared to the same period of 2009. The contraction is mainly due to a reduction in the amounts to be paid to other operators due to the effect of the development of the "Community TIM" rate plan and the reduction in the termination rates of voice calls on the network of other operators from fixed and mobile networks. Lower purchases of equipment for resale also contributed to the reduction, particularly the cost of handsets owing to the new mobile marketing policy. Commercial expenses for customer acquisition costs are also down thanks to the Group's strategy of focusing on higher-value customers;
- *employee benefits expenses* amount to 1,627 million euros, decreasing 95 million euros compared to the same period of 2009, mainly due to the contraction in the headcount of the average salaried workforce (an average of -3,192 compared to the first half of 2009).

EBIT

EBIT is 2,758 million euros, increasing 47 million euros (+1.7%) compared to the same period of 2009. The EBIT margin is 27.3% (24.9% in the first half of 2009). EBIT performance can be attributed, apart from the factors commented under EBITDA, to lower depreciation and amortization charges of 119 million euros.

The organic change in EBIT is a negative 34 million euros (-1.2% compared to the same period of 2009); the organic EBIT margin is 27.5% (25.8% in the first half of 2009). Details are as follows:

(millions of euros)	1st Half 2010	1st Half 2009	Change
HISTORICAL EBIT	2,758	2,711	47
Non-organic (income) expenses			
Non-organic expenses already described under EBITDA	*16*	*48*	*(32)*
Impairment of intangible assets		*48*	*(48)*
Other expenses, net		*1*	*(1)*
COMPARABLE EBIT	2,774	2,808	(34)

Capital expenditures

Capital expenditures total 1,487 million euros, decreasing 117 million euros compared to the same period of 2009. The change is largely due to lower capital expenditures for Network and Service Platforms.
The percentage of capital expenditures to revenues is 14.7% and is in line with the first half of 2009.

Headcount

Headcount is 58,899, with a reduction of 468 compared to December 31, 2009; the figure includes 8 people with temp work contracts (5 at December 31, 2009).

► Commercial developments

TOP Private Sector Customers

- Banca ITB: in March 2010, the second phase began of the project directed at all Italian tobacconists, sponsored by the Federation of Italian Tobacconists, which in 2009 led to the formation of a bank, Banca ITB, aimed at tobacconists and tailored to their specific needs. The Telecom Italia Group was chosen by Banca ITB as its technological partner, thanks also to the synergy between Telecom Italia and its subsidiary Olivetti, for the supply of a specialized terminal and for the ADSL connections at all tobacconist shops. In 2009, 4,000 tobacconists have already been connected and the forecast for 2010 is for a further 9,000. By participating in the Banca ITB project, tobacconists will, among other advantages, be able to offer their customers the possibility of paying all their postal payment slips, also through the Pago Bancomat service, thereby further reducing the level of cash held in the cash register.

- UBI Banca: a five-year contract has been signed with the customer UBI, (the fourth largest banking group in Italy) for Outsourcing Printing Services. The contract includes the installation at the more than 2,100 branches of the UBI Group and at the management headquarters of 5,700 new generation photocopying machines (4,500 Samsung and 1,200 Lexmark), the management and monitoring of the printing service, the maintenance of the installed machines including consumable materials and the governance of the entire service (including the operations table/help desk), using a "pay per click" approach, up to a maximum of 450 million copies per year. The solution, known as "Printing Light Solution", gives Telecom Italia the integrated ICT management of the UBI Banca work-stations: management of the fixed line in VOIP, management of the personal computer (DTM) and management of the printer. The technological partner for the Outsourcing Printing Services project is Fujitsu.

- Ferrovie dello Stato (Italian State Railways): renewal of the outsourcing contract for the data network infrastructure managed by TSF (Tele Sistemi Ferroviari) for the State Railways. The total annual fee by contract is 6 million euros. The contract provides for data transmission services and for value-added services aimed at ensuring the quality of the service; it includes the supply of network equipment in locations to be established by TSF. The contract includes 1,300 hyperway MPLS accesses of various types (from ADSL, Bit Plus to Ethernity) and the same number of ISDN connections, configured in a closed group for the backup service;

- Diesel S.p.A.: contract signed in June for a major expansion of the customer's applications solutions. The contract includes the supply, installation and configuration of servers and the configuration of Data Center and Disaster Recovery services. Together with the technology partner (Fabbrica Digitale) and with the customer, 12 areas have been identified for future development;

- ERG: a contract has been signed for a solution which includes a cloud computing platform provided from the Telecom Italia Data Centers using shared hardware and software resources. This platform makes computing capacity available, dynamically, to host the applications, thanks to the new IaaS (Infrastructure as a Service) offering (Advanced Hosting) which is the basis of new generation data center services. The solution presents significant benefits compared to the more traditional products, above all in terms of flexibility and reduced delivery times. The contracted infrastructure also includes integrated network services for both the front-end and the back-end, a hyperway technology data network of 30 connections and personalized technical support services, for a total economic value over five years of 3 million euros.

- UGF ASSICURAZIONI (UNIPOL): a contract has been signed for the provision of Business Continuity and Disaster Recovery services for the customer's Mainframe and Open systems. The contract which has a duration of five years covers the supply of the following services:

- Mainframe Disaster Recovery (from the UGF Data Center in Bologna to the Telecom Data Center in Rozzano)
- Open Systems Disaster Recovery (from the UGF Data Centers in Bologna and San Donato Milanese to the Telecom Data Center in Padua)

The technical solution adopted provides for the real-time alignment of remote data on dedicated areas of disks and, on demand, the immediate boot of the reserve systems.

TOP Public Sector Customers

- PostaCertificat@: on April 26, 2010, the PostaCertificat@ service was launched, literally "Certified electronic communication between the Public Administration and the citizen" (CEC-PAC). The contract was finalized in January 2010. The service was awarded in the form of a concession to Poste Italiane, Postecom and Telecom Italia in a Temporary Association of Companies by means of a bidding process held at the end of 2009 by the Department of Technological Innovation of the Ministry for the Public Administration and Innovation. The CEC-PAC service features the provision of certified electronic mail addresses and accessory services which the citizen may request on a voluntary basis, which are enabled exclusively for communication services within the Public Administration/ citizen circuit. The service includes a package, free of charge, of the basic services necessary to ensure the creation of a direct communication channel between the citizen and the Public Administration and a collection of accessory services (chargeable) which the citizen can choose to activate or not. The concession has a duration of four years and can be extended for a further four years;

- Consortium GARR: in June 2010, Telecom Italia was awarded the contract for the supply of about 600 km of fiber for 6 years and of about 10 Lambda/SDH access circuits in the context of the appendix to the bidding process opened by GARR following the two bidding processes opened at the end of 2009 for the supply of dark fiber and of circuits for the GARR-X project. The consortium GARR is the originator and operator of the national e-network of academic institutes and research centers; GARR comprises all the entities which make up the Italian academic and research community. The GARR-X project is a project for a new-generation optical fiber network dedicated to the Italian academic and research community. Fiber will progressively replace the entire infrastructure of the GARR network reaching the final user and allowing value-added services and very high bandwidth performance. Technological innovation and direct control of the infrastructure (fiber acquisition) will make it possible to build an extremely flexible network system whose architecture can be tailored to the requirements of users. At the conclusion of the bidding process, therefore, Telecom Italia has won the supply for six years, of almost the entirety of the fiber lots, for a total of more than 6,000 km of fiber, and the related optical equipment housing service at its own centers;
- Consip Mobile 4 for ACEA: at the end of June, ACEA signed the CONSIP MOBILE 4 convention which provides for the migration from Vodafone to Telecom Italia of about 4,200 users, the first 120 will migrate by July 31, 2010 and are part of the ACEA Top Management lot, the remainder will be migrated by September 30, 2010. This major contract with one of the most important customers in Italy in terms both of number of users and of public image opens the possibility for Telecom Italia to realize further interesting sales opportunities for VASM.
- MAXXI Foundation: on June 30, 2010, the contract was signed with the Maxxi Foundation (the new Contemporary Art Museum) under which Telecom Italia has provided cabling, fiber, WI-FI equipment, VoIP and personal computers, that is, advanced know-how and technological infrastructure. Telecom Italia handles the entire WI-FI coverage of the museum and, in the space in front of the Maxxi, will install the "Telecom Italia Arena", an area in which visitors can navigate free of charge on the internet using WI-FI. As part of the Maxxi's program of events, Telecom Italia will be present with "Telecomincontra", a cycle of free multimedia lectures given by the main protagonists of contemporary culture. With this partnership Telecom Italia confirms its support of the advancement and diffusion of culture and of digital innovation in our Country.
- Telecom Italia wins the prize for the MyDoctor@home solution: on May 28, 2010, Telecom Italia, with its MyDoctor@Home solution was one of the three winners of the first edition of the "Prize for innovation in IMCT" organized by Confindustria for successful IT, TLC and Media projects. The prize enabled the Telecom Italia solution to be entered in the "Prize of Prizes" competition which was awarded on the occasion of the National Day for Innovation organized for June 8, 2010 by the Office

of the President of the Republic and which concluded with the award ceremony at the Qurinale Palace by President Giorgio Napolitano. MyDoctor@Home is an integrated multichannel solution for tele-medicine and tele-monitoring of clinical parameters for the three main pathologies, cardiac, diabetic and respiratory diseases. It enables three new operational models for digital healthcare (autonomous Homecare, Homecare with a tutor and out-patient care) allowing patients/citizens to be monitored at a distance for their health problems in a wide variety of circumstances (in home care, in home hospitalization, for impromptu measures, for screening campaigns and in emergency situations). If applied on a broad scale, the solution allows substantial savings to be generated for the National Health Service and benefits to be achieved in the quality of life of citizens, primarily for elderly and chronic patients;

- Immigration Database for the Department of Civil Liberties and Immigration (Ministry of the Interior): among the measures enacted concerning immigration are the initiatives of the Department of Civil Liberties and Immigration of the Ministry of the Interior aimed at developing a database for the reception, regularization, protection and integration of immigrants. This has entailed funding for the development of applications as well as the creation of two new data processing centers, at Capua and Bari, in addition to the existing Rome data center. In this context, the “Mercato Interforze” which operates across the various departments of the Ministry of the Interior has contracted for a total of 4.3 million euros. The contracts provide for the supply of connectivity using optical fiber, HDSL connectivity, internet accesses, equipment supply and maintenance, supply of software licenses, software assessment services, applications development, operations management activities and infrastructure activities;
- TLC services for Metropolitana Milanese S.p.A.: Telecom Italia, in May 2010, won the Metropolitana Milanese bid, beating Fastweb and Vodafone in a Temporary Association of Companies, and Wind. The tender is for the supply of integrated fixed and mobile services which allow Metropolitana Milanese to modernize its data network infrastructure, covering all the aqueduct’s locations with xDSL accesses and providing in the metropolitan area a bandwidth capacity sufficient for the innovative projects under study (including desktop virtualization, disaster recovery and a new data processing center). The contract awarded also covers the metropolitan data network (optical fiber) previously run by Fastweb. The contract includes the provision for four years of the following services: for fixed line telephony, RTG, ISDN and PRI lines and traffic: for Mobile Telephony, 300 SIM and handsets, dedicated APN and M2M; for the mpls data network, internet accesses on fiber; for the equipment, routers and ups; outsourcing; managed security; mail.

BUSINESS

- In January 2010, the TIM Valore offering was launched; this is a rechargeable plan dedicated to customers with a VAT account. TIM Valore combines the advantages of a rechargeable card with the advantages of a subscription service: it provides a basket of credit for each type of contract which can be personalized and recharged according to the consumption characteristics of each user; it does not carry a service activation charge; it allows post payment of the credit recharges in the bill and provides a two-monthly account of the recharges made. In the first half of 2010, diversified rate plans have been introduced to satisfy the requirements of the various types of business customers: TIM Valore 12 is the plan based on consumption; TIM Valore Flex gives a high degree of flexibility thanks to a rationale of minutes of traffic included; TIM Valore Unlimited was devised for customers which want to combine the simplicity of a rechargeable service with the freedom of an “All Inclusive” formula (voice, SMS, internet and customer support).

- In March, the converging offering “TraNoi” (Business market) was launched: it is an integrated Fixed and Mobile offering which for a monthly subscription of 5 euros allows an unlimited number of calls from mobile to all the numbers in the Mobile contract and to all Telecom Italia Business fixed line numbers of the same customer at no cost (no charge per minute and no call set-up charge). The main advantages of the “TraNoi” option are convenience, transparency (no call-set-up charge) and simplicity (it can be activated on all plans available to the customer);

- On June 22, 2010, Telecom Italia launched the PEC-Confartigianato initiative, aimed at the 700 thousand businesses associated with Confartigianato which enables them to activate and use free of charge until December 31, 2011 Telecom Italia’s “Certific@ di Impresa Semplice” an innovative certified e-mail service which guarantees the legal validity of communications by e-mail. The agreement gives a further impulse to the digitalization of businesses, making possible a major simplification of their operating processes. The Certific@ service will be available immediately to all associates by means of a simple activation procedure and will facilitate relations between businesses and institutions. The agreement also provides for associates to equip themselves on very favorable terms with the IT equipment and services included in the PC Tuttocompreso offering of Impresa Semplice.

CONSUMER

- The portfolio of consumer mobile plans has been renewed with the launch of new plans, the most important of which are: **TIM TUTTO COMPRESO RICARICABILE** to attract competitors' customers who are looking for benefits on all numbers because they do not yet have "TIM consolidated community", **TIM x Tutti Italy** to complete the TIMx range aimed at customers who call fixed lines, **PROMO Raddoppio della Ricarica** to increase the push on customer acquisition, which offers the doubling of the recharge for 12 months in mobile number portability and for 3 months for the new acquisitions (limit of 50 euros per month).

- The entire **TuttoCompreso** range for subscribers and prepaid customers has been renewed with new even more competitive price reductions adding a wide choice of Smartphones.

- The **TIMTiRicarica** option has also been added for prepaid customers; this credits recharges on all the calls from AOM mobile telephones and from fixed lines.

- The **mobile broadband (for big screen surfing)** portfolio has been simplified with the launch of 2 levels of traffic plans: 40 hours per month and 100 hours per month. These levels are applied across all forms of plans. Prepaid plans for traffic only INTERNET 40 (9 euros per month) and INTERNET 100 (19 euros per month) with promotions (50% discount for first 6 months) in the case of combination with the purchase of an internet key. These plans accompany the integrated plans, unique on the market, INTERNET PACK 40 (99 euro) and 100 (159 euro) which give customers 12 months of surfing plus an internet key. Plans for installment payment PIANO INTERNET 40 (9 euros per month for 24 months) and 100 hours (19 euros per month for 24 months) with internet key included. On all the prepaid plans with internet key (INTERNET PACK, INTERNET 100 with internet key) the government incentive of 50 euros has been included. Additionally, in confirmation of Telecom Italia's leadership in innovation, a 14.4 MB per second navigation service has been launched with an aggressive pricing on the internet key (89 euros) and the same price as the 7.2 MB per second service for traffic;

- The **mobile broadband (for small screen surfing)** portfolio has been rationalized with the launch of a unique reference plan for TIM x SMARTPHONE prepaids (2 euros per week which includes 250 MB for internet surfing, mail, IM etc). For postpaid customers with the same logic, the offering is on a monthly basis (8 euros per month for 1GB for internet navigation, mail, IM etc). From June the SMARTPHONE PACK was launched, a plan of integrated smart phone and traffic (6 months) at 199 euros all inclusive;

- in consumer fixed line services, in the first half of 2010, the revision of the product portfolio was completed on traditional lines with single price plans with the launch of **INTERNET SENZA LIMITI** (all – no limit, internet – no limit, voice – no limit). Further, in the second quarter of 2010, the internet plans have been upgraded by the installment sale of a PC netbook to facilitate the digital education of Italian families, in line, too, with government initiatives (contributions for broadband).

► Principal changes in the regulatory framework

Retail fixed markets – Local, national and fixed to mobile retail traffic
With Decision 284/10/CONS dated July 1, 2010, AGCom concluded the public consultation on the analysis of markets for local, national and fixed to mobile telephony services and, judging the retail traffic markets to be sufficiently competitive, provided for the revocation of the regulatory obligations imposed on Telecom Italia in the last cycle of market analysis. In particular, the obligations were removed for ex ante price testing, advance notification of plans, the disallowance of bundled services and the restrictions over the fixing of fixed-to-mobile prices.

The regulator has however established a transition period of six months from the publication of the definitive regulations during which the obligations will remain:

a) for the advance notification of offerings for the purposes of price testing, relative only to rate plans and excluding offerings developed under procedures for the selection of suppliers subject to public review;
b) against unjustified discrimination of final customers;
c) against unjustified bundling of services offered.

AGCom has also provided that Telecom Italia can be subjected to *ex post* checks of plans.
With regard to Wholesale Line Rental (WLR) services offered only in areas where unbundled access services are not available, with Decision 121/10/CONS AGCom has placed under public consultation the pricing of the service for the period May 1, 2010 to December 31, 2012 calculated using the Network Cap mechanism defined on the basis of a BU-LRIC (long range incremental cost) model, instead of the previous "retail-minus" regime. The procedure is expected to be concluded definitively by the end of October, with the measures effective retroactively from May 1, 2010. Further, AGCom with Decision 15/10/CONS dated May 6, 2010 has initiated the public consultation relating to the other services accessory to the WLR service, for the period January 1, 2010 to April 30, 2010 restoring them to the same values of the reference 2009 WLR offering.

Wholesale fixed markets

Wholesale access services

On April 27, 2010, with Decision 121/10/CONS, AGCom launched a public consultation concerning the definition of a cost model for the determination of prices for wholesale access to Telecom Italia's fixed network (unbundling, bitstream and WLR) and the calculation of the WACC, both applicable for the period May 1, 2010 to December 31, 2012. The values proposed were developed based on the new cost model BU-LRIC and relate to both unbundled copper wire network access and broadband access (bitstream) services.
In particular, for the unbundling charge, AGCom has proposed the following: 8.70 euros per month for the period from May 1, 2010, 9.26 euros per month for the period from January 1, 2011 and 9.67 euros per month from January 1, 2012. These changes are conditional on the prior verification by AGCom of the satisfaction of two conditions: a) improvement in the quality of Telecom Italia's copper wire network through higher investment in the maintenance of that network and a reduction in the response time for the service and for repairs and b) modernization of the access network in terms of new generation networks (NGN). With regard to the WACC to be applied to Telecom Italia wholesale access services, a rate of 9.36% has been proposed.
On May 6, 2010 with Decision 16/10/CIR, AGCom imposed an obligation on Telecom Italia to reformulate the reference offering for other services accessory to unbundled access and the 2010 co-location offering (published on October 30, 2009) for which the basis has remained the actual historic cost.
With the same Decision, with regard to ULL service subject to the Network cap from May 1, 2010, the Authority has provided for the application, for the period from January 1, 2010 to April 30, 2010, of the respective 2009 pricing (under Decision 14/09/CIR).

Wholesale origination, termination and call transit

At the end of the cycle of market analysis, with Decision 179/10/CONS dated April 28, 2010, AGCom issued and published the final regulations for wholesale call origination and termination services and, with Decision 180/10/CONS also dated April 28, 2010 the final regulations for wholesale transit services. Both the resolutions innovate and discipline the regulations and economic conditions affecting these services.
With regard to the origination and termination markets, AGCom has ordered the introduction of a BU-LRIC model for the determination of termination pricing for the year 2012 and has fixed the new rates for the years 2010 and 2011 on the basis of cost accounting data. The pricing for wholesale origination services has been set at the same level as that for wholesale termination services. AGCom has also confirmed its intention to impose rates for symmetric termination. With Decision 179/10/CONS, it has in fact fixed the symmetry but only at the SGT level, however in view also of the indications from the European Commission, AGCom will initiate a procedure to attain complete symmetry between Telecom Italia and the other license operators, including the opening of an appropriate technical discussion table for the introduction of IP solutions for network interconnection by 2012.
For the call transit market, the Authority has introduced the deregulation of the national component of the market under review whereas for the local component AGCom has ordered the introduction of a BU-LRIC model for the determination of prices for 2012 and has set the new rate for 2010 and 2011 calculated, also in this case, on the basis of regulatory cost accounting.
On June 16, 2010, Telecom Italia published the Reference Offer for call origination, termination and transit services.

Change of fixed line operator

AGCom has made the use of a secret code for the activation and migration of consumer customers operational from April 1, 2010 and has provided for a transitional period until April 30 for business customers (the secret code will be used but requests will not be discarded). Further, the work of the Operators' Technical Table (as per Decision 41/09/CIR) has been concluded, defining the technical procedures for the realization of the first portability and the subsequent portability of the geographic fixed network number. The definitive Decision was published on July 14, 2010.

AGCom fee

In December 2009 AGCom published Decision 722/09/CONS relating to the annual fee owed to the Italian Communications Authority for the year 2010 (1.5% of 2008 communications sector revenues, to be paid by April 30, 2010). Telecom Italia has paid an amount of 20,362,264 euros.

Antitrust procedure A426 – Opening of investigation

On May 13, 2010, on indications from Fastweb and Wind, AGCom opened an investigation into Telecom Italia for abuse of its dominant market position.
According to Fastweb, Telecom Italia allegedly adopted exclusive behavior in the recent Consip and Enel public bid processes for the provision of fixed telephony and IP connectivity services.
According to Wind, Telecom Italia adopted anti-competitive behavior concerning the refusal to activate customers and the practice of making deep discounts on Access fees to business customers.

International Roaming

The recently issued legislation (Regulation EC 717/2007 and review of 2009 Regulation EC 544/2009 established cap values effective from August 30, 2009, July 1, 2010 and July 1, 2011 for Wholesale telephony pricing, for retail outgoing calls pricing, for retail call termination pricing and for SMS and Data.
Prices from July 1, 2010 for wholesale telephony have been set at 0.22 euros per minute (exclusive of VAT), for retail outgoing calls at 0.39 euros per minute (exclusive of VAT) and for retail call termination at 0.15 euros per minute (exclusive of VAT).
The new text of the Regulation also provides for a maximum retail value for SMS, the so-called "Euro SMS tariff" of 0.11 euros per SMS (exclusive of VAT) from July 1, 2009. The new text also provides for a price at the wholesale level, from the same date of 0.04 euros (exclusive of VAT) per SMS.
For data traffic, from July 1, 2010, the cut-off limit mechanism will be applied to all customers except those who have opted for a specific threshold or have declined the cut-off limit service. For business customers, Telecom Italia will apply a default threshold of 200 euros of cost (unless otherwise fixed by the customer), established on the basis of the average level of costs incurred by customers in this segment. At the wholesale level, the new Regulation provides for the introduction from July 1, 2010 of a price based on kilobytes of 0.80 euros per Mb.

Brazil

▶ The Business Unit

The Telecom Italia Group operates in the mobile and fixed telecommunications markets in Brazil through the Tim Brasil group which offers mobile services using UMTS, GSM and TDMA technologies. Moreover, following the acquisition of Intelig Telecomunicações at the end of 2009, fiber-optic data transmission services are offered using full IP technology such as DWDM and MPLS.

▶ The structure of the Business Unit

The Tim Brasil group is organized as follows:

BRAZIL

- Tim Brasil Serviços e Participações S.A.
  - Tim Participações S.A.
    - Tim Celular S.A.
    - Intelig Telecomunicações Ltda

▶ Main operating and financial data

Key results in the first half of 2010, compared to the first half of 2009 are presented in the following table.

	(millions of euros)		(millions of Brazilian reais)		Change		
	1st Half 2010 (a)	1st Half 2009 (b)	1st Half 2010 (c)	1st Half 2009 (d)	Amount (c-d)	% (c-d)/d	% organic
Revenues	2,875	2,196	6,855	6,419	436	6.8	2.1
EBITDA	823	527	1,961	1,541	420	27.3	18.9
EBITDA margin	*28.6*	*24.0*	*28.6*	*24.0*		*4.6 pp*	*4.0 pp*
EBIT	165	37	393	107	286	°	°
EBIT margin	*5.7*	*1.7*	*5.7*	*1.7*		*4.0 pp*	*3.4 pp*
Capital expenditures	507	288	1,210	843	367	°	
Headcount at period-end (number)			9,415	(*) 9,783	(368)	(3.8)	

(*) Headcount at December 31, 2009.

Revenues

Revenues total 6,855 million Brazilian reais, 436 million Brazilian reais higher than in the first half of 2009 (+6.8%). Revenues in the first half of 2009, restated to take into account the change in the scope of consolidation owing to the entry of the fixed network Brazilian operator Intelig Telecomunicações Ltda, total 6,711 million Brazilian reais. The organic growth of revenues is +2.1%.

Service revenues went from 5,874 million Brazilian reais in the first half of 2009 to 6,526 million Brazilian reais in the first half of 2010 (+11.1%). Product revenues fell from 545 million Brazilian reais in the first half of 2009 to 329 million Brazilian reais in the first half of 2010 (-39.6%).
The monthly ARPU, or average revenue per user, is 24.3 Brazilian reais at June 2010 compared to 26.8 Brazilian reais at June 2009.
Total lines at June 30, 2010 are 44.4 million, up 17.4% compared to June 30, 2009, corresponding to a 24.0% market share of lines.

EBITDA

EBITDA is 1,961 million Brazilian reais, 420 million Brazilian reais higher than in the first half of 2009 (+27.3%). The EBITDA margin is 28.6%, up 4.6 percentage points over the first half of 2009. This result was achieved thanks to the growth of revenues, the expansion of "on net" traffic, which made it possible to improve the EBITDA margin, and steady efficiency gains in general unrelated directly to business development. The organic change in EBITDA compared to the first half of 2009 is +312 million Brazilian reais; the organic EBITDA margin is 28.6% (24.6% in the first half of 2009).

(millions of Brazilian reais)	1st Half 2010	1st Half 2009	Change
HISTORICAL EBITDA	1,961	1,541	420
Change in the scope of consolidation	-	23	(23)
Costs for services associated with the settlement of a dispute	-	64	(64)
Other expenses	-	21	(21)
COMPARABLE EBITDA	1,961	1,649	312

With regard to changes in costs, the following is noted:

	(milions of euros)		(millions of Brazilian reais)		
	1st Half 2010 (a)	1st Half 2009 (b)	1st Half 2010 (c)	1st Half 2009 (d)	Change (c-d)
Acquisition of goods and services	1,576	1,321	3,758	3,860	(102)
Employee benefits expenses	141	98	337	288	49
Other operating expenses	290	233	692	652	40

- *acquisition of goods and services* totals 3,758 million Brazilian reais (3,860 million Brazilian reais in the first half of 2009). The reduction compared to the same period of the prior year (-102 million Brazilian reais) is largely the result of decreases of 303 million Brazilian reais in purchases of raw materials, auxiliaries, consumables and merchandise and of 12 million Brazilian reais in the portion of revenues to be paid to other TLC operators (1,295 million Brazilian reais in the first half of 2010 and 1,307 million Brazilian reais in the first half of 2009). These reductions are partly offset by the increase of 106 million Brazilian reais in commissions, sales commission, other sales costs and advertising and promotion costs (for a total of 1,044 million Brazilian reais in the first half of 2010) and the increase of 107 million Brazilian reais in rent and lease costs (529 million Brazilian reais in the first half of 2010);

- *employee benefits expenses* amount to 337 million Brazilian reais, increasing 49 million Brazilian reais compared to the first half of 2009 (+17%) due to a variation in the composition and in the unit cost of the workforce. Average headcount fell from 9,259 in the first half of 2009 to 8,692 in the first half of 2010. The percentage of employee benefits expenses to revenues is 4.9%, increasing 0.4 percentage points compared to the first half of 2009. On a comparable consolidation basis, employees benefits expenses would be 16 million Brazilian reais higher compared to the first half of 2009;

- *other operating expenses* amount to 692 million Brazilian reais, increasing 6.1% compared to the first half of 2009 (652 million Brazilian reais). Such expenses consist of the following:

(millions of Brazilian reais)	1st Half 2010	1st Half 2009	Change
Writedowns and expenses in connection with credit management	183	240	(57)
Provision charges	43	32	11
Telecommunications operating fees and charges	435	340	95
Indirect duties and taxes	15	24	(9)
Sundry expenses	16	16	-
Total	692	652	40

EBIT

EBIT amounts to 393 million Brazilian reais, 286 million Brazilian reais higher than in the first half of 2009. This increase is due to a higher contribution by EBITDA compared to the first half of 2009, in part offset by higher amortization and depreciation charges of 134 million Brazilian reais (1,563 million Brazilian reais in the first half of 2010 and 1,429 million Brazilian reais in the first half of 2009).

The organic change in EBIT is a positive 240 million Brazilian reais compared to the first half of 2009; the organic EBIT margin is 5.7% (2.3% in the first half of 2009). Details are as follows:

(millions of Brazilian reais)	1st Half 2010	1st Half 2009	Change
HISTORICAL EBIT	393	107	286
Change in the scope of consolidation	-	(39)	39
Non-organic expenses already described under EBITDA	-	85	(85)
EBIT COMPARABLE	393	153	240

Capital expenditures

Capital expenditures amount to 1,210 million Brazilian reais, increasing 367 million Brazilian reais compared to the first half of 2009, mainly on account of higher network capital expenditures (2G and 3G technology) and IT platforms. The 2G (voice) capital expenditure plan is directed towards improving the capacity, the coverage and the quality of the network, supporting the increase in traffic due to higher 'on net' volumes. Capital expenditures for 3G coverage are also continuing in accordance with the regulatory plan and market developments.

Headcount

Headcount is 9,415 at June 30, 2010, a reduction of 368 people compared to December 31, 2009 (9,783).

► Commercial developments

In the first half of 2010, TIM has consolidated the "Go to market" campaign, developing the plans launched last year. In the Consumer segment, the Company has focused commercial activity on the "Infinity" and "Liberty" plans increasing the "Chip Avulso" component (customer acquisition without handset subsidy) encouraging the use of the service (local and long distance) and broadening the concept of "community". In the Business market, the portfolio of plans has been extended, sales channels have been developed and integrated services have been promoted with the Intelig offering, particularly in the SME segment.
The results achieved with this strategy are:

- ✓ "Infinity" offering, in excess of 27 million pre-paid lines;
- ✓ Liberty and Infinity plans, in excess of 2.4 million lines;
- ✓ majority of gross post-paid acquisitions (over 70%), happens by means of "Chip Avulso".

In the prepaid segment, TIM continues to promote the "Infinity" plan at the price of 0.25 Brazilian reais per call (local and long distance). For Mother's Day (in May, the best month for sales after Christmas), TIM offered its customers an extension of the promotion until 2014 if Brazil won the football World Cup. In the fixed telephony services market, TIM has started the "TIM Fisso pré" offering, a voice service without monthly subscription and minimum recharge. To promote the new service, TIM has launched the "recarga bonificada" promotion in which customers earn a bonus of 10 times the value of the recharge, to be used for local and on-net calls (fixed and mobile). The bonus has a duration of one month.

For the post-paid segment, TIM has increased the product offering with new plans such as "TIM Turbo" which offers promotional rates such as the "*predileto ilimitado*" and the "*predileto DDD*" under which the customer pays a monthly subscription and can talk without limit to pre-determined numbers. In the business market, TIM has launched the "Uno, Due, Tre" plan, an initiative aimed at the SME segment which offers convergent mobile, fixed line and internet services.

Intelig has publicized its integration with TIM with an innovative and low-priced offering to its SME customers known as "Sem Fronteiras". The company intends to change the habits of its customers by offering competitively priced voice and data services. In addition, the new information campaign has been launched with the message "*Intelig agora é TIM*" which enables each of the companies to broaden its portfolio of services with convergent product offerings.

For data services, TIM has launched new promotions to stimulate demand, such as SMS messaging and mobile internet. With *"TIM Turbo",* customers pay a monthly subscription giving unlimited use of the data service for the entire duration of the chosen rate plan. Additionally, in collaboration with the other main operators, TIM has launched "*Torpedão Campeão*", a promotion aimed at encouraging the use of SMS.

TIM has also signed an agreement with IBM for the sale of "IBM Lotus Traveler" which enables customers to access their e-mail using IBM's Lotus Notes. It is a service directed to TOP customers (specifically, the 1000 major Brazilian companies) and has the objective of migrating corporate business tools onto mobile terminals.

With regard to equipment, TIM has proceeded with its strategy of reducing the subsidy, shifting the level of the customer's economic advantage towards the purchase of services. The range of handsets is in continuous renewal, thanks to the inclusion of models such as the Motorola Quench, the first smart phone with Motoblur and to the Samsung Livestar, a terminal with digital TV which enabled TIM customers to view the football World Cup in mobility.

Finally, TIM continues to position itself as a company which is attentive to matters concerning the environment and the community in general, promoting specific campaigns such as, for example, in April that in aid of the victims of the rainstorm which struck the City of Rio de Janeiro.

Media

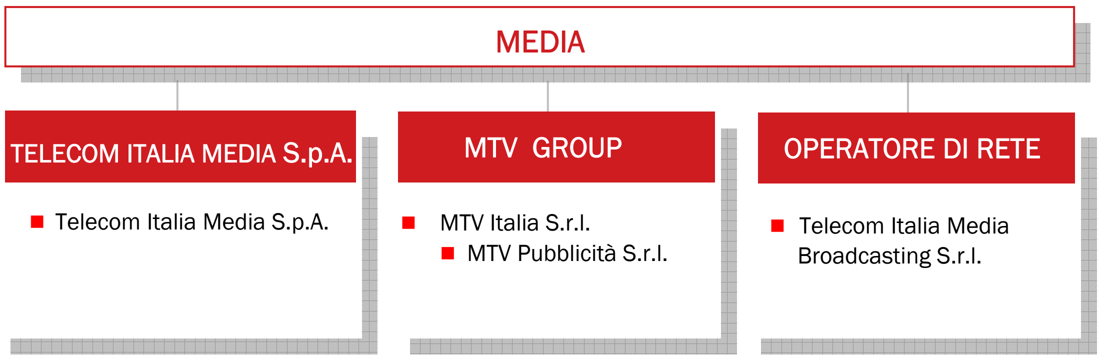
▶ The Business Unit

The Telecom Italia Media Group operates in the following business segments: Telecom Italia Media S.p.A., MTV Group and Network Operator, in particular:

- **Telecom Italia Media S.p.A.:** activities conducted by the company relating to the television broadcasting stations La7 and La7D (the station launched at the end of March 2010) and those relating to the Digital Content of Telecom Italia Group for the creation and production of content for the innovative platforms of Telecom Italia and the web;
- **MTV Group:** activities carried out by MTV Italia and its subsidiary MTV Pubblicità relating to the television broadcasting stations MTV and MTV+ (the station launched in May 2010), the 360-degree Playmaker production unit, the production of musical, multimedia and satellite channel platforms, in addition to MTV Mobile and multimedia (Web);
- **Network Operator (TIMB):** activities conducted by Telecom Italia Media Broadcasting for the operation of the analog and digital transmission networks of the La7, La7D and MTV channels and Digital Multiplex channels operated by the Group, in addition to offerings for accessory services and radio and television signal transmission platforms to companies of the Group and third parties.

▶ The structure of the Business Unit

The Business Unit is organized as follows:



▶ Main operating and financial data

It should be recalled that in May 2009, as part of the actions designed to regain profitability as set out in the Business Plan, Telecom Italia Media S.p.A. sold a 60% stake in Telecom Media News, which controls the APCom press agency, one of the major operators in primary national news, to the company Sviluppo Programmi Editoriali S.p.A. (E.P.S. group).

Key results of the Business Unit in the first half of 2010, compared to the first half of 2009 are presented in the following table.

(millions of euros)	1st Half 2010	1st Half 2009	Change amount	Change %
Revenues	127	114	13	11.4
EBITDA	9	(6)	15	ns
EBITDA margin	*7.1*	*(5.3)*		
EBIT	(21)	(47)	26	55.3
EBIT margin	*(16.5)*	*(41.2)*		
Capital expenditures	21	24	(3)	(12.5)
Headcount at period-end (number)	803	(*) 757	46	6.1

(*) Headcount at December 31, 2009.

The principal operating data of the company Telecom Media News up to April,30 2009 are as follows:

(millions of euros)	1/1-4/30 2009
Revenues	3
EBITDA	(2)
EBIT	(13)

Tables and comments on the data for the first half of 2010 and for the first half of 2009, the latter restated by fully excluding the results relating to the company Telecom Media News, are as follows:

(millions of euros)	1st Half 2010	1st Half 2009	Change amount	Change %
Revenues	127	111	16	14.4
EBITDA	9	(4)	13	ns
EBITDA margin	7.1	(3.6)		
EBIT	(21)	(34)	13	38.2
EBIT margin	*(16.5)*	*(30.6)*		
Capital expenditures	21	24	(3)	(12.5)
Headcount at period-end (number)	803	(*) 757	46	6.1

(*) Headcount at December 31, 2009.

Revenues

Revenues amount to 127 million euros, increasing 16 million euros (+14.4%) compared to 111 million euros in the first half of 2009. In greater detail:

- revenues of Telecom Italia Media S.p.A. in the first half of 2010, before intragroup eliminations, amount to 57 million euros, decreasing 4 million euros (-6.6%) compared to the first half of 2009. Net advertising revenues increased compared to the first half of 2009 to 49 million euros compared to 48 million euros in the first half of the prior year (+1.5%). Digital Content sales for Telecom Italia decreased (-1 million euros) due to the effect of the new contract with lower values that started in the month of April and Media Service revenues also fell following the discontinuance of services rendered to Dahlia TV that ended in the first half of the prior year and which had generated revenues for 4 million euros at June 2009;
- revenues of the MTV Group amount to 46 million euros, before intragroup eliminations, unchanged compared to the first half of 2009 (46 million euros). This result was positively influenced by the

increase of advertising on Channel One and the new MTV+ channel (+1 million euros) and the satellite channels (+4 million euros). On the other hand, the first half recorded a decrease in Playmaker revenues which, net of intragroup revenues, posted a fall of 1 million euros, and the reduction in revenues relating to MTV Mobile of 3 million euros and the Web channels of 1 million euros;

- revenues from Network Operator activities, before intragroup eliminations, amount to 40 million euros, compared to 22 million euros in the first half of 2009 (+79.9%). This result is principally due to higher revenues from the rental of bandwidths to third parties.

EBITDA

EBITDA is a positive 9 million euros; this is a reversal of the loss recorded in the first half of the prior year (-4 million euros) with a positive change of 13 million euros.
EBITDA of Telecom Italia Media S.p.A. is a negative 5 million euros higher than in the first half of 2009 (-16 million euros); this performance can largely be traced to lower revenues and operating income.
EBITDA of the MTV Group improved by 1 million euros compared to the first half of 2009. With revenues in line with those of the first half of 2009, there was a considerable reduction in costs, particularly employee costs, thanks to the incisive program for the reorganization of the company and rigorous control over operating expenses.
EBITDA relating to Network Operator activities improved by 15 million euros, compared to the first half of 2009, and is attributable to the above-noted increase in revenues, offset only in part by higher operating costs.

EBIT

EBIT amounts to -21 million euros compared to -34 million euros in the first half of 2009, with an improvement of 13 million euros. The change is entirely due to the aforementioned improvement in EBITDA.

Capital expenditures

Capital expenditures amount to a total of 21 million euros (24 million euros in the first half of 2009). Such expenditures refer to Telecom Italia Media S.p.A. (14 million euros), the MTV group (3 million euros) and Telecom Italia Media Broadcasting (4 million euros), mostly for the acquisition of television rights extending beyond one year (14 million euros) and the acquisition of infrastructures for the expansion and maintenance of the digital network (4 million euros).

Headcount

Headcount is 803 at June 30, 2010, with an increase of 46 compared to December 31, 2009 and includes 61 people with temp work contracts (38 at December 31, 2009). The increase is basically due to temp work personnel.

► **Corporate operations** – Telecom Italia Media share capital increase

On April 8, 2010, the special session of the Telecom Italia Media shareholders' meeting met and passed the following resolutions:

(a) cancellation of the par value of ordinary and savings shares, effective April 19, 2010;
(b) reverse stock split in a ratio of 1 ordinary or savings share for every 10 ordinary or savings shares held, effective April 19, 2010;
(c) necessary amendments to the bylaws in order for the measures and the characteristics of the savings shares' rights to remain unchanged following the resolutions in a) and b) above;
(d) share capital increase against payment of 240,000,000 euros through a rights offering of ordinary shares to the holders of Telecom Italia Media ordinary and savings shares – revoking the board's previous power conferred by the shareholders' meeting to increase share capital up to a maximum of 10 million euros.

With particular reference to this last point, the operation, begun on May 24, 2010 and ended on June 30, 2010 with full subscription to the 1,116,780,650 newly issued ordinary shares at the price of 0.2145 euros per share, including 0.1145 euros of paid-in capital, for a total of 239,549,449 euros, including 127,871,384 euros of paid-in capital.

The new share capital of Telecom Italia Media S.p.A., excluding paid-in capital, is 212,188,324,10 euros represented by 1,446,317,896 ordinary shares and 5,496,951 savings shares, without the par value. Following the transaction, the percentage holding in Telecom Italia Media's capital held by the Telecom Italia Group rose from 67.96% to 77.42%.

The capital increase falls under the Business Plan 2010-2012 approved by the company's board of directors on February 25, 2010 and is directed towards strengthening the equity structure to support Telecom Italia Media's growth in the extremely dynamic market in which it operates.

In particular, income from the subscription of the shares is entirely earmarked for repayment of part of the outstanding loan with Telecom Italia and with Telecom Italia Finance.

► Principal changes in the regulatory framework

Romani Decree

It should be noted that Legislative Decree 44/2010 requires that the implementing regulations of AGCom to which the primary legislation refers and the enabling rights already granted, should be revised within 180 days of the passing of the law and therefore by the end of September 2010, in order to reflect the changes made to the TURTV.

In this connection, AGCom has started two public consultations (Decisions 258/10/CONS and 259/10/CONS) on the regulations for the supply of linear audiovisual media services on communications channels other than cable, satellite or terrestrial and for the supply of on-request media services.

As a supplier of media services, supplier of associated interactive services and as an operator of a network, the Telecom Italia Media Group is subject to the regulations of the Consolidated Law.

In the context of the migration to digital terrestrial, the Telecom Media Group, already having analog TV concessions for La7 and MTV, organized itself to act as a broadcaster from a digital terrestrial platform and as an operator of a digital terrestrial network.

In fact, since May 2006, Telecom Italia Media Broadcasting has been the Group's network operator and Telecom Italia Media and MTV Italia have operated as broadcasters.

In particular, on May 5, 2010, the Ministry for Economic Development – Communications granted to Telecom Italia Media S.p.A. and MTV Italia S.r.l. the status of national broadcasters for the transmission in digital terrestrial of the national channels La7 and MTV, respectively (the former analog concessions). Telecom Italia Media also holds the general authorization to supply interactive services on a digital terrestrial platform.

National Plan for the Assignation of Digital Frequencies

With the publication at the end of June of Decision 300/10/CONS regarding the National Plan for the Assignation of Digital Frequencies (PNAFD), a part of the uncertainty affecting the assignation of frequencies to the national operators was resolved and the bases were established for the roll-out of the competitive procedures for the assignation of the digital dividend frequencies.

The PNAFD fixes the frequencies for 25 national networks: (i) 2 networks for the requirements of public service, the regionalized MUX and the MUX DVBH or DVBT2; (ii) 20 DVBT networks with approximate coverage of 80% of the territory; (iii) 3 DVBH networks of which 2 for the conversion of the existing networks (Mediaset and H3G) restricting the use of these two.

The Decision sets the internal digital dividend at 6 networks, 5 DVBT networks and 1 DBVH network, to be assigned through competitive "beauty contest" procedures, without indication of their values and establishes as external digital dividend, to be utilized from 2015 for telecommunication services compliant with the Community objectives, the channels 61 to 69 UHF, to be assigned through competitive auction procedures.

With regard to the provisions of Decision 181/09/CONS concerning the criteria for the digitalization of the television networks, the Decision on the PNAFD:

- introduces the k-SFN technique to ensure the equivalence of coverage of certain national networks (with the SFN technique, the digital network would have localized coverage shortcomings);
- legitimates the assignation of more frequencies to the public service MUX;

- authorizes RAI to operate the DVBH frequency in DVBT2.

The Decision refers the planning of frequencies for local broadcasters to the regional level.

Regulation of channel numbering

The absence of regulation of digital terrestrial channel numbering has created in the all-digital areas and particularly in the Latium and Campania regions, a situation of great uncertainty about remote control positions 7 and 8 for the Group's broadcasters La7 and MTV.
In particular, conflict with the other broadcasters has become a critical factor for reception of La7 and MTV and is one of the causes of the decline in audiences in the all-digital areas.
In the Consolidated Law, a law was introduced which entrusts the task of setting a numbering plan for TV channels on the digital terrestrial platform to AGCom.
On publication of the Consolidated Law, AGCom, with a public consultation, started the process of defining a plan for the automatic numbering of channels. In the course of the consultation, some local broadcasters challenged the non-assignation to themselves of a single figure channel number and claimed the positions 8 and 9.
Despite this and following a survey of the preferences and habits of users, on July 15, AGCom announced that it had resolved in favor of a measure which assigns the first 9 numbers to national analog broadcasters, confirming the position 7 for La7 and the position 8 for MTV.
On the basis of this plan, the Ministry, for each enabling right of use will assign its numbering to each channel. In the event of failure to respect the discipline imposed by the Authority or the conditions for use of the assigned number, the Ministry may punish the operator to the point of suspending the authorization and, in repeated cases, of rescinding the rights of use.

Commission's market test on the commitments of SKY Italia

In August 2009, with Decision 427/09/CONS, AGCom submitted for public consultation the procedure for the assignation of the rights of use of the digital dividend frequencies. The consultative document contains a number of critical points on which Telecom Italia Media has requested modification on the grounds of their not conforming to the current pertinent legislation, for example: (i) the ban on trading of assigned frequencies and on change in control of the assignee companies and (ii) the grouping of Telecom Italia Media Broadcasting with RAI and Mediaset, the only two analog operators which were notified as having a dominant market position, with the consequent exclusion of the first three networks from the assignation procedure.
With reference to the European Commission's market test on SKY Italia's proposed modification of its commitments so as to be able to participate in the procedure for the assignation of digital dividend frequencies, Telecom Italia Media has asserted that the admission of SKY to the procedure without any asymmetric *ad hoc* measures would create a further distortion of competition in the television market: on the one hand Telecom Italia Media – not being a dominant player - would find itself unreasonably excluded from bidding for Lot A, being compelled to compete for the assignation of two networks in a "beauty contest" with RAI and Mediaset; on the other hand, SKY Italia, an operator with considerable market power, could, without any restraining conditions, participate in the frequency assignation procedure as a new entry operator since it does not have analog terrestrial networks.

On July 22, 2010, the European Commission announced its acceptance of the commitments made by SKY Italia for admission to the digital dividend assignation procedure. SKY Italia has undertaken to bid for a single digital MUX and, if successful, to operate the acquired MUX only for free-to-air broadcasts.

The official decision is expected in September 2010, as well as AGCom's decision on the procedures for the assignation of the digital dividend.
Pending completion of the digital dividend assignation procedure, the European Commission has suspended the sanctions procedures.
If the Government, by means of the assignation procedure, should not respond adequately to the observations raised by the European Commission, the latter will proceed with the sanctions procedure vis a vis Italy.

Olivetti

► The Business Unit

The Olivetti group mainly operates in the sector of office products and services for Information Technology (digital printing systems and ink-jet office products, specialized applications for the banking field and commerce, information systems for managing forecast games, electronic voting and e-government). It also operates with a dedicated structure in the field of documental services (digital management of company documents), caring services (specialist help-desk) and technical assistance. Olivetti also manufactures products using silicon technology (ink-jet print heads and (MEMS) Micro Electro-Mechanical Systems and industrial applications). Starting from the second half of 2009, activities were undertaken to expand and diversify the offering by concentrating on the development of software solutions and applications services for businesses and public administrations and also specialized devices.
The market of the Business Unit is focused mainly in Europe, Asia and South America.

► The structure of the Business Unit

The Business Unit is organized as follows (main companies only):

OLIVETTI

- Olivetti S.p.A.
  - Advalso S.p.A
  - Olivetti I-Jet S.p.A.
  - European subsidiaries

► Main operating and financial data

Key results of the Business Unit in the first half of 2010, compared to the first half of 2009 are presented in the following table.

(millions of euros)	1st Half 2010	1st Half 2009	Change amount	Change %
Revenues	176	153	23	15.0
EBITDA	(16)	(12)	(4)	(33.3)
EBITDA margin	*(9.1)*	*(7.8)*		
EBIT	(18)	(15)	(3)	(20.0)
EBIT margin	*(10.2)*	*(9.8)*		
Capital expenditures	3	2	1	50.0
Headcount at period-end (number)	1,105	(*) 1,098	7	0.6

(*) Headcount at December 31, 2009.

Revenues

Revenues amount to 176 million euros in the first half of 2010, increasing 23 million euros compared to the first half of 2009.

In particular, the increase in revenues is even more significant analysing the sole revenues relating to the Commercial Channels, (+25 million euros or an increase of 18% compared to the same period of the prior year), thanks also to the first positive effects of the renewal of the offering linked to the strategic repositioning of the company in the Information Technology market. Particularly important is the contribution to sales by the new product lines (Data Cards, Netbooks and Notebooks) in the Olivetti and Telecom Italia channels. Higher sales were reported in foreign markets, in the Europe channel (particularly professional office products, copiers and related accessories) and in the Latin America channel (specifically PCs and faxes) whereas the International channel was hurt by the decline in the sales volumes of printers for banking counter applications, a segment in which Olivetti is the market leader, due to the contraction of the Middle East markets (Iran, the Arab Emirates and Turkey) where the crisis has frozen the investments of banks for the opening of new branches.

In Italy, higher sales were recorded in the indirect channel (dealers and distributors) particularly for professional office products, fiscal cash registers and new product lines (Netbooks and Notebooks) which more than compensated for the decline in sales of products using ink-jet technology (faxes, multifunctional printers and accessories). The direct channel (sales to large customers) is in line with 2009 thanks to an order for about 8,000 specialized terminals for a large gaming operator in Italy. Installations, begun in 2009, are continuing on an important project in collaboration with Telecom Italia S.p.A. for the supply of specialized terminals for payments/services to authorized tobacconists in Italy.

EBITDA

EBITDA is a negative 16 million euros and higher by 4 million euros compared to the first half of the prior year. The change in EBITDA can be traced to the necessary activities undertaken to substain growth and also to the new offerings which are in the start-up phase. Although such new offerings are recording significant volumes, there are still lower profit margins than on the traditional products which are declining.

(millions of euros)	1st Half 2010	1st Half 2009	Change
HISTORICAL EBITDA	(16)	(12)	(4)
Effect of the change in the scope of consolidation	-	(1)	1
COMPARABLE EBITDA	(16)	(13)	(3)

EBIT

EBIT is a negative 18 million euros and higher by 3 million euros compared to the first half of the prior year. The result benefits from a non-recurring gain relating to the sale of a building for 1 million euros.

(millions of euros)	1st Half 2010	1st Half 2009	Change
HISTORICAL EBIT	(18)	(15)	(3)
Effect of the change in the scope of consolidation	-	(1)	1
Non-organic (income) expenses			
Other expenses (income)	*(1)*	-	*(1)*
EBIT COMPARABLE	(19)	(16)	(3)

Capital expenditures

Capital expenditures amount to 3 million euros, 1 million euros higher than in the same period of the prior year.

Headcount

Headcount is 1,105 (1,014 in Italy and 91 foreign) at June 30, 2010, an increase of 7 compared to December 31, 2009 (1,098, of whom 1,005 in Italy and 93 foreign).

► Commercial developments

In the first half of 2010, Olivetti launched a series of initiatives which mark new important milestones for the company in its progress towards strategic repositioning, begun last year with the launch of the “Documental Hub” for the digital managing of documents, which has allowed entry into the software solutions and IT services markets. The new initiatives are distinguished by their integration of hardware products with evolved services and applications, operating with Telecom Italia and using qualified partners.
In connection with the “Documental Hub” offering, significant orders have already been taken, such as the solution developed for a chain of stores in the fashion sector which makes it possible to integrate the management of the fiscal documentation from 2000 points of sale.

In March 2010, Olivetti submitted a comprehensive proposal for the digitalization of schools: interactive multimedia blackboards, notebook computers, technology platforms for interaction between school and family, multi-media teaching content and support.
Olivetti is aiming at the “digital schoolroom” with the first complete offer for the digitalization of the school environment. “Scuola Digitale Olivetti” includes interactive multimedia blackboards, Olivetti Notebooks, Netbooks or Tablet PCs for teachers and pupils, servers and projectors and, in addition, the services platform for interaction between school and family (the “Olischool” offering) – provided on an “on demand” basis through the Telecom Italia Data Centers – to allow interaction between school and family and the sharing on line of the lessons given in the classroom and finally the multimedia teaching content and the support services throughout the country. The Olivetti offering also integrates multimedia teaching content of RCS Libri, leader in the scholastic publishing sector, with technical support services from the network of highly qualified dealers across the entire national territory.
With this new initiative Olivetti is aiming at a market worth over 1.8 billion euros globally to which can be added the market for corporate training. For interactive blackboards alone the expected average annual growth rate to 2012 in Italy is 56%.

In March 2010, Olivetti re-entered the PC market with the launch of a range of new generation Notebook and Netbook computers integrated with innovative software services available in the “on demand” mode. The new Notebooks and Netbooks offering bring together design and innovation utilizing also new Intel processors and the operating system Microsoft Windows 7. Initially available with the Olivetti PC Guard services for the protection of PC and data, the new line of Notebooks and Netbooks will later be integrated with a broad range of evolved services and applications capable of optimizing the costs and performance of businesses thanks to services provided using “software as a service” and “pay-per-use” models. This allows businesses to access solutions which are constantly updated without investing in technology infrastructure.
The new product offering also utilizes the technological competence of Advalso, the services center of Olivetti for customer support services and IT support, the Telecom Italia Data Centers for the provision of the most evolved software services and Olivetti’s own network of dealers. After the launch on the Italian market, the new service offering will be marketed in the countries in which Olivetti is present with its sales offices.
With this new initiative, addressed to business customers and, through Telecom Italia, to consumers, Olivetti is aiming at a market which, in its data and PC protection services, is new and for which a trend of significant growth is expected.

In the second quarter Olivetti started the promotion and sale in Latin America of the “Smart Town” offering (an integrated solution for the intelligent remote-management of external and/or public utility and security lighting systems). The first applications in the region are in progress with pilot installations and participation in bids for the automation of lighting in Argentina, Brazil and Mexico.

International Investments

BBNed Group

At June 30, 2010, the BBNed group, following the decision taken for its disposal and the agreement announced on July 16, 2010 for its sale to Tele2, has been classified in Non-current assets held for sale.

In particular, the BBNed group consists of the parent, BBNed N.V., and its two subsidiaries, BBeyond B.V. and InterNLnet B.V..

BBNed Group

(millions of euros)	1st Half 2010	1st Half 2009	Change amount	Change %
Revenues	42	44	(2)	(4.5)
EBITDA	7	6	1	16.7
EBITDA margin	*16.7*	*13.6*		
EBIT	(3)	(4)	1	25.0
EBIT margin	*(7.1)*	*(9.1)*		
Capital expenditures	3	4	(1)	(25.0)
Headcount at period-end (number)	331	(*) 347	(16)	(4.6)

(*) Headcount at December 31, 2009.

The key results in the first half of 2010 can be summarized as follows:

- revenues total 42 million euros, down 2 million euros compared to the first six months of 2009 (-4.5%), with the contraction due largely to revenues from ADSL retail services. The customer portfolio, standing at about 163,300, is some 2,300 higher than at December 31, 2009, and about 300 higher than at June 30, 2009 thanks to the ADSL wholesale clientele;
- EBITDA is 7 million euros, 1 million euros higher than in the first six months of 2009 thanks to the improvement in the operating performance of the ADSL retail consumer area. The EBITDA margin is 16.7% compared to 13.6% in the first six months of 2009;
- EBIT is a negative 3 million euros, compared to a negative 4 million euros in the first half of 2009;
- capital expenditures total 3 million euros, 1 million euros lower than in the first six months of 2009, due to the lower incidence of expenditures for the activation of new customers;
- headcount is 331 at June 30, 2010, a reduction of 16 compared to December 31, 2009 and includes 15 people with temp work contracts (13 at December 31, 2009).

► Commercial developments

The most important trends of the Dutch fixed broadband market have been confirmed in the first half of 2010 and are characterized by the commercial aggressiveness of cable operators which offer bundled packages (voice, internet and cable TV), taking advantage of ultrabroadband access guaranteed by DOCSIS 3.0 technology. During the first half, the incumbent operator KPN has continued to upgrade its copper network in order to offer VDSL2 services, aimed at a coverage target of about 80% of households. At the same time, work has continued to gradually expand the fiber access network and the relative customer base.

In this context, BBNed has maintained its position as an active operator in the various wholesale and retail markets and customer segments (the business segment with the brand BBeyond and the consumer segment with the brands Alice and InterNLnet), focusing its efforts particularly on technological evolution and the rationalization of the network infrastructure and IT systems, the improvement of margins on its products and the optimization of operational efficiency through tight control over costs and capital expenditures.

The product “DSL Consumer Alice” (single and dual play) was restyled in the first half of 2010 with the introduction of the option of an annual contract aimed at improving customer loyalty and reducing churn. The

Alice products without a contractual tie remain on the market with an increase in the charge of 5 euros per month (including VAT).

Moreover, during the first half, significant developments were reported for the wholesale segment as well, with the completion of the deployment of the first phase of the NGN network and the activation of the first VDSL2 lines (the commercial launch of the service is expected to take place in the third quarter of 2010).

► Principal changes in the regulatory framework

In the first half of 2010, the Netherlands regulatory authority (OPTA) published a new regulation on the market for DSL access services and FTTO (Fiber-To-The-Office). A new regulation was also published on the Wholesale Price Cap (WPC II), defining the rates for Ethernet Wholesale services on copper and fiber networks.

Other Investments Accounted for Using the Equity Method

► Telecom Argentina group

Held by: Telecom Italia and Telecom Italia International through Sofora/Nortel Inversora 13.97%

The group operates in the sectors of fixed and mobile telecommunications, internet and data transmission in Argentina and also offers mobile telephone services in Paraguay.
At June 30, 2010, land lines in service (including installed public telephones) are about 4,066,000, a slight increase compared to December 31, 2009 (about 4,060,000).
As regards broadband, accesses total approximately 1,274,000, growing almost 5% compared to the end of 2009 (1,214,000).
In the mobile business, the customer base of the group reached approximately 17,169,000 customers at June 30, 2010 (of which almost 11% in Paraguay) with an increase of more than 6% compared to year-end 2009 (16,257,000). The number of postpaid customers has grown proportionally compared to the end of December 2009 and continues to account for about 28% of the total customer base.

► ETECSA

Held by: Telecom Italia International 27%

The company operates a monopoly in the sectors of fixed and mobile telecommunications, internet and data transmission in Cuba. At June 30, 2010, the number of land lines in service (also including installed public telephones) is 1,134,000, a slight increase compared to December 31, 2009 (1,119,700). Of the lines in service, 51,900 are invoiced in U.S. dollars and the others, associated with the social development of Cuban telecommunications, in non-convertible Cuban pesos. With a market that is still of modest proportions, at June 30, 2010, internet and data customers have reached 28,200 accesses, 3% more than at year-end 2009 (27,400 accesses).
In the mobile telephony business, the customer base has surpassed 852,600 at June 30, 2010, with an increase of over 37% compared to December 31, 2009 (621,100). The number of customers with prepaid contracts constitutes more than 96% of the client base or 820,800 customers (589,600 at December 31, 2009).

Related Party Transactions

In accordance with art. 81 of the Regulation for the implementation (adopted by Consob under Resolution 11971 dated May 14, 1999 and subsequent changes) of Legislative Decree 58 dated February 24, 1998, concerning the discipline of issuers, there are no significant transactions with related parties, including intragroup transactions, which are non-recurring or unusual / atypical in nature. Such transactions, when not dictated by specific laws, are in any case conducted at arm's length.
The information on related party transactions required by Consob Communication DEM/6064293 dated July 28, 2006 is disclosed in the financial statement themselves and in the Note "Related party transactions" in the half-year condensed consolidated financial statements at June 30, 2010 of the Telecom Italia Group.

Sustainability section

The activities and projects carried out in the course of the first six months of 2010 of greatest importance for the stakeholders, the Environment and Human Resources are reported below.

The environment

► Energy

The energy saving initiatives launched previously have continued, including:

- the adoption of the most efficient technological solutions for servers installed in the Data Centres, including by means of the concentration and virtualisation of the machines;
- the optimisation of the use of the systems and the technological renewal of obsolete equipment;
- the rationalisation and optimisation of the air-conditioning equipment, including the segregation of environments with different temperature requirements and the raising of the average operating temperatures of the telephone exchanges, servers and Radio Base Stations (RBS);
- the modernisation of AC/DC conversion equipment through the introduction of technological solutions that guarantee greater efficiency;
- the maintenance in efficiency of the fixed traditional switching network and the data networks;
- technological innovation in mobile network equipment in order to improve the performance in terms of transmission capacity and allow the introduction of new services that lead to a significant reduction in energy consumption;
- the acquisition of highly energy-efficient user equipment, in particular modems and access gateways.

Attention is drawn to the following new projects involving the use of alternative energy sources:

- work is continuing on creating the supplementary supply of mixed wind and photovoltaic power (wind turbines from 3 to 6 kW and photovoltaic panels producing 5 kWp) for Radio Base Stations previously powered by diesel electricity generators, where there are favourable environmental and weather conditions;
- construction has begun, on two industrial sites of medium-sized Tlc exchanges, of two geo-cooling systems for the air-conditioning of the equipment rooms, replacing the traditional cooling systems. This system is based on the use of the heat differential between the surfaces and the point of air extraction, located several metres underground;
- two additional cogeneration plants have been activated at two Data Centres and a third is in the course of being activated. Energy needs will be met through a system of trigeneration (electricity, heating and cooling) which, alongside the usual power systems, will allow energy savings in the order of 30%;
- the self-production of heat and electrical energy will also be created through small cogeneration systems fuelled by methane (6 systems are being constructed with electrical power of 120 kWe which are being added to the 12 brought into operation at the end of 2009);
- evaluation is continuing of the operation and the level of savings expected from more than 400 plants equipped with Extraction Full Free Cooling air-conditioning. This technology, based on the principle of forced ventilation and the extraction of hot air, allows energy savings of up to around 85% compared to traditional air conditioning systems.

Some of the numerous initiatives carried out in the energy field are given below.

As part of operations to develop new technologies for mobile access, experiments are underway on "smart antennas," designed to control the method of irradiation in order to improve the energy efficiency of the RBS. These antennas can recognise the band requirements of customers and so control effective transmission capacity, thereby ensuring the optimisation of energy consumption.
In the development of the new fixed access technologies (FTTx), analysis is underway aimed specifically at containing the electricity consumption of the new equipment and, where present, the respective air-conditioning. This activity is also evident in the participation in groups concerned with equipment standardisation at the Italian level (CEI) and internationally (ETSI EE/ATTM, ITU-T, ETNO, HGI, GeSI-EE IOCG, ICT4EE, BBF), and in the adherence (from June, 2009) to the Code of Conduct (CoC) of the European Commission (EC-JRC) for the reduction of the energy consumption of broadband equipment. Telecom Italia is

also active in updating the other four CoCs on Data Centres, Digital TV, Uninterruptible Power Systems and External Power Supplies. The promotion of these Codes is aimed at increasing the availability of low energy consumption equipment/systems, while at the same time allowing suppliers to achieve greater economies of scale, thanks to common prerequisites for energy efficiency.

At the beginning of 2010, the EARTH project (Energy Aware Radio and neTwork tecHnologies) was launched. The project is financed by the European Union with the objective of encouraging energy saving. In addition to Telecom Italia, 15 organisations, including six industrial partners, are involved in dealing with issues such as the development of a new generation of devices and components, the adoption of new strategies for deployment and network management systems and recourse to innovative algorithms for the efficient use of radio resources. The aim is to reduce the energy consumption of systems by a factor greater than 50% by acting on the entire system of mobile communications, from the individual components to the development and management of the network.

In the first six months of 2010, experiments were underway into connecting antennas to transmission equipment by optic fibre. This allows the reduction of the power necessary for the transmission of the signal due to smaller sized antennas, with less energy consumption and the improved overall efficiency of the communication. In addition, the HCS (Hierarchical Cell Structure) methodology enables networks to behave like a single system, while retaining their autonomy, and allows the communications to pass from one platform to another, (for example, from GSM to UMTS) depending on the type of request and the level of field, while keeping the quality of the signal at a high level.

As part of ETNO, Telecom Italia has coordinated the energy consumption benchmark campaign on Home Access Gateway, the equipment that allows the management of voice, data and video traffic of private consumers on Tlc networks. The “GREEN” benchmark (Green Router for Energy Efficient home Networking) completed its first phase in May, 2010, and has yielded important indications about the current potential of the market to improve energy efficiency. The results from GREEN will directly contribute to the drawing up of the new Code of Conduct for Broadband Equipment within the EU, and to the activities of the Environmental Engineering group of ETSI (European Telecommunications Standards Institute), as well as acting as a reference for evaluating suppliers as part of the tender for the new Access Gateways 2011. TILab coordinated operations on a large array of equipment, subdivided into two categories: equipment currently in use and more evolved devices, some of which are already available on the market and others which are about to be introduced. Among the partners involved are some of the leading players in the sector.

► Product responsibility

In defining the network architecture, the technical specifications of the equipment and the passive components, as well as the respective purchase orders, criteria have been adopted designed to minimise their environmental impact (for example, consumption, trenches, bulk, noise and battery use), as far as is compatible with the service requirements and costs of the various solutions. In particular, starting from 2008, during the financial evaluation phase of the tender, the rationale of Total Cost of Ownership was adopted, under which, in addition to the cost of the investment, the expenditure for energy consumption was evaluated over a three-five year time span. Telecom Italia also coordinated specifications for the sole feeder of the fixed terminals as part of the Home Gateway Initiative (HGI): the final document on this matter was published in April, 2010, and guided reception operations within the ETSI. Some prototypes for the sole feeder were tested in TILab, where an analysis of the life cycle is underway to assess HGI in comparison with other feeders used previously.

► Waste management

The Ministerial Decree no. 65 of March 8, 2010 (published by the Official Gazette on May 10, 2010) implemented the take back of the Electrical and Electronic Equipment Waste from all Telecom Italia sales channels, starting from June 18, 2010. As required by the regulation, Telecom Italia was listed as a “Distributor” in the National Roll of Environmental Operators. As a consequence, a specific procedure was issued for the company’s stores, and methods of notification to customers and the procedure of EEEW take back from distance sales were implemented.

► Intelligent transport

The world of ITS (Intelligent Transportation Systems) systems and services is extremely multifaceted and requires a high degree of interaction between the various actors involved in order to develop a shared vision that allows the creation of new business models. The role of a Tlc operator changes from that of a pure supplier of bandwidth and access to being a distributor of complete solutions, with the emergence of potential new market segments involving public administrations and business customers.

Telecom Italia actively contributes to the definition and consolidation of the standards and takes part in the most important European projects of research and development to that end. Among these, attention is drawn to the CVIS (Cooperative Vehicle-Infrastructure Systems) project, in which 60 European companies are engaged. As part of this project, the technical specifications of the key ITS architecture have been supplied and prototypes created, taking into account both the technological and application aspects.

Human Resources

► Headcount and changes in the Telecom Italian Group

The headcount of personnel at June 30, 2010, was divided as follows:

(number)	6/30/2010	12/31/2009	Change
Headcount - Italy	60,387	60,829	(442)
Headcount - Abroad	10,119	10,499	(380)
Total personnel on the payroll	70,506	71,328	(822)
Headcount with temp work contracts	84	56	28
Total personnel	70,590	71,384	(794)
Discontinued operations	-	2,205	(2,205)
Total	70,590	73,589	(2,999)

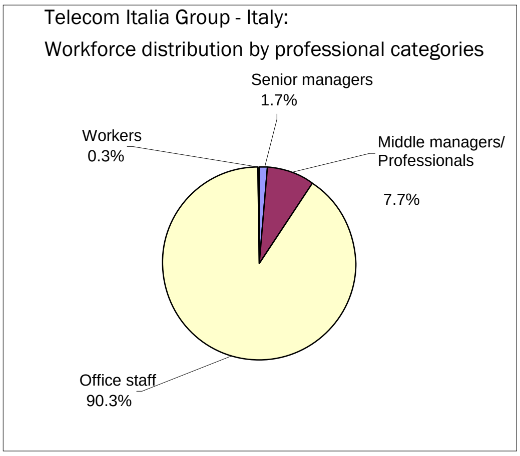
Excluding temp work contracts, the Group's workforce has been reduced by 822 units compared to December 31, 2009.

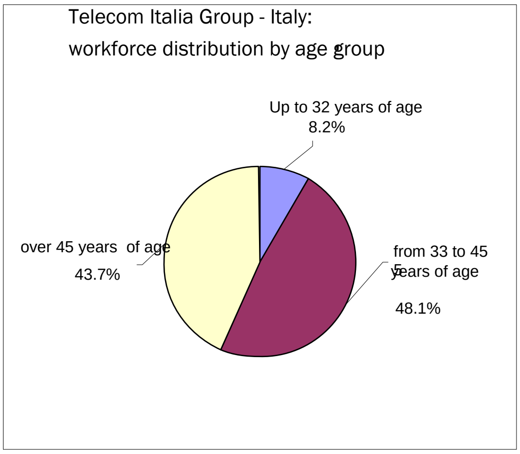
The changes can be itemized as follows:

- entry into the area of consolidation of the company Tlc Commercial Services S.r.l. (12 units):
- net turnover down by 834 units, as specified for individual Business Units:

(number)	Recruited(*)	Departed(*)	Net change
Domestic	261	744	(483)
Brazil	1,272	1,640	(368)
Olivetti, Media and Other operations	115	98	17
Turn over	1,648	2,482	(834)

(*)Transfers within the Group are also included in the table.





► Development

For the companies of the Group in Italy, a series of substantial changes were introduced under the 2009 Performance Evaluation process, which concluded in April, 2010 in order to:

- promote the behaviour that the company considered decisive in reaching the objectives of excellence and customer satisfaction;
- direct behaviour towards the attainment of the company objectives, in accordance with the principles laid down by the Group's Code of Ethics;
- improve the selection process;
- provide useful feedback for the personnel's career development and self-development.

Particular attention has been paid to the consolidation of the activities of the Calibration Committees, which were introduced in 2008. These Committees, made up of the various Departments and Human Resources managers, ensure the uniformity of the assessment criteria used.

In addition, emphasis has been placed on the method of conducting the feedback session between manager and team member, in order to identify the strong points and areas for improvement in the evaluation, on which the training and development plans are based.

The new assessment system is the outcome of numerous benchmarks, both internal (through focus groups that have involved a sample of colleagues from different facilities) and external (thanks to comparisons with the best practices adopted in certain national and international companies). The process involved around 54,800 resources of Telecom Italia Group in Italy (that is, middle management without MBO and employees), equal to 99.85% of the resources eligible for assessment under the new system.

► Recruitment

In April, 2010, the updated version of the Policy of Recruiting and External Selection was issued, governing two important issues:

- the enhancement of gender diversity, achieved through the adoption of methods which favour the access and inclusion of women in the Telecom Italia Group;
- the management of the services of recruiting, selection and evaluation of the resources for professional positions entrusted to the new Recruiting & Assessment Service Unit of the company HR Services.

The Policy is founded on recognising the value of the diversity of each individual irrespective of sex, religion, ethnicity, opinion and ability and guarantees equal opportunities for those who take part in the selection processes leading to hiring by Telecom Italia.

In the first six months of 2010, the second edition of the "Network School-Business" project was successfully implemented, developed in collaboration with the Elis Centre and aimed at students in the fourth and fifth years of technical colleges.

The project takes the form of an educational course on Tlc subjects, jointly devised by teachers from the 22 technical colleges involved and the same number of colleagues directly concerned with these matters, the so-called "Masters of the Profession.". In July, the best students from the fourth year took part in a four week summer camp, while those from the fifth year will undertake work experience in company organisations from September to December.

The "Campus" project, which provides a structured training course lasting three years, is continuing. The eight participants in the project are first year undergraduates specialising in scientific and economic subjects at various Italian colleges. During the first six months of 2010, two on-the-job learning schemes were conducted, dealing with marketing issues, with the participation of company speakers, and a work experience session was held at the company's Customer Operation facility. In July, the young people took part in three weeks' work experience. Among the international initiatives, the "Future Skills" project saw another five young students with Masters or MBAs from Taiwan, South Korea, India and China taking part in work experience during the course of 2010. The projects they worked on during the period of internship at the Future Centre office in Venice concerned the analysis of emerging business eco-systems aimed at identifying future opportunities.

Among already well-established training courses launched in previous years are the collaboration with Turin Polytechnic in the creation of the Innovation Master's (30 young engineering graduates were involved in the fourth edition) and the continuation of the partnership (involving innovation, ICT systems, the world of Tlc and the Media, antitrust, homeland security and issues of general management and the right to work), with the disbursement of study bursaries and work experience (145 young people are undertaking work experience in Telecom Italia facilities).

Special mention must be made of the "Working Capital" project, developed by the External Relations Department, which aims to support Italian digital innovation and new entrepreneurial initiatives in the ambit of

Web 2.0, providing expertise, technologies and services in support of their attainment. One of the concrete areas of support for young talent with innovative ideas in the sphere of the new Internet is the disbursement of study bursaries and/or the financing of research projects. In June, the first meeting (BarCamp) was held in Bologna for the selection of the first five awards to talented young people.

► Training

The priorities for training in Telecom Italia S.p.A., which from March 1, 2010, has been carried out exclusively by HR Services S.r.l. (a 100% subsidiary of the parent group), are:

- business and cultural transformation, with the drawing up of plans aimed at supporting change management;
- the development of individual expertise, through growth training programmes;
- professional updating, through the acquisition and reinforcement of strategic expertise, in line with the organisational development;
- institutional training in accordance with the company's declared ethical and compliance principles (for example, the environment, sustainability, ethics, Legislative Decree 231, respect for privacy, the provision of the Privacy Authority of 01/17/2008, etc.).

The training programme on the Sarbanes Oxley Act – 404 was staged again in 2010, aimed at updating awareness of the obligations arising from it and strengthening the Group's credibility with the institutions and other organisations that certify its value and growth.

As part of the "Expressing Quality" project, launched in 2009, further meetings with management have been held to further disseminate the vision of quality based on the Customer Promise.

To ensure wider access to the training provision for the Group's employees, Telecom Italia is increasing the use of e-learning methods in institutional subjects and for improving individual expertise.

Training to safeguard technological and business expertise

In the first six months of 2010, training in Technology & Operations, in addition to ensuring the necessary updating of expertise in technical/specialist departmental competences, has seen the launch of a number of specific professional retraining projects to support the processes of reorganisation.
At the Open Access facilities around the country, a substantial training plan has been devised with the aim of disseminating and reinforcing the best practices devised as part of the "Rationalisation of the network management process" project using the Lean Six Sigma method.
Moreover, projects have been launched aimed at increasing/developing behavioural expertise in the role performed by those operating within the ambit of Assurance Services Operations in order to improve customer satisfaction.
Finally, in compliance with the obligations to the Supervisory Body instituted under the Legislative Decree 231/2001, the on-line course called "Exercises in Style" has been devised in order to deliver training on behaviour, in line with the principles of equal treatment.

Within the ambit of the Domestic Market Operations management, the training projects implemented in the first six month of 2010 concerned the reinforcement and development of specific expertise in the Marketing, Sales and Customer Operations departments.
The second edition of MAKTEL (Marketing Actionable Knowledge Through Experiential Learning) was held. This is an experiential training course aimed at consolidating advanced marketing expertise, identifying and sharing the best practices of the family market and creating the conditions that will allow marketing knowledge and innovation to become an established organisational asset.
In addition, training course were launched aimed at developing specialised expertise at various levels of complexity and encourage the dissemination of shared models and language within the marketing departments (Lego-Marketing project).
Training plans have been launched in the wake of the project to chart the knowledge and expertise of the sales force (the "Business Dimension" project – dedicated to the business sales force – and the "Store Dimension" project – dedicated to managers and staff at the company stores of Telecom Italia).
The "Welcoming the Customer" project was launched, dedicated to the sales area of the Customer Operations Consumer Mobile department, which is aimed at assisting staff with the organisational changes concerning the sales model.

As regards technical-specialist expertise, particular attention continues to the paid to the development of knowledge about the provision and commercial procedures, in order to fulfil the caring aspects demanded of the role.

Training in numbers

Training carried out in Telecom Italia S.p.A. in the period January/June 2010 clocked up a total of around 470,000 hours (classroom, online, on-the-job training), with an average of 9.1 hours per head. Around half the personnel have taken part in at least one training event (coverage of 53%).

The detailed breakdown by training type and professional category are given in the following table.

	TOTAL BY TYPE OF TRAINING				
	HOURS		PARTICIPATION	PARTICIPANTS	COVERAGE
Type of Training	TOTALS	PER CAPITA			
Specialist training	**424,903**	**8.2**	**65,572**	**25,999**	**50.4%**
Senior Managers	409	0.5	67	54	6.4%
Middle Managers	4,754	1.4	623	467	13.6%
Office Staff/Workers	419,740	8.9	64,882	25,478	53.8%
Managerial training	**18,318**	**0.4**	**1,233**	**1,065**	**2.1%**
Senior Managers	5,733	6.8	334	316	37.4%
Middle Managers	2,194	0.6	182	143	4.2%
Office Staff/Workers	10,391	0.2	717	606	1.3%
Institutional training	**2,770**	**0.1**	**1,820**	**1,812**	**3.5%**
Senior Managers	44	0.1	27	26	3.1%
Middle Managers	153	0.0	92	91	2.7%
Office Staff/Workers	2,573	0.1	1,701	1,695	3.6%
Training for newly-hired employees	**18,375**	**0.4**	**942**	**462**	**0.9%**
Senior Managers	0	0.0	0	0	0.0%
Middle Managers	0	0.0	0	0	0.0%
Office Staff/Workers	18,375	0.4	942	462	1.0%
Language training	**4,703**	**0.1**	**388**	**388**	**0.8%**
Senior Managers	1,703	2.0	80	80	9.5%
Middle Managers	734	0.2	104	104	3.0%
Office Staff/Workers	2,266	0.0	204	204	0.4%
TOTAL	469,069	9.1	69,955	27,480	53.2%
Senior Managers	7,889	9.3	508	401	47.4%
Middle Managers	7,835	2.3	1,001	712	20.7%
Office Staff/Workers	453,345	9.6	68,446	26,367	55.7%

► Internal communication

The multimedia convention method launched in 2009 has been adopted definitively in Telecom Italia, with a restricted number of people in physical places – auditoriums, big meeting rooms – interacting with huge virtual audiences, made up of colleagues connected from their own work stations via video streaming. Those taking part in the multimedia conventions can send questions to the moderators before and during the convention, interacting with the discussion, giving constructive feedback in the blogs, forums and virtual networks. The online method also allows content to be prerecorded for later dissemination, and achieves the objective of minimising emissions of greenhouse gases by avoiding people having to travel around the country.

The main events organised during the first six months of 2010 were:

- "Let's talk about sustainability," the first meeting between board members, top managers and employees in order to make known Telecom Italia's approach and activities on sustainability, and to

- stimulate discussion on the social, environmental and strategic issues of importance for the company's business. More than 5,500 employees took part in the event through video streaming;
- "Let's shape the future," a meeting between board members and the Group's top managers for an all-round discussion on the Industrial Plan and the transformation process underway within the company, with more than 3,700 employees taking part through video streaming;
- the Technology & Operations management convention, with more than 6,700 employees taking part through video streaming.

The seventh Company climate survey

The survey was carried on the basis of a questionnaire made available online for two weeks and updated in collaboration with SDA Bocconi. New questions were included with the objective of finding out about and strengthening interactions within the company. An integral part of the listening format was the conducting of interviews and focus groups in order to understand the origins of the problems that emerged and to quickly take action to make improvements.

The average figure for general satisfaction, on a scale from 1 to 10, was 7.23 in Italy and 7.65 in Tim Brasil.

Information and company media

- Intranet: around 150 articles were published, of which 15 were on issues of sustainability.
- Sincronizzando (Synchronising): the first two issues of the company magazine, which focuses attention on the centrality of the customer, quality, dialogue with employees and the institutions, were distributed. The magazine was printed on mixed FSC-certified paper, with zero emissions of CO_2.
- Multimedia Channel: on the company Web TV, 40 editions of the biweekly news programme "Videonews" were produced as well as 50 showcase programmes. From February, the schedule will feature new content (economy and outlook, style and society, innovation and technology), thanks to the partnership with APCOM on programming.

Listening activities and projects of involvement

Telecom Italia is heading more and more towards an internal communication model in which content is supplied directly by individuals. Blogs on various topics have been launched to share and receive employees' ideas on issues concerning the company, experimentation, quality, research, amateur photography and social networks. The communities on the company Intranet have clocked up a monthly average of around 180,000 hits (with an increase of 10% for each section).

► People Caring

In the first six months of 2010, Telecom Italia continued to concentrate on four macro areas concerning its employees:

- work-life balance;
- support for the needs of children and the family;
- support for voluntary initiatives;
- appreciation of the forms of diversity in the work context.

As regards the first two issues, Telecom Italia has renewed its commitment through various initiatives, including nurseries (in addition to the nine company nurseries already in existence in seven cities, two agreements have been signed with external nurseries in Rome and Naples), company loans (274 loans were granted to meet various needs, including the buying and restoration of houses), loans to Mums and Dads (124 loans were granted for new parents with children up to three years of age), time saving services (including the service of handling formalities in 32 company branches, health centres in three company branches, laundry/shoe repairs in four branches), the implementation of 45 agreements for online special offers on products and services predominantly deriving from Telecom Italia's national partnership agreements (cars and motorbikes, culture and entertainment, electronics, sports, financial institutions, health and well-being, travel and holidays, various).

As regards the children of employees, Telecom Italia has continued, among other things, with traditional summer outings (4,750 participants) themed summer trips dedicated to studying English, sporting and musical-theatrical activities (1,900 participants), study trips to England (3,020 participants), bursaries to study English abroad (90 four-week trips to several European countries and 20 study trips involving an academic year spent in Europe, the United States, Argentina, Canada and Japan).

Among the voluntary initiatives, Telecom Italia has organised a facility (Dynamo Camp) which allows children and young people with serious or chronic illnesses to spend time in play and fun, in contact with nature. The second edition saw the participation of 30 colleagues who worked as volunteers in the role of welcoming the guests (children, youngsters and their families), being with them and supporting them during their stay.

As regards the activities and projects of Diversity Management, Telecom Italia, among other things, staged the first “Telecom Italia Diversity Contest” (held in Trieste on March 18 and 19, with the participation of more than a hundred colleagues), completed the first phase of the “Comunico-io” (“I-Communicate”) project (with the delivery to colleagues with hearing difficulties of tools to assist communication and interaction with others), and started an Intranet blog on diversity.

► Health and safety

In the course of the first six months of 2010, at the Group level in Italy, numerous activities have been continued or started from scratch, including:

- updating the Risk Assessment document: the list of those authorised to use the video terminal within the Domestic Market Operations department has been reviewed, the survey on the micro climate has been launched, risk assessments have been carried out on the Rome Testplant and the TILab laboratories in Turin;
- assessment of the risk of exposure: as requested by the Istituto Superiore di Sanità (Higher Institute of Health), environmental monitoring has proceeded of the underground access structures of the telephone network to check for the legionella bacteria. Launched in Piedmont with the backing of the local health authority, the investigation is now underway in Lazio;
- training: the process of spreading awareness about the role of the supervisor of the health and safety of workers has been completed, all the Workers’ Safety Representatives (WSR) have been trained, and two training projects concerning safety in contract works have been carried out. Personnel operating in the Service of Prevention, Protection and Environment have conducted more than 30,000 hours of training overall;
- radon: the assessment of company work places has proceeded. In agreement with Higher Institute of Health, an initiative aimed at measuring the average concentration of radon in the homes of around 7,000 volunteer employees was launched.
- measurements of electromagnetic fields (EMF): the measurement of EMF produced by the coastal radio stations of the Maritime Radio Services has been carried out.
- health visits: together with the competent doctor, the work environments of personnel subject to health monitoring were examined. Micro climatic measurements were carried out to assess environmental comfort.

► Industrial relations

On May 1, 2010, Telecom Italia S.p.A. transferred the “IT Operations” department, previously operating under the Technology & Operations/Information Technology Area, to Shared Service Centre (SSC), a limited responsibility company with a sole shareholder, that is Telecom Italia. As a consequence, around 2,100 resources were transferred to the SSC. As laid down by the current regulations, the current collective SSC contract has been applied to these personnel and their employment contracts have been transferred, without interruption, from Telecom Italia S.p.A. to SSC.
The operation will allow the SSC to supply digital services within the Telecom Italia Group, focusing exclusively on the delivery of the services offered through facilities which, within the framework of requirements identified in advance by Telecom Italia S.p.A., supply end-to-end services progressively aligned with the best performers in the key market, both in terms of quality and cost.

With regard to the Solidarity Contract applied to workers in Directory Assistance, for the period between September 1, 2009 – August 31, 2010, in line with the provisions of the Report of the Agreement of July 21, 2009, on May 18, 2010, a meeting took place at the Ministry with the Trades Union Organisations in order to check the actions taken by Telecom Italia on the re-launch of the services and the employment perspectives.

In May, 2010, during successive in-depth meetings, the Company explained to the Trades Union Organisations the organisational consequences of the Strategic Plan, 2010-2012. Within the scope of negotiations with the Trades Union Organisations, the Company confirmed its willingness to identify socially sustainable solutions for dealing with the redundancies within the time span of the plan, in line with what has been done before.

► Remuneration policy

The policies of remuneration in 2010 were again aimed at ensuring competitiveness on the labour market, in line with the objectives of attracting, developing and fostering loyalty in the workforce, as well as pay differentials from the perspective of internal coherence and on the basis of shared, objective criteria.
The management of the fixed component is guided by criteria of ever greater selectivity of the pool of resources concerned, consistent with the instructions contained in the Industrial Plan, 2009-2011. The "variable" component of the remuneration has been established as a key feature, with ever closer correlation between the remunerative package and the performance and revenue of the company.
The Management By Objectives (MBO) 2010 system, the sole, official instrument of short-term incentive aimed at the managerial group and professionals of particular value, has reinforced – as in 2009 - the importance given to the company's macro-economic and operational objectives.
Also in 2010, the importance of the non-monetary component of the retribution package was confirmed.

► Share plan

On April 29, 2010, the Shareholders' Meeting introduced the Employee Stock Ownership Plan 2010-2014, aimed at all employees with permanent contracts of Telecom Italia or subsidiary companies with registered offices in Italy.
The initiative is designed to increase the motivation to attain company objectives and reinforce the sense of belonging to the enterprise.
During the subscription period (from June 28 to July 9, 2010), all employees had the chance to subscribe to ordinary shares with a 10% discount on the market price, up to a maximum value of 3,000 euros. Subscribers who keep the shares for a year, and who remain employees, will be eligible for bonus shares, equal to one free share for every discount share acquired.
The Plan meets the conditions for access to the tax relief regime under article 51 of the Consolidated Act of Tax on Earnings. Therefore, employees who decide to retain full ownership of the discount shares acquired and allocated at no charge for three years from the respective date of subscription/allocation can enjoy tax and contributions exemption of the benefit granted by the company in terms of the discount and the bonus shares.

► Stock options

The instrument of stock options has been used within the Telecom Group in order to retain and offer long term incentives to members of management.

In Telecom Italia S.p.A., during the first six months of 2010, expired the terms for exercising options relative to:

- the third lot of the 2002 Stock Option Plan;
- the third lot of the 2002 Stock Option Top Plan;
- the third lot of the 2003-2005 Stock Option Plan (ex TIM).

Moreover, the exercising of options of existing Plans was suspended at the Shareholders' Meeting from April 13 to May 24, 2010, in accordance with the respective Regulations.

Research & Development

Telecom Italia Group's research and development activities are carried out by TI Lab (Telecom Italia Lab), the operational and business units (Networks, Marketing, Information Technology and Security) and Group companies.

TILab is the Technology and Operations Department's structure that oversees the Group's technological innovation, the scouting of new technologies and the engineering activities of services and network platforms through a network of strategic partnerships with the main producers of telecommunications equipment and systems and with renowned research centers at the most qualified national and international academic institutions.

There follows a description of the main activities conducted by TILab:

- the TI Green energy monitoring platform for businesses and the Public Administration was designed, developed and placed on the market. The platform is an expanded, more complete version of the Kaleidos platform already tested in Telecom Italia's exchanges;
- new versions of Telecom Italia's infomobility, tourism, cartography, remote medicine (Mydoctor won an award presented by the President of the Republic) and social inclusion applications were designed and launched, including Smart Inclusion (a remote teaching solution for children in hospital) in several more pediatric hospitals as part of the Smart Services developed in collaboration with CNR;
- extensive contribution to the program to develop corporate network technologies during the first months of the year;
- in collaboration with the supplier Huawei, innovative air conditioning systems were tested (Free Cooling with conventional and self-cleaning filters, Underground Cooling) for Fiber-To-The-Cabinet (FTTCab) architectures;
- analysis of innovative solutions to contain consumption and augment energy efficiency on the access network (fixed and mobile);
- providing supervision and advice for the main standardization bodies (ETSI, ITU, CEI etc.) and forums (BBF, ETNO, GeSI EE IOCG etc.) with regard to saving energy;
- definition of specifications and release of software implementation to integrate analysis algorithms on line status with CANTO and reconfiguration of the physical level of xDSL (Adaptive Dynamic Profile) to augment the stability and quality of broadband services on IP DSLAMs;
- stabilization of the quality of the main services (IPTV/Alice Casa) distributed using ADSL2+ access;
- updating of test specifications for the qualification of ADSL1 and ADSL2+ equipment;
- providing supervision and advice for the main standardization bodies and forums (ITU, FSAN, BBF) on the theme of developing access technologies on copper and fiber;
- collaboration continues with Nokia Siemens Networks and other key vendors to develop the first 'intelligent' antennas, capable of improving the performance of High Speed Packet Access (HSPA) technology and in time LTE (Long Term Evolution). This equipment makes it possible to optimize mobile radio base stations, improve the quality of service offered to customers and, at the same time, ensures lower energy consumption and a reduction of electromagnetic fields;
- testing continues in the field of LTE (Long Term Evolution), a natural evolution of the 3GPP standard of HSPA technology currently being used;
- the new "ChiamaOra su occupato" service was introduced and the availability services ("LoSai"/"ChiamaOra su non raggiungibile") were improved;
- with regard to the "Traffic Steering" service, a new option was introduced for the possibility of forwarding updates of preferred operators on SIM depending on which foreign operator the TI customer is registered with, while, in the case of "Welcome SMS", new developments were introduced, both to synchronize the welcome service with the range of dedicated offers for customers using roaming, and information supplied to customers using roaming;
- the new service "LA7 on demand" was developed and launched for LA7. The official presentation took place at the Fifth National DGTVi Conference, held in Milan on May 3 and 4. The commercial service was launched on June 23, when the LA7 program schedule for the next season was presented to companies interested in buying advertising time.

The R&D activities of Telecom Italia's Operational Units and businesses, whether conducted internally or outsourced to external suppliers, are directed towards the creation of:

- dedicated software products for managing new commercial plans and new customer services (Business Support Systems), supporting network operation (Operational Support Systems), and Security;
- testing and specific checks for bids and new network architectures;
- new hardware infrastructures to support applications.

In 2010, the main work in progress will include:

- continuation of the implementation of the new "CRM Affari" platform, for the commercial management of the SOHO, SME, Enterprise and Top customers;
- continuation of the implementation of the new 'single convergent billing' platform for the administration of the invoicing of fixed/mobile services for consumer customers;
- evolution of digital platforms in support of the business departments in the implementation of new services for the Consumer, Business & Top customers;
- continuation of the evolution of the hardware infrastructure in accordance with the principles of virtualization (Next Generation Data Center) and the provision of the technologies in order to develop commercial offers in the ICT market.

Alternative Performance Measures

In this Interim Management Report at June 30, 2010 of the Telecom Italia Group, in addition to the conventional financial performance measures established by IFRS, certain alternative performance measures are presented for purposes of a better understanding of the trend of operations and the financial condition. Such measures, which are also presented in other periodical financial reports (annual report and interim reports) should, however, not be construed as a substitute for those required by IFRS.

The non-IFRS alternative performance measures used are described below:

- **EBITDA:** this financial measure is used by Telecom Italia as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of the operating performance of the Group (as a whole and at the Business Unit level) in addition to **EBIT**. These measures are calculated as follows:

Profit before tax from continuing operations	
+	Finance expenses
-	Finance income
+/-	Other expenses (income) from investments
+/-	Share of losses (profits) of associates and joint ventures accounted for using the equity method
EBIT - Operating profit	
+/-	Impairment losses (reversals) on non-current assets
+/-	Losses (gains) on disposals of non-current assets
+	Depreciation and amortization
EBITDA - Operating profit before depreciation and amortization, Capital gains (losses) and Impairment reversals (losses) on non-current assets	

- **Organic change in Revenues, EBITDA and EBIT:** these measures express changes (amount and/or percentage) in Revenues, EBITDA and EBIT, excluding, where applicable, the effects of the change in the scope of consolidation, exchange differences and non-organic components constituted by non-recurring items and other non-organic income and expenses. Telecom Italia believes that the presentation of such additional information allows for a more complete and effective understanding of the operating performance of the Group (as a whole and at the Business Unit level). The organic change in Revenues, EBITDA and EBIT is also used in presentations to analysts and investors. Details of the economic amounts used to arrive at the organic change are provided in this Interim Management Report as well as an analysis of the major non-organic components for the first half of 2010 and 2009.

- **Net Financial Debt:** Telecom Italia believes that Net Financial Debt represents an accurate indicator of its ability to meet its financial obligations. It is represented by Gross Financial Debt less Cash and Cash Equivalents and other Financial Assets. The Interim Management Report includes a table showing the amounts taken from the statement of financial position and used to calculate the Net Financial Debt of the Group.
  In order to better represent the actual change in net financial debt, starting with the Interim Management Report at June 30, 2009, in addition to the usual measure (renamed “Net financial debt carrying amount”) a new measure has been introduced denominated “Adjusted net financial debt” which excludes effects that are purely accounting in nature resulting from the fair value measurement of derivatives and related financial assets and liabilities.

Net financial debt is calculated as follows:

+	Non-current financial liabilities
+	Current financial liabilities
+	Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale
A)	**Gross financial debt**
+	Non-current financial assets
+	Current financial assets
+	Financial assets included in Discontinued operations/Non-current assets held for sale
B)	**Financial assets**
C=(A - B)	**Net financial debt carrying amount**
D)	**Reversal of fair value measurement of derivatives and related financial assets/liabilities**
E=(C + D)	**Adjusted net financial debt**

Telecom Italia Group Half-year Condensed Consolidated Financial Statements at June 30, 2010

Contents

Half-year Condensed Consolidated Financial Statements at June 30, 2010

Consolidated Statements of Financial Position

Assets

(millions of euros)	note	6/30/2010	of which related parties	12/31/2009	of which related parties
NON-CURRENT ASSETS					
Intangible assets					
Goodwill	5)	43,810		43,627	
Intangible assets with a finite useful life	6)	6,205		6,282	
		50,015		49,909	
Tangible assets	7)				
Property, plant and equipment owned		13,387		13,606	
Assets held under finance leases		1,205		1,296	
		14,592		14,902	
Other non-current assets					
Investments in associates and joint ventures accounted for using the equity method	8)	527		435	
Other investments	8)	48		53	
Securities, financial receivables and other non-current financial assets	8)	2,828	*199*	1,119	*48*
Miscellaneous receivables and other non-current assets	8)	1,050	*25*	893	*26*
Deferred tax assets		567		1,199	
		5,020		3,699	
TOTAL NON-CURRENT ASSETS (A)		69,627		68,510	
CURRENT ASSETS					
Inventories		293		408	
Trade and miscellaneous receivables and other current assets	9)	8,637	*319*	7,462	*281*
Current income tax receivables		87		79	
Investments		39		39	
Securities other than investments		1,361	*9*	1,843	
Financial receivables and other current financial assets		375	*17*	1,103	*22*
Cash and cash equivalents		3,507	*123*	5,504	*48*
Current assets sub-total		14,299		16,438	
Discontinued operations/Non-current assets held for sale	10)				
of a financial nature		19		81	
of a non-financial nature		118	-	1,152	*8*
		137		1,233	
TOTAL CURRENT ASSETS (B)		14,436		17,671	
TOTAL ASSETS (A+B)		84,063		86,181	

Equity and liabilities

(millions of euros)	note	6/30/2010	of which related parties	12/31/2009	of which related parties
EQUITY	11)				
Share capital issued		10,674		10,674	
Less: treasury shares		(89)		(89)	
Share Capital		**10,585**		**10,585**	
Paid-in capital		1,689		1,689	
Other reserves and retained earnings (accumulated losses), including profit for the period		14,596		13,678	
Equity attributable to owners of the Parent		**26,870**		**25,952**	
Non-controlling interests		1,364		1,168	
TOTAL EQUITY (A)		28,234		27,120	
NON-CURRENT LIABILITIES					
Non-current financial liabilities	12)	36,184	*445*	36,797	*475*
Employee benefits	16)	1,082		1,075	
Deferred tax liabilities		237		160	
Provisions	17)	754		735	
Miscellaneous payables and other non-current liabilities		1,102	*26*	1,084	*25*
TOTAL NON-CURRENT LIABILITIES (B)		39,359		39,851	
CURRENT LIABILITIES					
Current financial liabilities	12)	5,935	*201*	6,941	*541*
Trade and miscellaneous payables and other current liabilities	18)	10,233	*320*	11,019	*365*
Current income tax payables		261		283	
Current liabilities sub-total		**16,429**		**18,243**	
Liabilities directly associated with Discontinued operations/Non-current assets held for sale	10)				
of a financial nature		-		659	
of a non-financial nature		41	*3*	308	*33*
		41		967	
TOTAL CURRENT LIABILITIES (C)		16,470		19,210	
TOTAL LIABILITIES (D=B+C)		55,829		59,061	
TOTAL EQUITY AND LIABILITIES (A+D)		84,063		86,181	

Separate Consolidated Income Statements

(millions of euros)	note	1st Half 2010	of which related parties	1st Half 2009 Restated	of which related parties
Revenues		13,223	*479*	13,321	*453*
Other income		104	*4*	115	*2*
Total operating revenues and other income		**13,327**		**13,436**	
Acquisition of goods and services		(5,368)	*(276)*	(5,600)	*(238)*
Employee benefits expenses		(1,845)	*(53)*	(1,903)	*(57)*
Other operating expenses		(570)	-	(606)	-
Changes in inventories		(125)		(24)	
Internally generated assets		314		244	
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION, CAPITAL GAINS (LOSSES) AND IMPAIRMENT REVERSALS (LOSSES) ON NON-CURRENT ASSETS (EBITDA)		**5,733**		**5,547**	
of which net impact of non-recurring items	25)	***(8)***		***(7)***	
Depreciation and amortization		(2,845)		(2,799)	
Gains (losses) on disposals of non-current assets		(2)		(15)	
Impairment reversals (losses) on non-current assets		(5)		(48)	
OPERATING PROFIT (EBIT)		**2,881**		**2,685**	
of which net impact of non-recurring items	25)	***(8)***		***(66)***	
Share of profits (losses) of associates and joint ventures accounted for using the equity method		39		33	
Other income (expenses) from investments		2		(34)	
Finance income	20)	3,464	*184*	1,537	*39*
Finance expenses	20)	(4,462)	*(35)*	(2,619)	*(210)*
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**1,924**		**1,602**	
of which net impact of non-recurring items	25)	***(7)***		***(68)***	
Income tax expense		(682)		(647)	
PROFIT FROM CONTINUING OPERATIONS		**1,242**		**955**	
Profit (loss) from Discontinued operations/Non-current assets held for sale	10)	(2)	-	(19)	-
PROFIT FOR THE PERIOD	21)	**1,240**		**936**	
of which net impact of non-recurring items	25)	***(8)***		***(53)***	
Attributable to:					
* **Owners of the Parent**		**1,211**		**959**	
* Non-controlling interests		29		(23)	

(euro) **Earnings Per Share (EPS):**	1st Half 2010	1st Half 2009 Restated
Earning Per Share (Basic = diluted)		
• Ordinary Share	0.06	0.05
• Savings Share	0.07	0.06
Of which:		
– *From continuing operations*		
• Ordinary Share	0.06	0.05
• Savings Share	0.07	0.06
– *From Discontinued operations/Non-current assets held for sale*		
• Ordinary Share	-	-
• Savings Share	-	-

Consolidated Statements of Comprehensive Income

(millions of euros)		1st Half 2010	1st Half 2009 Restated
PROFIT FOR THE PERIOD	(A)	1,240	936
Other components of the Statements of Comprehensive Income:			
Available-for-sale assets:			
Profit (loss) from fair value adjustments		15	(12)
Loss (profit) transferred to the Separate Consolidated Income Statement		5	-
Income tax expense		(7)	8
	(B)	13	(4)
Hedging instruments:			
Profit (loss) from fair value adjustments		1,394	(786)
Loss (profit) transferred to the Separate Consolidated Income Statement		(1,111)	(71)
Income tax expense		(76)	240
	(C)	207	(617)
Exchange differences on translating foreign operations:			
Profit (loss) on translating foreign operations		589	571
Loss (profit) on translating foreign operations transferred to the Separate Consolidated Income Statement		-	-
Income tax expense		-	-
	(D)	589	571
Share of other profits (losses) of associates and joint ventures accounted for using the equity method:			
Profit (loss)		54	(14)
Loss (profit) transferred to the Separate Consolidated Income Statement		-	-
Income tax expense		-	-
	(E)	54	(14)
Total	(F=B+C+D+E)	863	(64)
TOTAL PROFIT (LOSS) FOR THE PERIOD	(A+F)	2,103	872
Attributable to:			
* Owners of the Parent		1,928	777
* Non controlling interests		175	95

Consolidated Statements of Changes in Equity

Changes in equity for the first half of 2009 (Restated) - Note *11*

(millions of euros)	Equity attributable to owners of the Parent: Share capital	Paid-in capital	Reserve for available-for-sale financial assets	Reserve for cash flow hedges	Reserve for exchange differences on translating foreign operations	Other gains (losses) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings, including profit for the period	Total	Equity attributable to Non-controlling interests	Total equity
Balance at December 31, 2008	10,591	1,689	(22)	441	255	(39)	13,211	26,126	730	26,856
Restatement for errors							(497)	(497)		(497)
Change in accounting principles (IFRIC 13)							(31)	(31)		(31)
Adjusted balance at December 31, 2008	10,591	1,689	(22)	441	255	(39)	12,683	25,598	730	26,328
Changes in equity during the first half of 2009:										
Dividends approved							(1,029)	(1,029)	(24)	(1,053)
Total comprehensive income for the period			(4)	(617)	453	(14)	959	777	95	872
Grant of equity instruments							1	1		1
Treasury shares	(6)						(5)	(11)		(11)
Other changes							(18)	(18)		(18)
Balance at June 30, 2009	10,585	1,689	(26)	(176)	708	(53)	12,591	25,318	801	26,119

Changes in equity for the first half of 2010 - *Note 11*

(millions of euros)	Equity attributable to owners of the Parent: Share capital	Paid-in capital	Reserve for available-for-sale financial assets	Reserve for cash flow hedges	Reserve for exchange differences on translating foreign operations	Other gains (losses) of associates and joint ventures accounted for using the equity method	Other reserves and retained earnings, including profit for the period	Total	Equity attributable to Non-controlling interests	Total equity
Balance at December 31, 2009	10,585	1,689	(4)	(494)	983	(110)	13,303	25,952	1,168	27,120
Changes in equity during the first half of 2010:										
Dividends approved							(1,029)	(1,029)	(34)	(1,063)
Total comprehensive income for the period			13	207	443	54	1,211	1,928	175	2,103
Grant of equity instruments							1	1		1
Effect of Telecom Italia Media share capital operation							3	3	44	47
Other changes							15	15	11	26
Balance at June 30, 2010	10,585	1,689	9	(287)	1,426	(56)	13,504	26,870	1,364	28,234

Consolidated Statements of Cash Flows

(millions of euros)	note	1st Half 2010	1st Half 2009 Restated
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit from continuing operations		1,242	955
Adjustments for:			
Depreciation and amortization		2,845	2,799
Impairment losses (reversals) on non-current assets (including investments)		52	117
Net change in deferred tax assets and liabilities		618	584
Losses (gains) realized on disposals of non-current assets (including investments)		1	11
Share of losses (profits) of associates and joint ventures accounted for using the equity method		(39)	(33)
Change in employee benefits		(5)	(26)
Change in inventories		109	(4)
Change in trade receivables and net amounts due from customers on construction contracts		(598)	(210)
Change in trade payables		(621)	(947)
Net change in current income tax receivables/payables		(4)	(241)
Net change in miscellaneous receivables/payables and other assets/liabilities		(626)	68
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)		2,974	3,073
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of intangible assets on an accrual basis	6)	*(896)*	*(789)*
Purchase of tangible assets on an accrual basis	7)	*(1,125)*	*(1,133)*
Total purchase of intangible and tangible assets on an accrual basis (*)		(2,021)	(1,922)
Change in amounts due to fixed asset suppliers		*(404)*	*(340)*
Total purchase of intangible and tangible assets on a cash basis		(2,425)	(2,262)
Acquisition of control of subsidiaries or other businesses, net of cash acquired		(3)	-
Acquisitions of other investments		-	(4)
Change in financial receivables and other financial assets		(339)	72
Proceeds from sale that result in a loss of control of subsidiaries or other businesses, net of cash disposed of		141	(11)
Proceeds from sale/repayment of intangible, tangible and other non-current assets		12	52
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)		(2,614)	(2,153)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Change in current financial liabilities and other		1,281	(1,172)
Proceeds from non-current financial liabilities (including current portion)		1,457	5,153
Repayments of non-current financial liabilities (including current portion)		(4,323)	(2,229)
Consideration paid for equity instruments		-	(11)
Share capital proceeds/reimbursements (including subsidiaries)		44	-
Dividends paid (*)		(1,060)	(1,050)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)		(2,601)	691
CASH FLOWS FROM (USED IN) DISCONTINUED OPERATIONS/NON-CURRENT ASSETS HELD FOR SALE (D)	10)	-	22
AGGREGATE CASH FLOWS (E=A+B+C+D)		(2,241)	1,633
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD (F)		5,484	5,226
Net foreign exchange differences on net cash and cash equivalents (G)		117	71
NET CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (H=E+F+G)		3,360	6,930

(*) OF WHICH RELATED PARTIES (millions of euros)	1st Half 2010	1st Half 2009 Restated
Total acquisitions of intangible and tangible assets on an accrual basis	(1)	(1)
Dividends paid	(161)	(168)

ADDITIONAL CASH FLOW INFORMATION:

(millions of euros)

	1st Half 2010	1st Half 2009 Restated
Income taxes (paid) received	(49)	(286)
Interest expense paid	(1,795)	(1,923)
Interest income received	618	575
Dividends received	1	3

ANALYSIS OF NET CASH AND CASH EQUIVALENTS:

(millions of euros)

	1st Half 2010	1st Half 2009 Restated
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD:		
Cash and cash equivalents - from continuing operations	5,504	5,396
Bank overdrafts repayable on demand – from continuing operations	(101)	(190)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	81	20
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	-	-
	5,484	5,226
NET CASH AND CASH EQUIVALENTS AT END OF THE PERIOD:		
Cash and cash equivalents - from continuing operations	3,507	7,026
Bank overdrafts repayable on demand – from continuing operations	(166)	(138)
Cash and cash equivalents - from Discontinued operations/Non-current assets held for sale	19	42
Bank overdrafts repayable on demand – from Discontinued operations/Non-current assets held for sale	-	-
	3,360	6,930

Note 1 – Form, content and other general information

► Form and content

Telecom Italia S.p.A. is a corporation organized under the laws of the Republic of Italy. Telecom Italia S.p.A. and its subsidiaries (the "**Telecom Italia Group**" or the "**Group**") operate mainly in Europe, the Mediterranean Basin and South America.
The Group is engaged principally in the communications sector and, particularly, the fixed and mobile national and international telecommunications sector and the television sector, and the office products and Information Technology services sector.

The head office of the Parent, Telecom Italia, is located in Milan, Italy.

The half-year condensed consolidated financial statements at June 30, 2010 of the Telecom Italia Group are expressed, unless otherwise indicated, in millions of euros, which is also the currency of the primary economies in which the Group operates. Foreign subsidiaries are included in the half-year condensed consolidated financial statements in accordance with the policies described in the Note "Accounting policies" in the consolidated financial statements at December 31, 2009, to which reference can be made.
The half-year condensed consolidated financial statements at June 30, 2010 of the Telecom Italia Group have been prepared on a going concern basis (further details are provided in the Note "Accounting policies") and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the European Union (designated as "**IFRS**"), as well as the laws and regulations in force in Italy (particularly the measures enacted implementing art. 9 of Legislative Decree 38 dated February 28, 2005).

In the first half of 2010, the Telecom Italia Group has not elected the early adoption of any IFRS.

The half-year condensed consolidated financial statements at June 30, 2010 of the Telecom Italia Group have been prepared in accordance with IAS 34 (*Interim Financial Reporting*) and, as permitted by this standard, do not include all the information that would be required in annual financial statements; accordingly, these financial statements should be read together with the 2009 consolidated financial statements of the Telecom Italia Group.
For purposes of comparison, the consolidated statement of financial position at December 31, 2009 and the separate consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows as well as the consolidated statement of changes in equity for the first half of 2009 have been presented in accordance with IAS 1 (*Presentation of Financial Statements*).

Starting with the Half--year Condensed Consolidated Financial Statements at June 30, 2010 of the Telecom Italia Group, following a detailed review of the indirect taxes paid by the Group in the different fiscal jurisdictions, some taxes paid in Brazil have been reclassified from "Other operating expenses" to "Revenues" and "Other income" as deductions. Specifically, these reclassifications, which have been made in light of the forthcoming adoption of IFRS by the TIM Brasil group, will bring the Telecom Italia Group's accounting presentation in line with those of the major telecommunications operators. This will ensure greater comparability and a better understanding of the economic and financial information presented.

The amounts which have been reclassified are the followings:

(millions of euros)	1st Half 2010	Year 2009	1st Half 2009	Year 2008	Year 2007	Year 2006
Taxes on revenues and on other income of the companies in Brazil (PIS and COFINS)	(152)	(271)	(124)	(282)	(266)	(221)

Other minor alignments, in terms of classification, have also been made and the resulting figures presented for purposes of comparison have been duly reclassified.

Furthermore, as disclosed in the Note "Restatement for errors", as a result of prior years' errors - as defined by IAS 8 (*Accounting Policies, Changes in Accounting Estimates and Errors)* - arising from the Telecom Italia Sparkle case described in detail in the consolidated financial statements at December 31, 2009 of the Telecom Italia Group (to which reference can be made), the Telecom Italia Group has restated the comparative figures of the statement of financial position and income statement for the first half of 2009.

The publication of the half-year condensed consolidated financial statements at June 30, 2010 of the Telecom Italia Group has been authorized by resolution of the board of directors' meeting held on August 5, 2010.

► Financial statement formats

The financial statement formats adopted are consistent with those indicated in IAS 1. In particular:

- the consolidated statements of financial position has been prepared by classifying assets and liabilities according to "current and non-current" criterion;
- the separate consolidated income statements has been prepared by classifying operating expenses by nature of expense as this form of presentation is considered more appropriate and representative of the specific business of the Group, conforms to internal reporting and is in line with the industrial sector of reference;
- the consolidated statements of comprehensive income includes the profit or loss for the period as shown in the separate consolidated income statement and all other non-owner changes in equity;
- the consolidated statements of cash flows has been prepared by presenting cash flows from operating activities according to the "indirect method", as permitted by IAS 7 (*Statement of Cash Flows*).

Furthermore, as required by Consob resolution 15519 dated July 27, 2006, in the separate consolidated income statement, income and expenses relating to non-recurring transactions or events have been specifically identified and their relative impact has been shown separately at the main intermediate earnings levels. Also in reference to the above Consob resolution, the amounts of the balances or transactions with related parties have been shown separately.

► Segment reporting

The operating segments of the Telecom Italia Group are organized according to the relative geographical localization for the Telecommunications business (Domestic and Brazil) and according to the specific businesses for the other segments.
The term "operating segment" is considered synonymous with "Business Unit". The operating segments of the Telecom Italia Group are the following:

- Domestic Business Unit: includes domestic operations for voice and data services on fixed and mobile networks for final customers (retail) and other operators (wholesale), the operations of the Telecom Italia Sparkle group (international wholesale) as well as the relative support activities;
- Brazil Business Unit: includes telecommunications operations in Brazil;
- Media Business Unit: includes television network operations and management;
- Olivetti Business Unit: includes activities for the manufacture of digital printing systems, office products and Information Technology services;
- Other Operations: includes finance companies and other minor companies not strictly related to the core business of the Telecom Italia Group.

Starting from the third quarter of 2009, moreover, owing to the classification of HanseNet Telekommunikation GmbH (sold in the first quarter of 2010) in Discontinued Operations, the European BroadBand Business Unit is no longer presented and the other companies in that Business Unit have become part of Other Operations.

Beginning January 1, 2010, the companies Shared Service Center and HR Services, previously consolidated in Other Operations, are now consolidated in the Domestic Business Unit.
For purposes of comparison, the disclosure by operating segment for the periods under comparison has been appropriately restated.

At June 30, 2010, following the decision taken for their disposal, the BBNed group (consolidated in Other Operations) and the company Elettra (consolidated in the Domestic Business Unit – International Wholesale) are considered as disposal groups. Accordingly, the assets and liabilities of the two disposal groups have been reclassified to two specific line items in the consolidated statement of financial position at June 30, 2010: “Discontinued operations/Non-current assets held for sale” and “Liabilities directly associated with Discontinued operations/Non-current assets held for sale”.

► Scope of consolidation

The changes in the scope of consolidation at June 30, 2010 compared to December 31, 2009 (excluding Discontinued Operations – to which reference can be made in the Note “Discontinued Operations / Non-current assets held for sale) can be analyzed as follows:

Entry of companies in the scope of consolidation:

Company		Business Unit	Month
TLC COMMERCIAL SERVICES S.r.l.	newly formed	Domestic	May 2010
FLAGSHIP STORE ROMA 1 S.r.l.	newly formed	Domestic	May 2010
FLAGSHIP STORE MILANO 1 S.r.l.	newly formed	Domestic	May 2010

Exit of companies from the scope of consolidation:

Company		Business Unit	Month
Netesi S.p.A. (in liquidation)	liquidated	Other operations	March 2010
Olivetti International B.V.	liquidated	Olivetti	January 2010

Merger of companies:

Company		Business Unit	Month
Latin American Nautilus Service Inc.	Merged in Latin American Nautilus USA Inc.	Domestic	March 2010

In addition to the above, the changes in the scope of consolidation at June 30, 2010 compared to June 30, 2009 can be analyzed as follows:

Entry of companies in the scope of consolidation:

Company		Business Unit	Month
Intelig Telecomunicaçòes Ltda	new acquisition	Brazil	December 2009

Exit of companies from the scope of consolidation:

Company		Business Unit	Month
Telecom Italia Lab S.A. (in liquidation)	liquidated	Other Operations	November 2009
Olivetti Austria GmbH (in liquidation)	liquidated	Olivetti	September 2009
Top Service S.p.A. (in liquidation)	liquidated	Olivetti	September 2009
Giallo Viaggi.it S.r.l. (in liquidation)	liquidated	Media	August 2009

Merger of companies:

Company		Business Unit	Month
Tim Nordeste S.A.	Merged in Tim Celular S.A.	Brazil	December 2009

The number of subsidiaries, associates and joint ventures of the Telecom Italia Group at June 30, 2010 and December 31, 2009 is divided as follows:

	6/30/2010		
Companies:	Italy	Abroad	Total
subsidiaries consolidated line-by-line (*)	33	63	96
joint ventures accounted for using the equity method	1	1	2
associates accounted for using the equity method	16	2	18
Total companies	50	66	116

	12/31/2009		
Companies:	Italy	Abroad	Total
subsidiaries consolidated line-by-line (*)	30	67	97
joint ventures accounted for using the equity method	1	1	2
associates accounted for using the equity method	17	3	20
Total companies	48	71	119

(*) Including subsidiaries classified in “Discontinued operations/Non-current assets held for sale”.

Further details are provided in the Note “List of companies of the Telecom Italia Group”.

Note 2 – Accounting policies

The half-year condensed consolidated financial statements at June 30, 2010 have been prepared on a going concern basis as there is the reasonable expectation that Telecom Italia will continue its operating activities in the foreseeable future (certainly greater than a time horizon of 12 months).
In particular, consideration has been given to the following factors which management believes, at this time, are not such as to generate doubts as to the Group's ability to continue as a going concern:

- the main risks and uncertainties to which the Group and the various activities of the Telecom Italia Group are exposed, discussed in the paragraph "Business outlook for the year 2010" in the Interim Management Report;
- the measures adopted in terms of the mix between risk capital and debt capital as well as the policy for the remuneration of risk capital, described in the paragraph devoted to the "Share capital information" under the Note "Equity" in the annual consolidated financial statements at December 31, 2009;
- the identification, the analysis, the objectives and the policy for financial risk management (market risk, credit risk and liquidity risk) described in the Note "Financial risk management".

► Accounting principles and consolidation principles

The accounting principles and consolidation principles adopted in the preparation of the half-year condensed consolidated financial statements at June 30, 2010 have been applied on a basis consistent with those adopted for the annual consolidated financial statements at December 31, 2009, to which reference can be made, except for new standards and interpretations adopted by the Group beginning from January 1, 2010 – which, as described below, did not have any effect on the half-year condensed consolidated financial statements – as well as the changes required because of the nature of interim financial reporting.
Specifically, in the half-year condensed consolidated financial statements at June 30, 2010, the income taxes for the six months of the individual consolidated companies are calculated according to the best possible estimate based on available information and on a reasonable forecast of performance for the year up to the end of the tax period. Conventionally, the income tax liabilities (current and deferred) on the income for the interim period of the individual consolidated companies are recorded net of advances and tax credits (limited to those for which refunds have not been requested) as well as deferred tax assets, and classified in "Deferred tax liabilities"; if the balance between deferred tax assets and deferred tax liabilities is an asset it is conventionally recognized in "Deferred tax assets".

► Use of estimates

The preparation of the half-year condensed consolidated financial statements at June 30, 2010 and the relative notes requires management to make estimates and assumptions based also on subjective judgments, past experience and hypotheses considered reasonable and realistic in relation to the information known at the time of the estimate. With regard to the most important accounting estimates, please refer to those described in preparing the annual consolidated financial statements at December 31, 2009.

► New Standards and Interpretations endorsed by the EU and in effect from January 1, 2010

As required by IAS 8 (*Accounting Policies, Changes in Accounting Estimates and Errors*), the IFRS in effect from January 1, 2010 are reported below and briefly summarized.
It should be noted that in preparing the 2009 consolidated financial statements, to which reference can be made, the Telecom Italia Group early adopted IFRS 3R (*Business Combinations*) and IAS 27R (*Consolidated and Separate Financial Statements).*

Improvements to IFRS – issued by IASB in 2008
On January 23, 2009, Commission Regulation (EC) 70-2009 was published endorsing certain improvements to International Financial Reporting Standard (IFRS), among others, relating to IFRS 5 (*Non-current Assets held for Sale and Discontinued Operations*). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if an entity's disposal sale plan results in loss of control, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale.
The adoption of this improvement did not have an impact on the half-year condensed consolidated financial statements at June 30, 2010.

Amendments to IAS 39 (*Financial Instruments: Recognition and Measurement – Eligible hedged items*)
On September 15, 2009, Commission Regulation (EC) 839-2009 was published endorsing some amendments to IAS 39 which clarifies certain aspects of hedge accounting:

- identifying the cases in which inflation may be a hedged risk;
- specifying that only the intrinsic value, not the time value, of an option can be designated as a hedge of one or some risks of a hedged item (that is, a one-sided risk).

The adoption of these amendments did not have an impact on the half-year condensed consolidated financial statements at June 30, 2010.

IFRIC 17 (*Distribution of Non-cash Assets to Owners)*
On November 26, 2009, Commission Regulation (EC) 1142-2009 was published endorsing IFRIC 17.
In particular, the interpretation clarifies that a dividend payable should be recognized when the dividend is appropriately authorized and that an entity should measure this dividend payable at the fair value of the net assets to be distributed. Finally, an entity should recognize the difference between the dividend paid and the carrying amount of the net assets used for payment in the separate income statement.
The adoption of this interpretation did not have an impact on the half-year condensed consolidated financial statements at June 30, 2010.

Amendments to IFRS 2 *(Group Cash-settled Share-based Payment Transactions)*
On March 23, 2010, Commission Regulation (EC) 244-2010 was published endorsing the amendments to IFRS 2. The amendments clarify, among other things, that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments are effective from January 1, 2010. The adoption of these amendments did not have an impact on the half-year condensed consolidated financial statements at June 30, 2010.

Improvements to IFRS (issued by IASB in 2009)
On March 23, 2010, Commission Regulation (EC) 243-2010 was published endorsing the improvements to the following standards, in force from January 1, 2010:

- IFRS 2 *(Share-based Payment)*
  These amendments clarify that following the changes made by IFRS 3R to the definition of a business combination, the contribution of a business on the formation of a joint venture and the combination of entities or businesses under common control do not fall within the scope of IFRS 2.
- IFRS 5 *(Non-current Assets Held for Sale and Discontinued Operations)*
  This amendment, which shall be applied prospectively, clarifies that IFRS 5 and other IFRSs that specifically refer to non-current assets (or disposal groups) classified as held for sale or discontinued operations set out all the disclosures required in respect of those assets or operations.
- IFRS 8 *(Operating Segments)*
  The amendment to IFRS 8 clarifies that an entity shall report a measure of total assets for each reportable segment only if such an amount is regularly provided to the Chief Operating Decision Maker. Before, this information was required, in any case, for each reportable segment.
- IAS 1 *(Presentation of Financial Statements)*
  This amendment clarifies that an entity shall classify a liability as current when it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period, even if, at the option of the counterparty, the terms of a liability could result in its settlement by the issue of equity instruments.
- IAS 7 *(Statement of Cash Flows)*
  The amendment clarifies that only expenditures that result in a recognized asset in the statement of financial position are eligible for classification as investing activities.
- IAS 17 *(Leases)*
  The amendment refers to the classification of leases of land and buildings. When a lease includes both land and buildings elements, an entity shall assess the classification of each element as a finance or an operating lease separately. At the date of adoption, the classification of all land elements of unexpired leases must be reassessed, with any lease newly classified as a finance lease to be recognized retrospectively.
- IAS 36 *(Impairment of Assets)*
  The amendments refer to the allocation of goodwill to cash-generating units (or groups of cash-

generating units) of an acquirer in a business combination or for purposes of impairment testing. In particular, the amendments clarify that each unit or group of units to which the goodwill is so allocated shall not be larger than an operating segment as defined by IFRS 8 (Operating Segments) before aggregation.

- IAS 39 *(Financial Instruments: Recognition and Measurement)*
  The main amendments, to be applied prospectively to all unexpired contracts, are as follows:
  - within the scope of IAS 39, the clarification about the exclusion of any forward contracts between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date;
  - as regards accounting for an embedded derivative separately from the host contract, the following clarification regarding the prepayment option embedded in a host debt contract was introduced: in the case in which the exercise price of a prepayment option reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of the host contract, such option shall be considered closely related to the host contract and therefore not accounted for separately.
- IFRIC 9 *(Reassessment of Embedded Derivatives)*
  The amendments, applicable prospectively, exclude from the scope of IFRIC 9 embedded derivatives in contracts acquired in a business combination, a combination of entities or businesses under common control or the formation of a joint venture.
- IFRIC 16 *(Hedges of a Net Investment in a Foreign Operation)*
  The amendments refer to the removal of the prohibition to use a derivative held by the foreign operation being hedged as a hedge of the net investment in that foreign operation.

The application of the “Improvements to IFRS (2009)” did not have an impact on the half-year condensed consolidated financial statements at June 30, 2010.

► New Standards and Interpretations endorsed by the EU but not yet in effect

Amendments to IAS 32 (*Classification of Rights Issues*)

On December 23, 2009, Commission Regulation (EC) 1293-2009 was published endorsing some amendments to IAS 32 regarding the accounting of rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. The amendments require that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.
The amendments to IAS 32 are effective beginning January 1, 2011, but earlier application is permitted.
The application of these amendments is not expected to have a material impact on the consolidated financial statements.

Amendments to IAS 24 (*Related Party Disclosures*)

On July 19, 2010, Commission Regulation (EC) 632/2010 was published endorsing some amendments to IAS 24. These amendments provide a partial exemption from the disclosure requirements for government-related entities.
In addition, the definition of related party was revised and some clarifications were introduced on the disclosure content. The amendments to IAS 24 are effective beginning January 1, 2011, with earlier application permitted.
The application of these amendments is not expected to have an impact on the consolidated financial statements.

Amendments to IFRIC 14 (*Prepayments of a Minimum Funding Requirement*)

On July 19, 2009, Commission Regulation (EC) 633/2010 was published endorsing the amendments to IFRIC 14.
In particular, the amendments refer to when an entity is subject to minimum funding requirements and makes an early payment of contribution to cover those requirements. The amendments permit such an entity to treat the benefit of such an early payment as an asset.
The amendments to IFRIC 14 are effective beginning January 1, 2011, with earlier application permitted.
The application of these amendments is not expected to have a material impact on the consolidated financial statements.

IFRIC 19 ***(Extinguishing Financial Liabilities with Equity Instruments)***
On July 23, 2010, Commission Regulation (EC) 662/2010 was published endorsing IFRIC 19.
This interpretation clarifies the requirements when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. In particular, IFRIC 19 clarifies as follows:

- the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability;
- the equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished;
- the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity's separate income statement for the year.

IFRIC 19 is effective beginning January 1, 2011, with earlier application permitted.
The application of this interpretation is not expected to have a material impact on the Group's consolidated financial statements.

Note 3 – Restatement for errors

The figures for the first half of 2009 have been restated to take into account the correction of prior years' errors – as defined by IAS 8 – arising from the Telecom Italia Sparkle case and described in detail in the annual consolidated financial statements at December 31, 2009 of the Telecom Italia Group.

The adjustments and provisions made are summarized as follows:

(millions of euros)	1st Half 2009
Impact on EBITDA and EBIT	-
Finance expenses (Provision charges for interest on VAT)	(5)
Impact on profit for the period attributable to owners of the Parent	(5)

(millions of euros)	1/1/2009	6/30/2009
Impact on equity attributable to owners of the Parent	(497)	(502)
Trade and miscellaneous payables and other current liabilities (Provisions for risk and charges) (1)	497	502
Impact on Total Current liabilities	497	502

(1) The adjustments made do not impact the other statement of financial position line items and net financial debt.

The following tables reflect the impacts on the financial statement line items of the first half of 2009 of the accounting adjustments for errors – as defined by IAS 8 – in connection with the Telecom Italia Sparkle case.

(millions of euros)	1st Half 2009 Historical	Errors	Restated
OPERATING PROFIT (EBIT)	2,685	-	2,685
Share of profits (losses) of associates and joint ventures accounted for using the equity method	33	-	33
Other income (expenses) from investments	(34)	-	(34)
Finance income	1,537	-	1,537
Finance expenses	(2,614)	(5)	(2,619)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	1,607	(5)	1,602
Income tax expense	(647)	-	(647)
PROFIT FROM CONTINUING OPERATIONS	960	(5)	955
Profit (loss) from Discontinued operations/Non-current assets held for sale	(19)	-	(19)
PROFIT (LOSS) FOR THE PERIOD	941	(5)	936
Attributable to:			
* Owners of the Parent	964	(5)	959
* Non-controlling interests	(23)	-	(23)

(millions of euros)	6/30/2009 Historical	Errors	Restated
EQUITY			
Other reserves and retained earnings (accumulated losses), including profit for the period	13,546	(502)	13,044
Equity attributable to owners of the Parent	25,820	(502)	25,318
Non-controlling interests	801	-	801
TOTAL EQUITY	26,621	(502)	26,119
Trade and miscellaneous payables and other current liabilities	9,954	502	10,456
TOTAL CURRENT LIABILITIES	19,059	502	19,561
TOTAL LIABILITIES	59,522	502	60,024
TOTAL EQUITY AND LIABILITIES	86,143	-	86,143

The accounting adjustments made to correct the errors – as defined by IAS 8 – identified in connection with the Telecom Italia Sparkle case had an effect on the basic and diluted earnings per share in the first half of 2009 of less than 0.01 euros.

Note 4 – Business combinations

► Acquisition of Intelig Telecomunicações Ltda

On December 30, 2009, Tim Participaçoes finalized the acquisition of Intelig Telecomunicações Ltda, the domestic and international Brazilian telecommunications operator for long-distance and data transmission services. That company has been consolidated in the Telecom Italia Group as from the same date.

Specifically, the acquisition transaction, through the merger by incorporation of the parent, which owns 100% of Intelig (Holdco Participaçoes, controlled by JVCO), in Tim Participaçoes, had begun on April 16, 2009 by sealing agreements between Tim Participaçoes, its parent Tim Brasil and JVCO Participaçoes (controlled by the Docas group and the indirect parent of Intelig Telecomunicações Ltda).
The acquisition, through the merger transaction, was finalized on December 30, 2009 by assuming a financial payable of Intelig equal to USD 68 million. At the time of the merger, the seller was attributed JVCO shares equal to 5.14% of Tim Participaçoes ordinary and preferred share capital. Moreover, 3% of Docas ordinary shares were transferred to Tim Brasil to guarantee Intelig's financial situation to meet its potential liabilities.

The accounting effects of the business combination are represented by the following:

- Goodwill of 96 million euros has been determined provisionally as the difference between the stock market value of the shares issued on behalf of the seller as of December 30, 2009 (295 million euros) and the carrying amount of the net assets acquired (199 million euros). During the second half of 2010 (and in any case within 12 months following the transaction), the provisional amounts of the assets and liabilities recorded at the acquisition date will be adjusted retroactively to take into account their fair value at the acquisition date with the consequent re-determination of the value of goodwill;
- the transaction led to the partial sale (dilution), without loss of control, of a portion of the investment held by the Group in Tim Participações S.A.. Following the early application of IFRS 3R and IAS 27R, the comparison between the stock market valuation of the shares issued on behalf of the seller and the net assets sold led to the recognition in Equity of a gain of 47 million euros, including 39 million euros for the reclassification, to equity attributable to non-controlling interests, of the transferred portion of the Reserve for exchange differences on translating foreign operations.

Had the purchase transaction been completed as of January 1, 2009, the half-year condensed consolidated financial statements at June 30, 2009 of the Telecom Italia Group would have presented higher Revenues for 100 million euros and a lower operating profit (EBIT) for 8 million euros.

Note 5 – Goodwill

Goodwill increased 183 million euros compared to December 31, 2009; the breakdown by operating segment is as follows:

(millions of euros)	12/31/2009	Increase	Decrease	Exchange differences	Reclassifications	6/30/2010
Domestic	41,953				(6)	41,947
Brazil	1,441			194		1,635
Media	228					228
Other Operations	5				(5)	-
Total	43,627	-	-	194	(11)	43,810

The increase of 183 million euros in the first half of 2010 is due to the following:

- +194 million euros for exchange differences relating to the goodwill of the Brazilian companies;
- -6 million euros for the reclassification of goodwill allocated to Elettra, to Non-current assets held for sale;
- -5 million euros for the reclassification of the BBNed group's goodwill, to Non-current assets held for sale.

The goodwill of the Domestic Business Unit at June 30, 2010 includes 415 million euros relating to the International Wholesale cash-generating unit which is lower than the amount at December 31, 2009 owing to the above reclassification of the company Elettra.

Goodwill under IAS 36 is not amortized but is tested for impairment annually or more frequently if specific events or circumstances indicate that it may be impaired. The Group carried out the impairment test on an annual basis at December 31, 2009. However, since the carrying amount of the Group's equity at June 30, 2010 is higher than its stock market capitalization and this constitutes an external factor indicating an impairment pursuant to IAS 36, paragraph 12, the Group repeated the impairment test at June 30, 2010.
The result of the impairment test confirmed that the recoverable amount of the CGUs is higher than their carrying amount. It should be noted that for the Telecom Italia Media CGU, the recoverable amount is in line with the carrying amount. This means that negative variations in the realization of the multi-year plan assumed as the basis for the estimate of the recoverable value of the Telecom Italia Media CGU could become impairment losses.
For purposes of this test, the allocation of goodwill considers the lowest level at which goodwill is monitored for internal management purposes. The business units (or groups of units) to which goodwill has been allocated are as follows:

Segment	Business units (or groups of units)
Domestic	Core Domestic
	International Wholesale
Brazil	Tim Brasil
Media	Telecom Italia Media

The value used to determine the recoverable amount of the business units (or groups of units) to which goodwill has been allocated is the value in use for all the CGUs. At December 31, 2009, the market capitalization at December 31, 2009 of Telecom Italia Media was used for the estimate of recoverable value. After the subsidiary increased its share capital and reduced its outstanding stock on the market, which led to a significant reduction in the trading price of Telecom Italia Media ordinary shares, for purposes of the impairment test at June 30, 2010, the Group used the projections of future earnings that had been used by the subsidiary for the impairment test of goodwill on the part of the same subsidiary at the same date.
The basic assumptions for the calculation of the value in use of each group of cash-generating units are presented in the following table:

Core Domestic	International Wholesale	Brazil	Telecom Italia Media
EBITDA margin (EBITDA/revenues) during the period of the plan	EBIT margin (EBIT/revenues)	EBITDA margin (EBITDA/revenues) during the period of the plan	EBITDA margin (EBITDA/revenues) during the period of the plan
Growth of EBITDA during the period of the plan		Growth of EBITDA during the period of the plan	Growth of sales and EBITDA during the period of the plan
Capital expenditures rate (capex/revenues)	Costs of network user rights (IRUs) and related amortization	Capital expenditures rate (capex/revenues)	
		BRL/euro exchange rate	
Cost of capital	Cost of capital	Cost of capital	Cost of capital
Long-term growth rate	Long-term growth rate	Long-term growth rate	Long-term growth rate

The estimate of the value in use for the main CGUs (Core Domestic and Brazil) is based upon the data in the three-year plan, adjusted in order to consider - where necessary – the negative variations between the revised 2010 plan and the original 2010 plan used for purposes of the impairment test at December 31, 2009. The plan data extends for two and a half years (up to December 31, 2012) and the estimated flows beyond 2012 have been capitalized in perpetuity. The flows of operating profit, used for purposes of the estimate of the value in use, have been expressed as cash NOPAT, which is determined in the following way: (Ebitda – Capex[1]) x (1-Tc[2]).
With regard to the International Wholesale CGU, the measurement is based on the capitalization of expected profit (NOPAT) for the next two six-month periods (second half of 2010 and the first half of 2011), thus excluding the expected growth during the period of the plan and considering amortization higher than the capex estimated in the plan.
As concerns the Telecom Italia Media CGU, the estimate of recoverable value is based on forecasts of future profit assumed as the basis for Telecom Italia S.p.A.'s decision to subscribe to the capital increase, updated from a positive standpoint in order to consider the better results expected for 2010 and subsequent years, as can be seen in the projections used by the subsidiary itself for purposes of the impairment test at June 30, 2010. The estimate of the recoverable value thus obtained nevertheless expresses a value per share that is lower than the average target price of the equity analysts who follow the Telecom Italia Media stock.

The nominal growth rates used to estimate the terminal value are the following (the growth rate of Brazil refers to flows in Brazilian reais):

Core Domestic	International Wholesale	Brazil	Telecom Italia Media
-0.35%	-0.5%	+2.93%	+ 2%

Such rates fall within the range of growth rates applied by the analysts following Telecom Italia stock (as can be

[1] Purchase of tangible and intangible assets
[2] Full marginal tax rate

seen from the reports published after the presentation of the three-year 2010-2012 plan, of April 13, 2010) and Telecom Italia Media (as can be seen from the reports published since the share capital increase, of May 24, 2010).
The cost of capital was estimated by considering the following:

a) the criterion for the estimate of the cost of capital CAPM - Capital Asset Pricing Model (the criterion used by the Group to estimate the value in use and referred to in Annex A of IAS 36);
b) the Beta coefficient for the Core Domestic CGU and International Wholesale arrived at by using the Beta coefficients of the European telephone incumbents, including Telecom Italia itself, adjusted to take into account the financial structure (beta coefficient = 1.09);
c) the Beta coefficient for the Brazil CGU was calculated on the basis of the list price of the corresponding ADR compared to the relative stock market index (beta coefficient = 1.11);
d) in the case of International Wholesale, a "full equity " financial structure was considered since it is representative of the normal financial structure of the business;
e) for the principal operating segments of the Group, reference was made to the weighted average cost of capital (WACC) identified by the analysts who follow Telecom Italia stock in their reports published after the presentation of the 2010-2012 plan;
f) for the Telecom Italia Media CGU, the cost of capital was considered equal to that of the principal domestic peer after having verified that such rate was not less than that used by the analysts who follow Telecom Italia Media stock.

Since a direct correlation exists between the cost of capital used by analysts and the long-term growth rate (g) projected for purposes of estimating the terminal value, a comparison has also been made in terms of the capitalization rates (WACC-g). In particular, the capitalization rate (WACC-g) of the Core Domestic group of CGUs was used which is equal to the median of the rate used by equity analysts in their reports published after the presentation of the three-year plan. This rate expresses the implicit growth rate in the terminal value (g) of -0.35%. Since the growth rate in the terminal value depends on the level of capital expenditures (capex) needed to sustain such growth, in order to arrive at the estimate of the result flow to be capitalized, a capital expenditures level (capex/revenues) was considered that is aligned with the median of the equity analysts (equal to 15.2%). Concerning the Brazil CGU, the growth rate in the terminal value used for purposes of testing impairment is lower than the median of the analysts. For purposes of estimating the terminal value, a capital expenditures rate (capex/revenues) has been used, aligned to that of the analysts (13.8%).

On the basis of these elements, the post-tax Weighted Average Cost of Capital and the capitalization rate (WACC post-tax - g) have been estimated for each business unit (the rates of Brazil refer to flows in Brazilian reais) as follows:

	Core Domestic	International Wholesale	Brazil	Telecom Italia Media
	%	%	%	%
WACC post tax	7.90	10.05	11.97	7.55
WACC post tax – g	8.25	10.55	9.04	5.55
WACC pre tax	11.66	14.88	16.25	9.64
WACC pre tax-g	12.01	15.38	13.32	7.64

Since the domestic Central Functions became part of the Core Domestic CGU after the reorganization of the Domestic segment, it was not necessary to carry out a second level impairment test on that segment. Instead, a second level impairment test was conducted by considering the recoverable amount at the level of the entire Group in order to include the Central Functions and the Business Units of the Group without any goodwill allocation (Olivetti). The total recoverable amount of all the Business Units of the Group has been compared to the carrying amount of the total operating capital referring to the same units/segments. No impairment losses resulted at this level of testing.

Note 6 – Intangible assets with a finite useful life

Intangible assets with a finite useful life decreased 77 million euros compared to December 31, 2009. Details on the composition and movements during the period are as follows:

(millions of euros)	12/31/2009	Additions	Amortization	Impairment losses / reversals	Disposals	Exchange differences	Other changes	6/30/2010
Industrial patents and intellectual property rights	2,509	337	(842)			68	333	2,405
Concessions, licenses, trademarks and similar rights	2,997	11	(151)			136	17	3,010
Other intangible assets	240	161	(190)			9	(3)	217
Work in progress and advance payments	536	387		(4)	-	2	(348)	573
Total	6,282	896	(1,183)	(4)	-	215	(1)	6,205

Additions in the first half of 2010 include 178 million euros of internally generated assets (136 million euros in the first half of 2009).

Other changes include 6 million euros relating to the reclassification of the BBNed group and the company Elettra to Non-current assets held for sale.

Industrial patents and intellectual property rights at June 30, 2010 consist almost entirely of applications software purchased outright and user license rights acquired for an indefinite period of time (amortized over the period of useful benefit, estimated in three years). They mainly refer to Telecom Italia S.p.A. (1,732 million euros) and the Brazil Business Unit (570 million euros).

Concessions, licenses, trademarks and similar rights at June 30, 2010 mainly refer to:

- unamortized cost of telephone licenses (1,648 million euros for Telecom Italia S.p.A. and 953 million euros for the Brazil Business Unit);
- Indefeasible Rights of Use-IRU (227 million euros) referring mainly to the Telecom Italia Sparkle group companies (Domestic - International Wholesale);
- TV frequencies of the Media Business Unit (126 million euros).

Other intangible assets at June 30, 2010 mainly include 205 million euros for the capitalization of subscriber acquisition costs amortized over the minimum contract period (12 or 24 months) and referring to some sales campaigns of Telecom Italia S.p.A. (136 million euros) and the Brazil Business Unit (69 million euros).

Note 7 – Tangible assets (owned and under finance leases)

► Property, plant and equipment owned

Property, plant and equipment owned decreased 219 million euros compared to December 31, 2009. Details on the composition and movements during the period are as follows:

(millions of euros)	12/31/2009	Additions	Depreciation	Impairment losses/reversals	Disposals	Exchange differences	Other changes	6/30/2010
Land	125						1	126
Buildings (civil and industrial)	511	1	(24)			12	43	543
Plant and equipment	11,462	773	(1,399)		(5)	231	185	11,247
Manufacturing and distribution equipment	31	3	(6)				1	29
Ships	26		(4)				(22)	-
Other	618	96	(171)		(7)	31	38	605
Construction in progress and advance payments	833	243		(1)		34	(272)	837
Total	13,606	1,116	(1,604)	(1)	(12)	308	(26)	13,387

Additions in the first half of 2010 include 136 million euros of internally generated assets (107 million euros in the first half of 2009).

Other changes include 62 million euros relating to the reclassification of the BBNed group and the company Elettra to Non-current assets held for sale.

► Assets held under finance leases

Assets held under finance leases decreased 91 million euros compared to December 31, 2009. Details on the composition and movements during the period are as follows:

(millions of euros)	12/31/2009	Additions	Depreciation	Other changes	6/30/2010
Buildings (civil and industrial)	1,246	5	(55)	(33)	1,163
Other	7	4	(3)		8
Construction in progress and advance payments	43	-		(9)	34
Total	1,296	9	(58)	(42)	1,205

Note 8 – Other non-current assets

Other non-current assets increased 1,321 million euros compared to December 31, 2009 and include:

(millions of euros)	6/30/2010	12/31/2009
Investments accounted for using the equity method:		
Associates	413	351
Joint ventures	114	84
	527	435
Other investments	48	53
Securities, financial receivables and other non-current financial assets:		
Securities other than investments	13	15
Financial receivables and other non-current financial assets	2,815	1,104
	2,828	1,119
Miscellaneous receivables and other non-current assets:		
Miscellaneous receivables	526	385
Medium/long-term prepaid expenses	524	508
	1,050	893
Deferred tax assets	567	1,199
Total	5,020	3,699

Investments in associates accounted for using the equity method include the investments in ETECSA (367 million euros), Tiglio I (23 million euros), Teleleasing (18 million euros) and other minor companies (5 million euros).
Investments in joint ventures accounted for using the equity method include the investments in Sofora Telecomunicaciones S.A. and Consorzio Tema Mobility in which 50% stakes are held.
Other investments include the investments in Fin.Priv. (13 million euros), Sia-SSB (11 million euros) and other minor investments (24 million euros).

The list of companies accounted for using the equity method is presented in the Note “List of companies of the Telecom Italia Group”.

Financial receivables and other non-current financial assets are composed as follows:

(millions of euros)	6/30/2010	12/31/2009
Financial receivables for lessors’ net investments	216	228
Loans to employees	48	54
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature	2,460	792
Non-hedging derivatives	14	12
Other financial receivables	77	18
Total	2,815	1,104

Financial receivables for lessors’ net investments refer to:

- Teleleasing lease contracts directly negotiated with customers and guaranteed by Telecom Italia S.p.A.;
- medium-/long-term portion of contracts which provide for the sale to customers, under finance leases, of assets which the Group has available under finance leaseback contracts, with the rendering of accessory services under the “full rent” formula.

The total amount (non-current and current portion) of these financial receivables for lessors' net investments is as follows:

(millions of euros)	6/30/2010	12/31/2009
Non-current portion	216	228
Current portion	77	118
Total	293	346

Hedging derivatives relating to hedged items classified in non-current assets and liabilities of a financial nature refer to the component of their fair value measurement.
Additional information is provided in the Note "Derivatives".

Miscellaneous receivables and other non-current assets amount to 1,050 million euros (893 million euros at December 31, 2009).
They include, among others:

- the fair value of the two call options on 50% of Sofora Telecomunicaciones S.A. share capital for 130 million euros (unchanged compared to December 31, 2009); the fair value measurement takes into account pending litigation at June 30, 2010;
- medium/long-term prepaid expenses of 524 million euros (508 million euros at December 31, 2009) relating to the deferral of costs in connection with the recognition of revenues.

Note 9 – Trade and miscellaneous receivables and other current assets

Trade and miscellaneous receivables and other current assets increased 1,175 million euros compared to December 31, 2009 and are composed of the following:

(millions of euros)	6/30/2010	12/31/2009
Amounts due on construction contracts	25	25
Trade receivables:		
Receivables from customers	4,874	4,440
Receivables from other telecommunications operators	1,832	1,688
	6,706	6,128
Miscellaneous receivables and other current assets:		
Other receivables	1,331	914
Trade and miscellaneous prepaid expenses	575	395
	1,906	1,309
Total	8,637	7,462

Trade receivables amount to a 6,706 million euros (6,128 million euros at December 31, 2009), and are net of the provision for bad debts of 978 million euros (976 million euros at December 31, 2009).
Trade receivables specifically refer to Telecom Italia S.p.A. (4,877 million euros) and the Brazil Business Unit (1,204 million euros).
Trade receivables include 32 million euros (26 million euros at December 31, 2009) of medium/long-term trade receivables from customers, principally in respect of Indefeasible Rights of Use – IRU. Trade receivables increased compared to December 31, 2009 mainly due to the lower impact of the sales of receivables.

Other receivables amount to 1,331 million euros (914 million euros at December 31, 2009) and are net of a provision for bad debts of 74 million euros (74 million euros at December 31, 2009). Details are as follows:

(millions of euros)	6/30/2010	12/31/2009
Advances to suppliers	63	72
Receivables from employees	28	27
Tax receivables	393	378
Sundry receivables	847	437
Total	1,331	914

Sundry receivables mainly include:

- receivables recorded as a result of the court ordered deposit at Banca d'Italia relating to the Telecom Italia Sparkle case (282 million euros);
- receivables from factoring companies (237 million euros);
- receivable for the Italian Universal Service (53 million euros);
- receivables from the Italian state and the European Union (30 million euros) for grants regarding research and training projects.

Note 10 – Discontinued operations/Non-current assets held for sale

At June 30, 2010, the BBNed group and the company Elettra are considered as disposal groups in accordance with IFRS 5. Accordingly, the assets and liabilities of the two disposal groups have been reclassified to two specific line items in the consolidated statement of financial position at June 30, 2010: "Discontinued operations/Non-current assets held for sale" and "Liabilities directly associated with Discontinued operations/Non-current assets held for sale". Based on information currently available, the estimated sales values are not lower than the carrying amounts at June 30, 2010 as shown in the half-year condensed consolidated financial statements. At December 31, 2009, these line items included the company HanseNet Telekommunikation GmbH which was sold in the first quarter of 2010.
In the separate consolidated income statements and in the consolidated statements of cash flows for the first half of 2009 the respective line items "Profit (loss) from Discontinued operations/Non-current assets held for sale" and "Cash flows from (used in) Discontinued operations/non-current assets held for sale" refer to HanseNet Telekommunikation GmbH.

► HanseNet Telekommunikation GmbH

On February 16, 2010, the disposal of HanseNet Telekommunikation GmbH to the Telefónica group was finalized after having obtained the necessary authorizations from the competent authorities. HanseNet is an operator in the retail broadband market in Germany and a wholly-owned subsidiary of Telecom Italia S.p.A. through its holding Telecom Italia Deutschland Holding GmbH. The sales price collected was based on an Enterprise Value of 900 million euros.
The transaction was described in detail in the consolidated financial statements at December 31, 2009 of the Telecom Italia Group to which reference can be made for additional information.

► BBNed group

The BBNed group, consisting of the parent, BBNed N.V., and its two subsidiaries, BBeyond B.V. and InterNLnet B.V., is a supplier of wireline services in the Netherlands where it operates under the BBeyond brand (business market) and the Alice and InterNLnet brands (consumer market).
On July 16, 2010, the Telecom Italia Group announced that it had reached an agreement for the sale of BBNed to Tele2.
The decision to sell is in line with the Telecom Italia Group's objective to reposition itself in the core markets; the sale will not have an appreciable impact on the consolidated income statement of the Group.
The price negotiated on the sale in based on an enterprise value of about 50 million euros.

The conclusion of the sale is subject to the approval of the Antitrust Authority of the Netherlands.

► Elettra

The company Elettra is engaged in the activities of surveys, laying and maintenance of submarine telecommunications cables and in the energy and oil&gas sectors.
The Telecom Italia Sparkle group's decision to sell is in line with the objective of the parent, Telecom Italia, to reposition itself in the core businesses.
The proposed transaction calls for the sale of the ship "Pertinacia" to a company operating in the sector and, immediately thereafter, to sell the investment to a leading European operator.

***

In the consolidated statement of financial position, the line items "Discontinued operations /Non-current assets held for sale" and "Liabilities directly associated with Discontinued operations/Non-current assets held for sale" are detailed as follows:

(millions of euros)	6/30/2010	12/31/2009
Discontinued operations/ Non-current assets held for sale:		
of a financial nature	19	81
of a non-financial nature	118	1,152
Total	137	1,233
Liabilities directly associated with Discontinued operations/Non-current assets held for sale:		
of a financial nature	-	659
of a non-financial nature	41	308
Total	41	967

The **assets of a financial nature** are detailed as follows:

(millions of euros)	6/30/2010	12/31/2009
Non-current financial assets	-	-
Current financial assets	19	81
Total	19	81

The **assets of a non-financial nature** are detailed as follows:

(millions of euros)	6/30/2010	12/31/2009
Non-current assets	89	980
Current assets	29	172
Total	118	1,152

Non-current assets include the goodwill related to the BBNed group, equal to 5 million euros, and to the goodwill allocated to the company Elettra, equal to 6 million euros.

The **liabilities of a financial nature** are detailed as follows:

(millions of euros)	6/30/2010	12/31/2009
Non-current financial liabilities	-	203
Current financial liabilities	-	456
Total	-	659

The **liabilities of a non-financial nature** are detailed as follows:

(millions of euros)	6/30/2010	12/31/2009
Non-current liabilities	6	39
Current liabilities	35	269
Total	41	308

***

The impact on the separate consolidated income statement from the line item "Discontinued operations/Non-current assets held for sale" can be represented as follows:

(millions of euros)		1st Half 2010	1st Half 2009
Impact on the income statement from Discontinued operations/Non-current assets held for sale:			
Revenues			569
Other income			3
Operating expenses			(449)
Amortization and depreciation, gains (losses) and impairment losses on non-current assets			(127)
EBIT		-	(4)
Finance income (expenses)			(15)
Loss before tax from Discontinued operations/Non-current assets held for sale		-	(19)
Income tax expense			-
Loss after tax from Discontinued operations/Non-current assets held for sale	(A)	-	(19)
Economic effect on the selling companies:			
Accruals made in respect of Discontinued operations/Non-current assets held for sale		(2)	
	(B)	(2)	-
Profit (loss) from Discontinued operations/Non-current assets held for sale	(A+B)	(2)	(19)

The income statement effects refer to the following companies sold:

(millions of euros)	1st Half 2010	1st Half 2009
HanseNet	-	(19)
Gruppo Buffetti	(2)	-
Total	(2)	(19)

In the statement of cash flows, net cash flows relating to "Discontinued operations/Non-current assets held for sale" in the first half of 2009, detailed below, refer exclusively to HanseNet.

(millions of euros)	1st Half 2010	1st Half 2009
Cash flows from operating activities	-	57
Cash flows from investing activities	-	(28)
Cash flows from financing activities	-	(7)
Total	-	22

Note 11 – Equity

Equity includes:

(millions of euros)	6/30/2010	12/31/2009
Equity attributable to owners of the Parent	26,870	25,952
Equity attributable to Non-controlling interests	1,364	1,168
Total	28,234	27,120

The composition of the **Equity attributable to owners of the Parent** is the following:

(millions of euros)	6/30/2010		12/31/2009	
Share capital		10,585		10,585
Paid-in capital		1,689		1,689
Sundry reserves and retained earnings (accumulated losses), including profit for the period		14,596		13,678
- Reserve for available-for-sale financial assets	9		(4)	
- Reserve for cash flow hedges	(287)		(494)	
- Reserve for exchange differences on translating foreign operations	1,426		983	
- Other gains (losses) of associates and joint ventures accounted for using the equity method	(56)		(110)	
- Other reserves and retained earnings (accumulated losses), including profit for the period	13,504		13,303	
Total		26,870		25,952

Movements in **Share capital** during the first half of 2010 are presented in the following tables:

Reconciliation between the number of shares outstanding at December 31, 2009 and June 30, 2010

(number of shares of par value 0.55 euros)		at 12/31/2009	Share issue	at 6/30/2010	% of share capital
Ordinary shares issued	(A)	13,380,906,939	-	13,380,906,939	68.95
less: treasury shares	(B)	(162,216,387)	-	(162,216,387)	
Ordinary shares outstanding	(C)	13,218,690,552	-	13,218,690,552	
Savings shares issued and outstanding	(D)	6,026,120,661	-	6,026,120,661	31.05
Total Telecom Italia S.p.A. shares issued	(A+D)	19,407,027,600	-	19,407,027,600	100
Total Telecom Italia S.p.A. shares outstanding	(C+D)	19,244,811,213	-	19,244,811,213	

Reconciliation between the value of shares outstanding at December 31, 2009 and June 30, 2010

(millions of euros)		Share capital at 12/31/2009	Change in share capital	Share capital at 6/30/2010
Ordinary shares issued	(A)	7,360	-	7,360
less: treasury shares	(B)	(89)	-	(89)
Ordinary shares outstanding	(C)	7,271	-	7,271
Savings shares issued and outstanding	(D)	3,314	-	3,314
Total Telecom Italia S.p.A. shares capital issued	(A+D)	10,674	-	10,674
Total Telecom Italia S.p.A. shares capital outstanding	(C+D)	10,585	-	10,585

The total amount of ordinary treasury shares at June 30, 2010, 508 million euros, was recorded for the part relating to the par value (89 million euros) as a deduction from share capital issued and, for the remaining part, as a deduction from Other reserves.

Other reserves and retained earnings (accumulated losses), including profit for the period comprise:

- the **Reserve for available-for-sale financial assets** shows a positive balance of 9 million euros at June 30, 2010, increasing 13 million euros compared to December 31, 2009. It includes unrealized losses relating to the investments in Assicurazioni Generali (-2 million euros) and Fin.Priv. (-2 million euros) by the Parent, Telecom Italia, as well as the unrealized losses on the securities portfolio of Telecom Italia Finance (-11 million euros) and the positive fair value adjustment of other available-for-sale financial assets held by the Parent, Telecom Italia (24 million euros). This reserve is expressed net of deferred tax liabilities of 9 million euros (at December 31, 2009, it was expressed net of deferred tax liabilities of 2 million euros).
- the **Reserve for cash flow hedges** shows a negative balance of 287 million euros at June 30, 2010, increasing 207 million euros compared to December 31, 2009. This reserve is expressed net of deferred tax assets of 107 million euros (at December 31, 2009, it was expressed net of deferred tax assets of 183 million euros). In particular, this reserve includes the effective portion of gains or losses on the fair value adjustments of derivatives designated as cash flow hedges of the exposure to volatility in the cash flows of assets or liabilities recognized in the financial statements.
- The **Reserve for exchange differences on translating foreign operations** shows a positive balance of 1,426 million euros at June 30, 2010, increasing 443 million euros compared to December 31, 2009. This mainly refers to exchange differences in euros on the translation of the financial statements of the companies in the Brazil Business Unit.

- **Other gains (losses) of associates and joint ventures accounted for using the equity method** show a negative balance of 56 million euros at June 30, 2010, increasing 54 million euros compared to December 31, 2009. In particular, the item includes the reserve for exchange differences on translating to euros the Telecom Italia Group's share of the equity of the investments in ETECSA Cuba and Sofora Telecomunicaciones.
- **Other reserves and retained earnings (accumulated losses), including profit for the period** amount to 13,504 million euros, increasing 201 million euros compared to December 31, 2009. The change is mainly due to the sum of the following:
  - dividends approved for 1,029 million euros (1,029 million euros in 2009);
  - profit for the period attributable to owners of the Parent, equal to 1,211 million euros (959 million euros in the first half of 2009);
  - positive effect of 3 million euros arising from the change in the percentage holding in Telecom Italia Media S.p.A. following the increase in share capital; in fact, after the operation, the Telecom Italia Group's percentage holding in Telecom Italia Media went from 67.96% to 77.42%.

Equity attributable to Non-controlling interests amounts to 1,364 million euros, increasing 196 million euros compared to December 31, 2009, and is represented by the sum of:
- dividends approved (34 million euros);
- profit for the period attributable to Non-controlling interests of 29 million euros (loss of 23 million euros in the first half of 2009);
- positive change in the "Reserve for exchange differences on translating foreign operations" (146 million euros);
- positive effect of 44 million euros relating to the Telecom Italia Media S.p.A. capital increase (47 million euros) net of the impact connected with the change in the percentage ownership (-3 million euros);

The line item mainly consists of the equity attributable to the Non-controlling interests of the companies of the Brazil Business Unit and the Media Business Unit.

► Future potential changes in share capital

The following table shows the future potential changes in share capital on the basis of the options of the stock option plans still outstanding at June 30, 2010:

	Number of maximum shares issuable	Nominal value (thousands of euros)	Paid-in capital (thousands of euros)	Subscription price per share (euros)
Additional capital increases approved (ord. sh.)				
Employee Stock Ownership Plan 2010-2014 (reserved capital increase)	31,000,000	17,050	8,990	0.84
Additional capital increases approved (ord. sh.)	31,000,000	17,050	8,990	0.84
Additional capital increases not yet approved (ord. sh.)				
Employee Stock Ownership Plan 2010-2014 (free capital increase)	10,333,333	5,683	-	-
Long Term Incentive Plan 2010-2015 (reserved capital increase)	n.d. (*)	5,000 (*)	n.d. (*)	n.d. (*)
Long Term Incentive Plan 2010-2015 (free capital increase)	n.d. (**)	5,000 (**)	-	-
Shareholders' resolution of April 8, 2009	1,600,000,000	880,000	n.d.	n.d.-
Total additional capital increases not yet approved (ord. sh.)		895,683		

(*) A number of ordinary shares can be issued that can be subscribed for a total maximum equivalent amount (including paid-in capital) of 5,000,000 euros, with the subscription price determined by the board of directors;

(**) a number of ordinary shares can be issued for the number needed to assign a free share for every share subscribed, up to a maximum amount of 5,000,000 euros.

With regard to the additional capital increases not yet approved, the following is noted.

The shareholders' meeting held on April 29, 2010 granted the directors the right to increase share capital for five years from April 29, 2010 as follows:

- to service the "Employee Stock Ownership Plan 2010-2014", as approved by the shareholders' meeting held on April 29, 2010, (i) against payment, through the issue of a maximum of 31,000,000 new ordinary shares of par value 0.55 euros each, and thus for a par value not in excess of 17,050,000 euros, with normal dividend rights, with the exclusion of the pre-emptive right pursuant to art. 2441, paragraph 8, of the Italian Civil Code and art. 134, paragraph 2 of Legislative Decree 58/1998, to be offered for subscription by the employees who are grantees under the "Employee Stock Ownership Plan 2010-2014", and subsequently (ii) for a maximum amount of 5,683,333.15 euros by assigning a corresponding maximum amount of profits in accordance with art. 2349 of the Italian Civil Code, by issuing new ordinary shares of par value 0.55 euros each, with normal dividend rights, for the number necessary to assign a free share for every three shares subscribed to against payment as above by the employees who are grantees of the "Employee Stock Ownership Plan 2010-2014" subject to meeting the conditions within the timeframe and according to the manner established therein;
- to service the "Long Term Incentive Plan 2010-2015", as approved by the shareholders' meeting held on April 29, 2010, (i) against payment, through the issue of new ordinary shares of par value 0.55 euros each, with normal dividend rights, for a maximum amount of 5,000,000 euros, with the exclusion of the pre-emptive right pursuant to art. 2441, paragraph 8, of the Italian Civil Code and art. 134, paragraph 2 of Legislative Decree 58/1998, to be offered for subscription by the employees who are grantees under the "Long Term Incentive Plan 2010-2015", and subsequently (ii) for a maximum amount of 5,000,000 euros by assigning a corresponding maximum amount of profits in accordance with art. 2349 of the Italian Civil Code, by issuing new ordinary shares for a par value of 0.55 euros each, with normal dividend rights, for the number necessary to assign a free share for every share subscribed to against payment as above by the employees who are grantees of the "Long Term Incentive Plan 2010-2015" subject to meeting the conditions within the timeframe and according to the manner established therein;

As regard the share capital increase against payment, the board of directors shall fix the share issue price (including paid-in capital) in conformity with the provisions of the "Employee Stock Ownership Plan 2010-2014" and the "Long Term Incentive Plan 2010-2015" and shall also fix the period for their subscription, establishing that, if the approved capital increase is not fully subscribed to within that period, the share capital shall be increased for an amount equal to the subscriptions received up to the end of that period.

On May 6, 2010, the board of directors, with the right granted to it by the special shareholders' meeting held on April 29, 2010, passed a resolution to increase against payment, divisible, pursuant to art. 2443 of the Italian Civil Code and according to the provisions of art. 2441, paragraph 8 of the Italian Civil Code and art. 134, paragraph 2 of Legislative Decree 58, the share capital for a maximum par value of 17,050,000 euros, through the issue of a maximum of 31,000,000 new ordinary shares of par value 0.55 euros each, at an issue price equal to the average market prices of the last month preceding the offering discounted by 10%, to be reserved for subscription by grantees of the "Employee Stock Ownership Plan 2010-2014", establishing that, where the share capital has not been fully subscribed to by the end of the offering period, in any case not later than September 30, 2010, the capital shall be increased for an amount equal to the subscriptions received by that date.

On June 16, 2010, the criteria for the calculation of the subscription price and the subscription period were defined.

The subscription price was defined as the arithmetic mean of the trading prices of the Company's ordinary shares recorded between May 25, 2010 and June 25, 2010 on the Mercato Telematico Azionario (electronic stock market) organized and operated by Borsa Italiana S.p.A.. It was calculated using as the divisor only the days which refer to the listed prices taken as the basis for the calculation, discounted by 10%, up to the second digit after the decimal point (hundredths of a euro).

The precise subscription price, equal to 0.84 euros per share, was communicated by means of a notice published on the Group intranet on the evening of June 25, 2010.

The subscription period for the discounted offer of ordinary shares went from June 28, to July 9, 2010 and, following this operation, 27,056,139 ordinary shares were issued on July 29, 2010, bringing the total number of Telecom Italia ordinary shares issued to 13,407,963,078. Accordingly, the maximum quantity of shares issuable with the relative free share capital increase goes from 10,333,333 to 9,018,713 ordinary shares, for a par value equal to 4,960 thousand euros. Additional information is provided in the Note “Events subsequent to June 30, 2010”.

The shareholders’ meeting held on April 8, 2009 granted the directors the right (which, to date, has not been exercised), for a maximum period of five years beginning April 8, 2009, to increase against payment, at one or more times, share capital for a maximum nominal amount of 880,000,000 euros, through the issue, with or without paid-in capital, of a maximum of 1,600,000,000 ordinary shares of par value 0.55 euros each:

(i) to be offered as option rights to those entitled in whole or in part,

(ii) to be offered for subscription to the employees of Telecom Italia S.p.A. or to the companies which it controls, with the exclusion of the pre-emptive right, pursuant to the combined provision of art. 2441, last paragraph, of the Italian Civil Code, and art. 134, second paragraph, of Legislative Decree 58/1998.

The resolutions for capital increases passed by the board of directors in exercising the aforementioned right shall fix the subscription price (including any paid-in-capital) and establish a specific period for the subscription of the shares; they may also provide that, in the event the increase voted by the board is not fully subscribed to within that period set each time for that purpose, the capital shall be increased for an amount equal to the subscriptions received up to end of that period.

► Authorizations for the issue of convertible bonds and the purchase of treasury shares

The board of directors of Telecom Italia S.p.A. has the right to issue, at one or more times and for five years, starting April 8, 2009, bonds convertible into ordinary shares, to be offered as option rights to those entitled, for a maximum nominal amount of 1,000,000,000 euros.

At June 30, 2010, Telecom Italia S.p.A. held 37,672,014 treasury shares, of which 25,000,000 were purchased to service the plan for granting free Telecom Italia S.p.A. ordinary shares to resources who hold key roles as employees or collaborators of Telecom Italia S.p.A. or subsidiaries (“Performance Share Granting Plan”), as part of the first tranche of the treasury share buyback program announced on August 8, 2008, and of which 11,400,000 ordinary shares were purchased to service the stock option plan reserved for executive officers of Telecom Italia S.p.A., “Stock Option Plan Top 2008”, as part of the second tranche of the same treasury share buyback program.

As of the date of June 30, 2010, the Telecom Italia Group holds 162,216,387 treasury shares, of which 37,672,014 are held through the Parent, Telecom Italia, and 124,544,373 through Telecom Italia Finance.

With regard to these latter shares, when the bankruptcy of the Lehman Brothers group was announced, 99,936,853 Telecom Italia S.p.A. ordinary shares had been held in custody with Lehman Brothers International Europe (“LBIE”) according to the provisions of a custody contract. Owing to the complexity of the wind-up procedure, only on April 28, 2010 were these shares returned by LBIE to Telecom Italia Finance, with the payment of a fee of 0.75% of the value of the assets for 0.8 million euros. During the same month of April 2010, also collected were the dividends distributed during 2009, relating to the same shares, for a gross amount of euros 5 million, subject to withholding tax.

Note 12 – Financial liabilities (current and non-current)

Financial liabilities are composed as follows:

(millions of euros)		6/30/2010	12/31/2009
Financial payables (medium/long-term):			
Bonds		26,955	26,369
Convertible bonds		-	-
		26,955	26,369
Amounts due to banks		5,215	5,308
Other financial payables		457	431
		32,627	32,108
Finance lease liabilities (medium/long-term)		1,508	1,565
Other financial liabilities (medium/long-term):			
Hedging derivatives relating to hedged items classified as non-current assets/liabilities of a financial nature		1,999	3,075
Non-hedging derivatives		49	45
Deferred income		1	4
		2,049	3,124
TOTAL NON-CURRENT FINANCIAL LIABILITIES	(A)	36,184	36,797
Financial payables (short-term):			
Bonds		3,997	3,086
Convertible bonds		-	581
		3,997	3,667
Amounts due to banks		1,098	2,246
Other financial payables		324	311
		5,419	6,224
Finance lease liabilities (short-term)		238	250
Other financial liabilities (short-term):			
Hedging derivatives relating to hedged items classified as current assets/liabilities of a financial nature		251	442
Non-hedging derivatives		26	24
Deferred income		1	1
		278	467
TOTAL CURRENT FINANCIAL LIABILITIES	(B)	5,935	6,941
Financial liabilities directly associated with Discontinued operations/Non-current assets held for sale	(C)	-	659
TOTAL FINANCIAL LIABILITIES	(D) = (A+B+C)	42,119	44,397

Bonds are composed as follows:

(millions of euros)	6/30/2010	12/31/2009
Non-current portion	26,955	26,369
Current portion	3,997	3,086
Total carrying amount	30,952	29,455
Adjustment due to fair value hedge accounting and measurement at amortized cost	(983)	(923)
Total nominal repayment amount	29,969	28,532

The nominal repayment amount totals 29,969 million euros, increasing 1,437 million euros compared to December 31, 2009 (28,532 million euros): although the repayments are higher than the amount of new issues, the increase is due to the valuation at different exchange rates (mainly the USD/EUR). This phenomenon shows the opposite sign under “Hedging derivatives”.

The following table lists bonds expressed at the nominal repayment amount, net of bond repurchases, issued by companies of the Telecom Italia Group, by issuing company:

Currency	Amount (millions)	Nominal repayment amount (millions of euros)	Coupon	Issue date	Maturity date	Issue price (%)
Bonds issued by Telecom Italia S.p.A.						
Euro	750	750	4.500%	1/29/04	1/28/11	99.560
Euro	1,250	1,250	6.250%	2/1/02	2/1/12	98.952
Euro	1,000	1,000	3-month Euribor + 0.53%	12/6/05	12/6/12	100
Euro	650	650	6.750%	3/19/09	3/21/13	99.574
Euro	500	500	3-month Euribor + 0.63%	7/19/07	7/19/13	100
Euro	500	500	7.875%	1/22/09	1/22/14	99.728
Euro	673	673	4.750%	5/19/06	5/19/14	99.156
Euro	120	120	3-month Euribor + 0.66%	11/23/04	11/23/15	100
GBP	500	612	5.625%	6/29/05	12/29/15	99.878
Euro	850	850	8.250%	3/19/09	3/21/16	99.740
Euro	400	400	3-month Euribor + 0.79%	6/7/07	6/7/16	100
GBP	750	917	7.375%	5/26/09	12/15/17	99.608
Euro	1,250	1,250	5.375%	1/29/04	1/29/19	99.070
GBP	850	1,040	6.375%	6/24/04	6/24/19	98.850
Euro	313	313	6-mo. Euribor (base 365)	1/1/02	1/1/22	100
Euro	1,250	1,250	5.25%	2/10/10	2/10/22	99.295
GBP	400	489	5.875%	5/19/06	5/19/23	99.622
Euro	670	670	5.250%	3/17/05	3/17/55	99.667
Sub – Total		13,234				
Bonds issued by Telecom Italia Finance S.A. and guaranteed by Telecom Italia S.p.A.						
Euro	1,884	1,884	(a) 7.500%	4/20/01	4/20/11	99.214
Euro	108	108	3-month Euribor + 1.30%	3/12/10	3/14/12	100
Euro	1,000	1,000	7.250%	4/24/02	4/24/12	(*) 101.651
Euro	850	850	6.875%	1/24/03	1/24/13	99.332
JPY	20,000	184	3.550%	4/22/02	5/14/32	99.250
Euro	1,015	1,015	7.750%	1/24/03	1/24/33	(*) 109.646
Sub – Total		5,041				
Bonds issued by Telecom Italia Capital S.A. and guaranteed by Telecom Italia S.p.A.						
USD	700	570	4.875%	9/28/05	10/1/10	99.898
USD	400	326	3-month US Libor + 0.48%	9/28/05	2/1/11	100
USD	850	693	3-month US Libor + 0.61%	7/18/06	7/18/11	100
USD	750	611	6.200%	7/18/06	7/18/11	99.826
USD	2,000	1,630	5.250%	10/29/03	11/15/13	99.742
USD	1,000	815	6.175%	6/18/09	6/18/14	100
USD	1,250	1,018	4.950%	10/6/04	9/30/14	99.651
USD	1,400	1,141	5.250%	9/28/05	10/1/15	99.370
USD	1,000	815	6.999%	6/4/08	6/4/18	100
USD	1,000	815	7.175%	6/18/09	6/18/19	100
USD	1,000	815	6.375%	10/29/03	11/15/33	99.558
USD	1,000	815	6.000%	10/6/04	9/30/34	99.081
USD	1,000	815	7.200%	7/18/06	7/18/36	99.440
USD	1,000	815	7.721%	6/4/08	6/4/38	100
Sub - Total		11,694				
Total		29,969				

Note (a): see the following paragraph “Mechanism describing how coupons change on step-up/step-down bonds”.
(*) Weighted average issue price for bonds issued with more than one tranche.

The regulations and/or Offering Circulars relating to the bonds described above are available on the corporate website http://www.telecomitalia.it.

The following table lists the change in bonds during the first half of 2010:

NEW ISSUES

(millions of original currency)	Currency	Amount	Issue date
Telecom Italia Finance S.A. 107.7 million euros Floating Rate Notes Euribor 3 months + 1.3% maturing 3/14/2012 (1)	Euro	107.715	3/12/2010
Telecom Italia S.p.A. 1,250 million euros 5.25% maturing 2/10/2022	Euro	1,250	2/10/2010

(1) These bonds were issued as a result of the contract terms established by the current bonds denominated **"Telecom Italia Finance S.A. Euro 118,830,000 Guaranteed Floating Rate Extendable Notes due 2010"**, net of 20 million euros repurchased by the Company in 2009. Under the Terms and Conditions, the holders of the bonds for a nominal amount of 31,115,000 euros waived their right to extend the bonds' maturity to 2012 and have been reimbursed for that amount on June 14, 2010. For the remaining amount of 107,715,000 euros, bonds have been issued on March 12, 2010 denominated "Telecom Italia Finance S.A. Euro 107,715,000 Guaranteed Floating Rate Extendable Notes due 2012" maturing on March 14, 2012.

REPAYMENTS

(millions of original currency)	Currency	Amount	Repayment date
Telecom Italia Finance Floating Rate Notes 138.83 million euros Euribor 3 months + 1.30% (2)	Euro	138.83	6/14/2010
Telecom Italia S.p.A. Floating Rate Notes 796 million euros Euribor 3 months + 0.20% (3)	Euro	796	6/7/2010
Telecom Italia Capital S.A. 4% 1,250 million dollars, issued with a guarantee from Telecom Italia S.p.A.	USD	1,250	1/15/2010
Telecom Italia S.p.A. 1.5% 2001-2010 convertible bonds with a repayment premium	Euro	574	1/1/2010

(2) These bonds were issued as a result of the contract terms established by the current bonds denominated **"Telecom Italia Finance S.A. Euro 118,830,000 Guaranteed Floating Rate Extendable Notes due 2010"**, net of 20 million euros repurchased by the Company in 2009. Under the Terms and Conditions, the holders of the bonds for a nominal amount of 31,115,000 euros waived their right to extend the bonds' maturity to 2012 and have been reimbursed for that amount on June 14, 2010. For the remaining amount of 107,715,000 euros, bonds have been issued on March 14, 2010 denominated "Telecom Italia Finance S.A. Euro 107,715,000 Guaranteed Floating Rate Extendable Notes due 2012" maturing on March 14, 2012.

(3) Net of 54 million euros bought back by the company during 2009.

BUYBACKS

(millions of original currency)	Currency	Amount	Buyback period
Telecom Italia Finance S.A. 1,884 million euros 7.50% maturing April 2011 (*)	Euro	113.432	January – May 2010

(*) In October 2009, an amount of 2.683 million euros was already bought back. The total amount bought back between 2009 and 2010 is therefore 116.115 million euros.

► Mechanism describing how coupons change on step-up/step-down bonds in relation to a change in the rating

TI Finance S.A. bonds - "Euro Notes": 1,884 million euros, 7.50% interest, maturing April 2011

These securities carry protection for investors which would be triggered by a change in the rating assigned to Telecom Italia to below the Baa1/BBB+ ratings (by Moody's and Standard&Poor's, respectively): each downgrade in the rating by one notch by each of the two rating agencies to below the stated thresholds would cause an increase in the coupon interest (or the spread above the Euribor in the case of floating-rate securities) by 0.25%, starting from the coupon payment date subsequent to the downgrade in the rating.

The downgrade in the rating from the thresholds is evaluated at the end of each coupon period and, on the basis of this evaluation, the interest for the next coupon is fixed; therefore, changes in the ratings during the coupon interest period would have no impact on the coupon in progress at that particular time.

Nevertheless, the relative step-up/step-down will only be applied when the rating at the end of the coupon period is different from the rating at the end of the preceding coupon period.

The coupon has not been increased since 2008, when the rate has been set to 7.50%.

Changes in Telecom Italia's ratings

Telecom Italia's ratings at June 30, 2010 by the major rating agencies are the following:

Standard & Poor's		Moody's		Fitch Ratings	
Most recent revision July 13, 2010		Most recent revision June 28, 2010		Most recent revision July 26, 2010	
Rating	Outlook	Rating	Outlook	Rating	Outlook
BBB	Stable	Baa2	Stable	BBB	Stable

Convertible bonds

As established in the Regulations, bond conversions requests have been regularly presented during the bond period, starting from January 22, 2002 up to December 15, 2009, and the relative shares have been issued at the established dates. Specifically, the shares relating to the last bond conversion requests received between December 1, and December 15, 2009 were made available to those entitled on December 30, 2009. The remaining 484,600,157 bonds outstanding at December 31, 2009, although no longer convertible, have been reimbursed on January 1, 2010, with a one-time payment made on January 4, 2010.

(millions of euros)	6/30/2010	12/31/2009
Non-current portion		-
Current portion		581
Total carrying amount	-	581
Measurement at amortized cost		(7)
Total nominal repayment amount	-	574

Financial covenants / other covenants / other features of convertible bonds

The bonds listed do not contain financial covenants (e.g. ratios such a Debt/EBITDA, EBITDA/Interest etc.) or clauses that would force the early redemption of the bonds in relation to events other than the insolvency of the Telecom Italia Group. Furthermore, the repayment of the bonds and the payment of interest are not covered by specific guarantees nor are there commitments provided relative to the assumption of future guarantees, except for the full and unconditional guarantees provided by Telecom Italia S.p.A. for the bonds issued by Telecom Italia Finance S.A. and Telecom Italia Capital S.A.. None of the securities summarized here carry any other interest rate structures or structural complexities.
Since these bonds have been placed principally with institutional investors in major world capital markets (Euromarket and the U.S.A.), the terms which regulate the bonds are in line with market practice for similar transactions effected on these same markets; consequently, for example, there are commitments not to use the company's assets as collateral for loans ("negative pledges").

Medium/long-term **financial payables due to banks** total 5,215 million euros (5,308 million euros at December 31, 2009) and decreased by 93 million euros.
Short-term financial payables due to banks of 1,098 million euros decreased by 1,148 million euros (2,246 million euros at December 31, 2009); in particular, in January 2010, the syndicated credit line denominated Term Loan 2010 for 1.5 billion euros became due and was repaid from cash resources. Short-term financial payables due to banks include 936 million euros for the current portion of medium/long-term financial payables due to banks.

Medium/long-term **other financial payables** amount to 457 million euros (431 million euros at December 31, 2009). They include 186 million euros of the Telecom Italia Finance S.A. loan for 20,000 million Japanese yen due in 2029 and 262 million euros of debt certificates regulated by German law denominated "Schuldschein" issued by Telecom Italia Finance S.A. maturing 2013. The other short-term financial payables amount to 324 million euros (311 million euros at December 31, 2009).

Medium/long-term **finance lease liabilities** total 1,508 million euros (1,565 million euros at

December 31, 2009) and mainly refer to building sale and leaseback transactions recorded in accordance with IAS 17. Short-term finance lease liabilities amount to 238 million euros (250 million euros at December 31, 2009).

Hedging derivatives relating to items classified as non-current liabilities of a financial nature amount to 1,999 million euros (3,075 million euros at December 31, 2009). Hedging derivatives relating to items classified as current liabilities of a financial nature total 251 million euros (442 million euros at December 31, 2009). Further details are provided in the Note "Derivatives".

Non-hedging derivatives relating to items classified as non-current liabilities of a financial nature amount to 49 million euros (45 million euros at December 31, 2009). Non-hedging derivatives relating to items classified as current liabilities of a financial nature total 26 million euros (24 million euros at December 31, 2009). These refer to the measurement of derivatives which, although put into place for hedging purposes, do not possess the formal requisites to be considered as such under IFRS. Further details are provided in the Note "Derivatives".

Revolving Credit Facility

Currently, the Telecom Italia Group has two Revolving Credit Facilities (RCF): one is a syndicated credit line expiring August 2014 for 8 billion euros, of which 1.5 billion euros is drawn down, and the other is a syndicated credit line expiring February 2013 for 1.25 billion euros, not drawn down.

Gross financial debt according to the original currency of the transaction is as follows:

	6/30/2010		12/31/2009	
	(millions of foreign currency)	(millions of euros)	(millions of foreign currency)	(millions of euros)
USD	14,958	12,190	16,296	11,312
GBP	2,535	3,101	2,527	2,845
BRL	3,237	1,464	3,177	1,267
JPY	30,597	281	30,548	229
EURO		25,083		28,085
		42,119		43,738
Discontinued Operations		-		659
		42,119		44,397

The analysis of gross financial debt by effective interest rate bracket excluding the effect of derivative hedging instruments, if any, is the following:

(millions of euros)	6/30/2010	12/31/2009
Up to 2.5%	5,708	5,424
From 2.5% to 5%	3,780	6,018
From 5% to 7.5%	22,872	21,953
From 7.5% to 10%	4,927	4,564
Over 10%	1,295	1,073
Accruals/deferrals, MTM and derivatives	3,537	4,706
	42,119	43,738
Discontinued Operations	-	659
	42,119	44,397

Instead, as a result of the use of derivative hedging instruments, gross financial debt by nominal interest rate bracket is the following:

(millions of euros)	6/30/2010	12/31/2009
Up to 2.5%	12,944	5,839
From 2.5% to 5%	9,880	14,763
From 5% to 7.5%	12,144	13,910
From 7.5% to 10%	2,179	3,802
Over 10%	1,435	718
Accruals/deferrals, MTM and derivatives	3,537	4,706
	42,119	43,738
Discontinued Operations	-	659
	42,119	44,397

The maturities of financial liabilities according to the expected nominal repayment amount, as defined by contract, are the following:

Detail of the maturities of Financial liabilities – nominal repayment amount:

(millions of euros)	maturing by 6/30/ of the year: 2011	2012	2013	2014	2015	After 2015	Total
Bonds	3,530	3,662	2,500	4,118	1,019	15,140	29,969
Loans and other financial liabilities	916	361	286	1,158	2,142	1,677	6,540
Finance lease liabilities	222	170	166	141	126	904	1,729
Total	4,668	4,193	2,952	5,417	3,287	17,721	38,238
Current financial liabilities	457						457
Total	5,125	4,193	2,952	5,417	3,287	17,721	38,695

Note 13 – Net financial debt

As required by Consob Communication DEM/6064293 dated July 28, 2006, the following table presents the net financial debt at June 30, 2010 and December 31, 2009 calculated in accordance with the criteria indicated in the Recommendation of CESR (Committee of European Securities Regulators) dated February 10, 2005 "Recommendations for the Uniform Implementation of the European Commission Regulation on Disclosures" and also introduced by Consob itself. This table also includes the reconciliation of net financial debt determined according to the criteria indicated by CESR and net financial debt calculated according to the criteria of the Telecom Italia Group fully disclosed in the Interim Management Report.

TELECOM ITALIA GROUP - CONSOLIDATED NET FINANCIAL DEBT

(millions of euros)		6/30/2010	12/31/2009 Restated
Non-current financial liabilities (*):			
Financial payables		32,627	32,108
Finance lease liabilities		1,508	1,565
Non-current liabilities for hedging and non-hedging derivatives		2,048	3,120
Other financial liabilities		1	4
		36,184	36,797
Less:			
Non-current financial receivables for lessors' net investments		*(216)*	*(228)*
Non-current assets for hedging derivatives		*(2,460)*	*(792)*
		(2,676)	*(1,020)*
TOTAL NON-CURRENT FINANCIAL LIABILITIES (*)	(A)	33,508	35,777
Current financial liabilities (*):			
Financial payables		5,419	6,224
Finance lease liabilities		238	250
Current liabilities for hedging and non-hedging derivatives		277	466
Other financial liabilities		1	1
		5,935	6,941
Less:			
Current financial receivables for lessors' net investments		*(77)*	*(118)*
Current assets for hedging derivatives		*(256)*	*(310)*
		(333)	*(428)*
TOTAL CURRENT FINANCIAL LIABILITIES (*)	(B)	5,602	6,513
Financial liabilities relating to Discontinued operations/Non-current assets held for sale	(C)		659
TOTAL GROSS FINANCIAL DEBT (*)	(D=A+B+C)	39,110	42,949
Current financial assets (*):			
Securities other than investments		(1,361)	(1,843)
Financial receivables and other current financial assets		(375)	(1,103)
Cash and cash equivalents		(3,507)	(5,504)
		(5,243)	(8,450)
Less:			
Current financial receivables for lessors' net investments		*77*	*118*
Current assets for hedging derivatives		*256*	*310*
		333	*428*
	(E)	(4,910)	(8,022)
Financial assets relating to Discontinued operations/Non-current assets held for sale	(F)	(19)	(81)
TOTAL CURRENT FINANCIAL ASSETS (*)		(4,929)	(8,103)
NET FINANCIAL DEBT AS PER CONSOB COMMUNICATION DEM/6064293/2006	(H=D+G)	34,181	34,846
Non-current financial assets (*):			
Securities other than investments		(13)	(15)
Financial receivables and other non-current financial assets		(2,815)	(1,104)
		(2,828)	(1,119)
Less:			
Non-current financial receivables for lessors' net investments		*216*	*228*
Non-current assets for hedging derivatives		*2,460*	*792*
		2,676	1,020
TOTAL NON-CURRENT FINANCIAL ASSETS (*) (°)	(I)	(152)	(99)
NET FINANCIAL DEBT (**)	(L=H+I)	34,029	34,747
Reversal of fair value measurement of derivatives and related financial liabilities/assets	(M)	(450)	(798)
NET FINANCIAL DEBT, EXCLUDING REVERSAL OF FAIR VALUE MEASUREMENT OF DERIVATIVES AND RELATED FINANCIAL LIABILITIES/ASSETS (ADJUSTED NET FINANCIAL DEBT)	(L+M)	33,579	33,949

(*) Net of assets for hedging derivatives and financial receivables for lessors' net investments.
(**) As regards the effects of related party transactions on net financial debt, reference should be made to the specific table included in the Note "Related party transactions" in the half-year condensed consolidated financial statements.
(°) At June 30, 2010, the item includes: low-rate loans made to employees (48 million euros) and securities other than investments (13 million euros).

► Covenants and negative pledges relating to outstanding positions at June 30, 2010

With reference to loans received by Telecom Italia S.p.A. from the European Investment Bank (EIB), an amount of 852 million euros (out of a total of 2,501 million euros at June 30, 2010) is not secured by bank guarantees but there are covenants which cover the following:

- in the event the company becomes the target of a merger, demerger or contribution of a business segment outside the Group, or sells, disposes or transfers assets or business segments, it shall immediately inform EIB which shall have the right to ask for guarantees to be provided or changes to be made to the loan contract. As for the two loan contracts signed between EIB and Telecom Italia S.p.A. on July 17, 2006 for 150,000,000.00 euros and on November 30, 2007 for 182,200,000.00 euros, EIB has the right to rescind from the contract under ex. art. 1456 of the Italian Civil Code should Telecom Italia S.p.A. cease to hold, directly or indirect, more than 50% of the voting rights in the ordinary shareholders' meeting of HanseNet Telekommunication GmbH Germany or, in any case, a number of shares such as to represent more than 50% of its share capital; to this end, on November 5, 2009, the Group announced that an agreement had been signed in principle for the sale of the subsidiary, HanseNet, to the Telefónica group which was finalized on February 16, 2010. Following the sale of HanseNet, the Group decided to voluntarily repay the loan of 182,200,000.00 euros, of which 40,000,000.00 euros had already been repaid on June 18, 2010 while the remaining 142,200,000.00 euros will be repaid on September 30, 2010. The loan of 150,000,000.00 euros will remain outstanding until its natural due date of July 2014;
- for the loan with a nominal amount of 350 million euros, if the Company's rating is lower than BBB+ for Standard&Poor's, Baa1 for Moody's and BBB+ for Fitch Ratings and, for the loans with a nominal amount of 500 million euros, if the Company's rating is lower than BBB for S&P's, Baa2 for Moody's and BBB for Fitch Ratings, the company shall immediately inform EIB which shall have the right to ask for suitable guarantees to be provided, indicating a date for setting up these guarantees. After that date and if Telecom Italia S.p.A. fails to provide the guarantees, EIB shall have the right to demand immediate repayment of the amount disbursed. The current ratings did not require new guarantees or repayments of loans;
- the company is obliged to promptly advise the bank about changes in the allocation of share capital among the shareholders which could bring about a change in control. Failure to communicate this information would result in the termination of the contract. The contract shall also be terminated when a shareholder, which, at the date of signing the contract does not hold at least 2% of the share capital, comes to hold more than 50% of the voting rights in the ordinary shareholders' meeting or, in any case, a number of shares such that it represents more than 50% of the share capital, whenever, in the bank's reasonable opinion, this fact could cause a detriment to the bank or could compromise the execution of the Project. This clause also applies to the guaranteed loan of 300 million euros made by the EIB in June 2009.

The syndicated bank lines of Telecom Italia S.p.A. do not contain financial covenants (e.g. ratios such as Debt/EBITDA, EBITDA/Interest etc.) which would oblige the Company to automatically repay the outstanding loan if the covenants are not observed. Mechanisms are provided for adjusting the cost of funding in relation to Telecom Italia's credit rating, with a spread added to the Euribor of between a minimum of 0.0875% and a maximum of 0.2625% for the line expiring in 2014 and a minimum of 0.90% and a maximum of 2.50% for the line expiring in 2013.
The two syndicated bank lines contain the usual other types of covenants, including the commitment not to use the company's assets as collateral for loans (negative pledges), the commitment not to change the business purpose or sell the assets of the company unless specific conditions exist (e.g. the sale takes place at fair market value). The same negative pledge conditions are also found in the export credit loan agreements.

The syndicated bank lines (as well as an export credit agreement for a residual nominal amount of 75 million euros at June 30, 2010) consider the case where a party, other than the current relative majority shareholder or permitted acquiring shareholders, including the shareholders of Telco, acquires control of Telecom Italia, individually or jointly. In that case, a 30-day period is established during which the parties shall negotiate the terms with which to continue the relationship.

Lastly, in the documentation of the loans granted to certain companies of the Tim Brasil group, the companies must generally respect certain financial ratios (e.g. capitalization ratios, ratios for servicing debt, profit ratios and debt ratios) as well as the usual other pledge clauses, under pain of a request for the early repayment of the loan.

With the understanding that there are no financial covenants on the loan contracts of the Group, it should be pointed out, that at June 30, 2010, no covenant of any other type, negative pledge clause or other clause relating to the above-described debt position, has in any way been breached or violated.

Note 14 – Financial risk management

► Financial risk management objectives and policies of the Telecom Italia Group

The Telecom Italia Group is exposed to the following financial risks in the ordinary course of its business operations:

- market risk: stemming from changes in interest rates and exchange rates in connection with financial assets that have been originated and financial liabilities that have been assumed;
- credit risk: representing the risk of the non-fulfillment of the obligations undertaken by the counterpart with regard to the liquidity investments of the Group;
- liquidity risk: connected with the need to meet short-term financial commitments.

These financial risks are managed by:

- the definition, at a central level, of guidelines for directing operations;
- the activities of an internal committee which monitor the level of exposure to market risks consistently with prefixed general objectives;
- the identification of the most suitable financial instruments, including derivatives, to reach prefixed objectives;
- the monitoring of the results obtained;
- the exclusion of the use of financial instruments for speculative purposes.

The policies for the management and the sensitivity analyses of the above financial risks by the Telecom Italia Group are described below.

► Identification of risks and analyses

The Telecom Italia Group is exposed to market risks as a result of changes in interest rates and exchange rates in the markets in which it operates or has bond issues, principally Europe, the United States, Great Britain and Latin America.
The financial risk management policies of the Telecom Italia Group are directed towards diversifying market risks, fully hedging exchange rate risk and minimizing interest rate exposure by an appropriate diversification of the portfolio, which is also achieved by using carefully selected derivative financial instruments.
The Group defines an optimum fixed-rate and floating-rate debt composition and uses derivative financial instruments to achieve that prefixed composition. In consideration of the Group's operations, the optimum blend of medium/long-term non-current financial liabilities has been established, on the basis of the nominal amount, in the range 60 - 70% for the fixed-rate component and 40% - 30% for the floating-rate component.

In managing market risk, the Group adopted a guideline policy for debt management using derivative instruments and mainly uses the following:

- Interest Rate Swaps (IRS): used to modify the profile of the original exposure to interest rate risks on loans and bonds, whether fixed or floating;
- Cross Currency and Interest Rate Swaps (CCIRS) and Currency Forwards: used to convert loans and bonds issued in currencies other than euro – principally in U.S. dollars and British pounds – to the functional currencies of the operating companies.

Derivative financial instruments are designated as fair value hedges for the management of exchange rate risks on instruments denominated in currencies other than euro and the management of the interest rate risk on fixed-rate loans. Derivative financial instruments are designated as cash flow hedges when the objective is to fix the exchange rate of future transactions and the interest rate.

All derivative financial instruments are put into place with high-credit-quality banking and financial counterparts with a high credit rating.

The exposure to the various market risks can be measured by sensitivity analyses, in accordance with IFRS 7. These analyses illustrate the effects produced by a given and assumed change in the levels of the relevant variables in the various markets (exchange rates, interest rates and prices) on finance income and expenses and, at times, directly on equity. The sensitivity analysis was performed based on the suppositions and assumptions indicated below:

- The sensitivity analyses were performed by applying reasonably possible variations in the relevant risk variables to the amounts in the financial statements at June 30, 2010, assuming that such amounts are representative of the entire year.
- The exchange risk of the Group's loans denominated in currencies other than euro is fully hedged, therefore, the exchange risk is not considered in the sensitivity analysis under IFRS 7.
- The changes in value of fixed-rate financial instruments, other than derivatives, produced by changes in interest rates, generate an impact on profit only when they are accounted for at their fair value, in accordance with IAS 39. All fixed-rate instruments which are accounted for at amortized cost are not subject to interest rate risk as defined by IFRS 7.
- In the case of fair value hedge relationships, fair value changes of the underlying hedged item and the derivative instrument, due to changes in the reference interest rates, are almost entirely offset in the income statement for the year. Therefore, these financial instruments are not exposed to interest rate risk.
- The changes in value of financial instruments designated in a cash flow hedge relationship, produced by changes in interest rates, generate an impact on the debt level and on equity; accordingly they are included in this analysis.
- The changes in value, produced by changes in the reference interest rates of floating-rate financial instruments, other than derivatives, which are not part of a cash flow hedge relationship, generate an impact on the finance income and expenses for the year; accordingly they are included in this analysis.

Exchange rate risk – Sensitivity analysis

At June 30, 2010 (as at December 31, 2009), the exchange risk of the Group's loans denominated in currencies other than euro was fully hedged. For this reason, a sensitivity analysis has not been performed on the exchange risk.

Interest rate risk – Sensitivity analysis

The change in interest rates on the variable component of payables and liquidity may lead to higher or lower finance income and expenses, while the changes in the level of the expected interest rate affect the fair value measurement of the Group's derivatives. In particular:

- with regard to the derivatives that convert the liabilities contracted by the Group to fixed rates (cash flow hedging), in keeping with the international accounting standards that regulate hedge accounting, the mark-to-market measurement of such instruments is accrued in a specific undistributable Equity reserve. The combined change of the numerous market variables to which the mark-to-market calculation is subject between the transaction inception date and the measurement date renders any assumption about the trend of the variables insignificant. As the contract expiration date approaches, the accounting effects described will gradually be absorbed until they cease to exist;
- if at June 30, 2010 the interest rates in the various markets in which the Telecom Italia Group operates had been 100 basis points higher (lower) compared to that actually realized, then higher (lower) finance expenses, before the tax effect, would have been recognized in the income statement for 104 million euros (77 million euros at December 31, 2009).

Allocation of the financial structure between fixed rate and floating rate

As for the allocation of the financial structure between the fixed-rate component and the floating-rate component, for both financial assets and liabilities, reference should be made to the following tables. They show the nominal repayment/investment amount (insofar as that amount expresses the effective interest rate exposure of the Group) and, as far as financial assets are concerned, the intrinsic nature (financial characteristics and duration) of the transactions under consideration rather than the stated contractual terms alone. Bearing that in mind, a transaction whose characteristics (short or very short time frame and frequent renewal) are such that the interest rate is periodically reset on the basis of market parameters, even though the contract does not call for re-fixing the interest rate (such as in the case of bank deposits, Euro Commercial Paper and receivables on sales of securities), has been considered in the category of floating rate.

TOTAL FINANCIAL LIABILITIES (at the nominal repayment amount)

(millions of euros)	6/30/2010			12/31/2009		
	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Bonds	17,472	12,497	29,969	17,999	10,533	28,532
Convertible bonds	-	-	-	574	-	574
Loans and other financial liabilities	5,689	2,580	8,269	6,941	4,843	11,784
Total non-current financial liabilities (including the current portion of medium/long-term financial liabilities)	23,161	15,077	38,238	25,514	15,376	40,890
Total current financial liabilities (*)	50	407	457	107	370	477
TOTAL (**)	23,211	15,484	38,695	25,621	15,746	41,367

(*) At June 30, 2010, floating-rate current liabilities include 220 million euros of payables to other lenders for installments paid in advance which are conventionally classified in this line item even though they are not correlated to a definite rate parameter (222 million euros at December 31, 2009).
(**) Liabilities directly associated with Discontinued operations/Non-current assets held for sale, of a financial nature, are not taken into consideration.

FINANCIAL ASSETS (at the nominal investment amount)

(millions of euros)	6/30/2010			12/31/2009		
	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Deposits and cash	-	2,642	2,642	-	4,614	4,614
Euro Commercial Paper	-	135	135	-	20	20
Securities	41	2,046	2,087	31	2,675	2,706
Other receivables	958	241	1,199	504	737	1,241
TOTAL (*)	999	5,064	6,063	535	8,046	8,581

(*) Discontinued operations/Non-current assets held for sale, of a financial nature, are not taken into consideration.

With regard to floating-rate financial instruments, the contracts provide for revisions of the relative parameters to take place within the subsequent 12 months.

Effective interest rate

As to the effective interest rate, for the categories where that parameter can be determined, such parameter refers to the original transaction net of the effect of any derivative hedging instruments.

The information, since it is provided by class of financial asset and liability, was determined, for purposes of calculating the weighted average, using the carrying amount adjusted by accruals, prepayments, deferrals and changes in fair value: this is therefore the amortized cost, net of accruals and any changes in fair value as a consequence of hedge accounting.

TOTAL FINANCIAL LIABILITIES

(millions of euros)	6/30/2010 Adjusted carrying amount	6/30/2010 Effective interest rate (%)	12/31/2009 Adjusted carrying amount	12/31/2009 Effective interest rate (%)
Bonds	29,837	5.94	28,428	5.87
Convertible bonds	-	-	574	7.42
Loans and other financial liabilities	8,745	4.62	10,030	4.38
TOTAL (*)	38,582	5,64	39,032	5,51

(*) Liabilities directly associated with Discontinued operations/Non-current assets held for sale, of a financial nature, are not taken into consideration.

TOTAL FINANCIAL ASSETS

(millions of euros)	6/30/2010 Adjusted carrying amount	6/30/2010 Effective interest rate (%)	12/31/2009 Adjusted carrying amount	12/31/2009 Effective interest rate (%)
Deposits and cash	2,642	0.46	4,614	0.34
Euro Commercial Paper	135	0.74	20	0.70
Securities	2,087	5.09	2,706	4.02
Other receivables	417	5.12	1,024	4.59
TOTAL (*)	5,281	2.66	8,364	2.05

(*) Discontinued operations/Non-current assets held for sale, of a financial nature, are not taken into consideration.

As for financial assets, the weighted average effective interest rate is not essentially influenced by the existence of derivatives.

With reference to the concept of market risk, in the broad sense, the Group has interest coupon step-ups and step-downs for certain bonds that change in relation to changes in ratings. Such mechanisms, however, do not affect interest rate exposure, as previously described above, or the determination of the current effective interest rate. Further information is provided in the Note “Financial liabilities (current and non-current)”.
As for market risk management using derivatives, reference should be made to the Note “Derivatives”.

► Credit risk

The management of the Group’s liquidity is guided by prudent criteria and is principally based on the following:

- money market management: the investment of temporary excess cash resources during the year which are expected to turn around within the subsequent 12-month period;
- bond portfolio management: the investment of a permanent level of liquidity, the investment of that part of liquidity which is expected to turn around for cash requirement purposes after a 12-month period, as well as the improvement in the average yield.

In order to limit the risk of the non-fulfillment of the obligations undertaken by the counterpart, deposits are made with leading high-credit-quality banking and financial institutions with at least an A rating and generally for periods of less than three months. As for the other temporary investments of liquidity, there are investments in Euro commercial paper (the issuers all have an A rating by Standard & Poor’s and headquarters in Europe). With regard to bond portfolio management, the issuers have at least a BBB rating by Moody’s.

In order to minimize credit risk, the Group also pursues a diversification policy for its investments of liquidity and assignment of its credit positions among different banking counterparts. Consequently, there are no significant positions with any one single counterpart.

► Liquidity risk

The Group pursues the objective of achieving an “adequate level of financial flexibility” which is expressed by maintaining a current treasury margin to cover the refinancing requirements at least for the next 12 months with irrevocable bank lines and liquidity.
Current financial assets at June 30, 2010, together with unused committed bank lines, ensure complete

coverage of debt repayment obligations for the next 24 months.
12% of gross financial debt at June 30, 2010 (nominal repayment amount) will become due in the following 12 months.
Maturities of non-current financial liabilities (including the current portion of medium/long-term debt) in terms of the expected nominal repayment amount are the following:

Maturities of non-current financial liabilities – nominal repayment amount:

(millions of euros)	maturing by 6/30/ of the year: 2011	2012	2013	2014	2015	After 2015	Total
Bonds	3,530	3,662	2,500	4,118	1,019	15,140	29,969
Loans and other financial liabilities	916	361	286	1,158	2,142	1,677	6,540
Finance lease liabilities	222	170	166	141	126	904	1,729
Total	**4,668**	**4,193**	**2,952**	**5,417**	**3,287**	**17,721**	**38,238**

The following table reports the contractual cash flows not discounted to present value relative to gross financial debt at nominal repayment amounts; the interest flows have been determined using the conditions and interest and exchange rates prevailing at June 30, 2010. The principal and interest portions of the hedged liabilities include both the disbursements and the receipts of the related hedging derivatives.

Financial liabilities – Maturities of contractually expected disbursements

(millions of euros)		maturing by 6/30/ of the year: 2011	2012	2013	2014	2015	After 2015	Total
Bonds	Principal	3,530	3,662	2,500	4,118	1,019	15,140	29,969
	Interest	1,701	1,492	1,315	1,164	926	10,193	16,791
Loans and other financial liabilities	Principal	916	361	286	1,158	2,142	1,677	6,540
	Interest	181	134	127	115	6	(969)	(406)
Finance lease liabilities	Principal	222	170	166	141	126	904	1,729
	Interest	110	103	96	89	81	284	763
Non-current financial liabilities (*)	*Principal*	*4,668*	*4,193*	*2,952*	*5,417*	*3,287*	*17,721*	*38,238*
	Interest	*1,992*	*1,729*	*1,538*	*1,368*	*1,013*	*9,508*	*17,148*
Current financial liabilities	*Principal*	*457*	-	-	-	-	-	*457*
	Interest	*4*	-	-	-	-	-	*4*
Total financial liabilities	Principal	5,125	4,193	2,952	5,417	3,287	17,721	38,695
	Interest	1,996	1,729	1,538	1,368	1,013	9,508	17,152

(*) These include hedging and non-hedging derivatives.

Derivatives – Contractually expected interest flows

(millions of euros)	maturing by 6/30/ of the year: 2011	2012	2013	2014	2015	After 2015	Total
Disbursements	1,071	997	939	880	676	4,582	9,145
Receipts	(1,121)	(1,051)	(995)	(902)	(761)	(5,746)	(10,576)
Hedging derivatives – net (receipts) disbursements	**(50)**	**(54)**	**(56)**	**(22)**	**(85)**	**(1,164)**	**(1,431)**
Disbursements	18	-	-	-	-	7	25
Receipts	(4)	-	-	-	-	-	(4)
Non-hedging derivatives – net (receipts) disbursements	**14**	**-**	**-**	**-**	**-**	**7**	**21**
Total net disbursements	(36)	(54)	(56)	(22)	(85)	(1,157)	(1,410)

Furthermore, in the first half of 2010, the Group proceeded to refinance debt as follows:

- on February 10, 2010, Telecom Italia S.p.A. issued bonds for 1,250 million euros, annual coupon of 5.25%, maturing February 10, 2022;
- on February 12, 2010, Telecom Italia S.p.A. signed a new revolving line of credit with leading credit institutions for an amount of 1,250 million euros for a period of three years. This is a back-up line which raises the Group's financial flexibility.

► Fair value of derivatives

In order to determine the fair value of derivatives, the Telecom Italia Group uses various valuation models.
Mark-to-market is calculated by discounting interest and notional future contractual flows using market interest rates and exchange rates.
The notional amount of IRS does not represent the amount exchanged between the parties and therefore does not constitute a measurement of credit risk exposure which, instead, is limited to the amount of the differential between the interest rates paid/received.
The fair value of CCIRSs, instead, also depends on the differential between the reference exchange rate at the date of signing the contract and the exchange rate at the date of measurement, since CCIRSs imply the exchange of the reference principal, in the respective currencies of denomination.

Note 15 – Derivatives

Derivative financial instruments are used by the Telecom Italia Group to hedge its exposure to foreign exchange rate risk and the change in commodity prices and to manage interest rate risk and also to diversify the parameters of debt so that costs and volatility can be reduced to within predetermined operational limits.
Derivative financial instruments at June 30, 2010 are principally used to manage debt positions. They include interest rate swaps (IRS) and interest rate options (IRO) to reduce interest rate exposure on fixed-rate and floating-rate bank loans and bonds, as well as cross currency and interest rate swaps (CCIRS), currency forwards and currency options to convert the loans secured in different foreign currencies to the functional currencies of the various companies of the Group.
IRS and IRO transactions, respectively, provide for or may entail, at specified maturity dates, the exchange of flows of interest, calculated on the notional amount, at the agreed fixed or floating rates.
The same also applies to CCIRS transactions which, in addition to the settlement of periodic interest flows, may provide for the exchange of principal, in the respective currencies of denomination, at maturity and possibly on demand.
The following tables present the derivative transactions put into place by the Telecom Italia Group at June 30, 2010, divided between fair value hedge derivatives (Table 1 – Fair Value Hedge Derivatives), cash flow hedge derivatives (Table 2 – Cash Flow Hedge Derivatives) and non-hedge accounting derivatives (Table 3 – Non-Hedge Accounting Derivatives) in accordance with IAS 39.

Table 1 - Fair Value Hedge Derivatives

Description	Notional amount *(millions of euros)*	Mark-to-Market (Clean Price) *(millions of euros)*
CCIRS transactions put into place by Telecom Italia S.p.A. maturing May 2032 on Telecom Italia Finance S.A. bonds of 20 billion JPY (equivalent amount of 184 million euros at 6/30/2010), broken down as follows: • by Telecom Italia Finance S.A., an IRS contract in which Telecom Italia Finance S.A. receives the semiannual coupon of 3.55% in JPY and pays a semiannual floating rate in JPY; • by Telecom Italia Finance S.A., the sale of an swaption exercisable annually, from 2012 to 2031, to hedge the call option embedded in the underlying debt, through which Telecom Italia Finance sold the right to pay a semiannual floating rate in JPY and to receive a fixed rate of 3.55%; • by Telecom Italia S.p.A., a CCIRS contract on an intragroup floating-rate loan in JPY, in which Telecom Italia S.p.A. receives 6-month LIBOR in JPY and pays 6-month Euribor.	172	(11)
CCIRS transactions put into place by Telecom Italia S.p.A. on bonds for a total amount of 2,250 million USD (equivalent amount of 1,833 million euros at 6/30/2010) issued by Telecom Italia Capital S.A. in October 2004 (10-year tranche of 1,250 million USD and 30-year tranche of 1,000 million USD), converting the coupon fixed rate in USD to the 6-month Euribor.	1,805	271
CCIRS transactions put into place by Telecom Italia S.p.A. on bonds for a total amount of 2,500 million USD (equivalent amount of 2,037 million euros at 6/30/2010) issued by Telecom Italia Capital S.A. in September 2005 (5-year tranche of 700 million USD, 5.35-year tranche of 400 million USD and 10-year tranche of 1,400 million USD), converting the coupon fixed rate in USD to the 6-month Euribor.	2,068	84
CCIRS transactions put into place by Telecom Italia S.p.A. maturing July 2011 on the two 5-year tranches of a total 1,600 million USD (equivalent amount of 1,304 million euros at 6/30/2010) on bonds for a total amount of 2,600 million USD issued by Telecom Italia Capital S.A. in July 2006, converting the coupon rate (respectively, 6.2% in USD and the 3-month Libor in USD +0.61%) to the 6-month Euribor.	1,264	63
IRS transactions put into place by Telecom Italia S.p.A. maturing 2014 on bonds of 500 million euros issued by Telecom Italia S.p.A. in January 2009, converting the coupon rate of 7.875% to the 6-month Euribor.	500	13
IRS transactions put into place by Telecom Italia S.p.A. maturing 2013 on bonds of 650 million euros issued by Telecom Italia S.p.A. in March 2009, converting the coupon rate of 6.75% to the 1-month Euribor.	650	21
IRS transactions put into place by Telecom Italia S.p.A. maturing 2016 on bonds of 850 million euros issued by Telecom Italia S.p.A. in March 2009, converting the coupon rate of 8.25% to the 1-month Euribor.	850	51
CCIRS put into place by Telecom Italia S.p.A. maturing December 2017 on bonds of 750 million GBP (equivalent amount of 917 million euros at 6/30/2010) issued by Telecom Italia S.p.A. in May 2009, converting one component of the coupon rate of 3.64745% to the 3-month Euribor.	851	103
IRS transactions put into place by Telecom Italia S.p.A. maturing 2011 on BTP government securities in portfolio at 4.25%, notional amount of 350 million euros, converting the coupon rate of 4.25% to the 6-month Euribor.	350	(4)
IRS transactions put into place by Telecom Italia S.p.A. maturing 2012 on BTP government securities in portfolio at 3%, notional amount of 350 million euros, converting the coupon rate of 3% to the 6-month Euribor.	350	(5)

IRS transactions put into place by Telecom Italia S.p.A. maturing 2012 on BTP government securities in portfolio at 4.25%, notional amount of 100 million euros, converting the coupon rate of 4.25% to the 6-month Euribor.	100	(3)
IRS transactions put into place by Telecom Italia S.p.A. maturing 2013 on BTP government securities in portfolio at 3.75%, notional amount of 100 million euros, converting the coupon rate of 3.75% to the 6-month Euribor.	100	(3)
IRS transactions put into place by Telecom Italia S.p.A. maturing 2015 on BTP government securities in portfolio at 3%, notional amount of 250 million euros, converting the coupon rate of 3% to the 6-month Euribor.	250	(6)
IRS transactions put into place by Telecom Italia S.p.A. maturing 2011 on bonds of 750 million euros issued by Telecom Italia S.p.A. in January 2004, converting the coupon rate of 4.5% to the 6-month Euribor.	750	5
IRS transactions put into place by Telecom Italia Finance S.A. maturing 2011 on bonds of 2,000 million euros issued by Telecom Italia Finance S.A. in April 2001, converting the coupon rate of 7.5% to the 6-month Euribor	250	2
IRS transactions put into place by Telecom Italia S.p.A. maturing 2012 on bonds of 1,250 million euros issued by Telecom Italia S.p.A. in February 2002, converting the coupon rate of 6.25% to the 6-month Euribor.	1,250	1
IRS transactions put into place by Telecom Italia S.p.A. maturing 2019 on bonds of 1,250 million euros issued by Telecom Italia S.p.A. in January 2004, converting the coupon rate of 5.375% to the 6-month Euribor.	1,250	56
IRS transactions put into place by Telecom Italia S.p.A. maturing 2022 on bonds of 1,250 million euros issued by Telecom Italia S.p.A. in February 2010, converting the coupon rate of 5.25% to the 6-month Euribor.	550	28
Total Fair Value Hedge Derivatives	**13,360**	**666**

The method selected to test the effectiveness, retrospectively and prospectively, of Fair Value Hedge derivatives is the Volatility Risk Reduction (VRR) Test. This test assesses the ratio between the portfolio risk (where the portfolio means the derivative and the item hedged) and the risk of the hedged item taken separately. In short, the portfolio risk must be significantly less than the risk of the item hedged.

Table 2 - Cash Flow Hedge Derivatives

Description	Notional amount *(millions of euros)*	Mark-to-Market (Clean Price) *(millions of euros)*
USD/EUR collar options purchased by Elettra TLC S.p.A. to hedge contractual flows of 34 million USD expiring by June 2013 (monthly expiration dates), fixing the equivalent amount in euros in a range of between 21 and 26 million euros.	26	(2)
Collar options on commodities purchased by Elettra TLC S.p.A. to hedge contractual flows expiring by December 2010, fixing the equivalent amount in euros in a range of between 2 and 4 million euros.	4	-
Commodity swap transactions put into place by Telenergia S.r.l. to hedge monthly purchases of electrical energy from the company EGL Italia S.p.A., expiring December 2010, receiving the variable index (IT Brent Index) and paying 59.35 euros per bbl.	9	-
Commodity swap transactions put into place by Telenergia S.r.l. to hedge monthly purchases of electrical energy from the company Edison S.p.A., expiring December 2010, receiving the variable index (IM2 Index) and paying 54.98 euros per MWh.	9	-

Commodity swap transactions put into place by Telenergia S.r.l. to hedge monthly purchases of electrical energy from the company ENI S.p.A., expiring December 2010, receiving the variable index (En Remix 80/20 Index) and paying 55.92 euros per MWh.	26	-
Commodity swap transactions put into place by Telenergia S.r.l. to hedge monthly purchases of electrical energy from the company ENI S.p.A., expiring December 2010, receiving the variable index (En Remix 80/20 Index) and paying 55.4 euros per MWh.	9	-
Forward purchases in USD by Elettra TLC S.p.A. to hedge a contractual flow equal to 6 million USD expiring November 2013.	4	1
Forward purchases in USD by Telecom Italia S.p.A. to hedge quarterly contractual flows expiring by November 2011.	3	-
Forward purchases in USD by Telecom Italia S.p.A. to hedge monthly commercial contractual flows expiring by November 2013.	1	-
CCIRS transactions put into place by Telecom Italia S.p.A. maturing November 2013 on the 10--year tranche of 2,000 million USD (equivalent amount of 1,630 million euros at 6/30/2010) on bonds for a total of 4,000 million USD issued by Telecom Italia Capital S.A. in October 2003, converting the coupon rate of 5.25% in USD to the fixed rate of 5.0349% in euros.	1,709	(101)
IRS transactions put into place by Telecom Italia S.p.A. maturing November 2015 on quarterly floating-rate bonds of 120 million euros issued by Telecom Italia S.p.A. (2004-2015), converting the 3-month Euribor to an annual fixed rate of 4.1605%.	120	(9)
CCIRS transactions put into place by Telecom Italia S.p.A. maturing December 2015 on bonds of 500 million GBP (equivalent amount of 612 million euros at 6/30/2010), issued by Telecom Italia S.p.A. in June 2005, converting a coupon rate of 5.625% in GBP to a fixed rate of 4.34117% in euros.	751	(134)
CCIRS transactions put into place by Telecom Italia S.p.A. maturing June 2019 on bonds of 850 million GBP (equivalent amount of 1,040 million euros at 6/30/2010) issued by Telecom Italia S.p.A. in June 2004, converting the fixed rate of 6.375% in GBP to a fixed rate of 5.3108% in euros.	1,258	(241)
CCIRS transactions put into place by Telecom Italia S.p.A. maturing May 2023 on bonds of 400 million GBP (equivalent amount of 489 million euros at 6/30/2010) issued by Telecom Italia S.p.A. in May 2006, converting a coupon rate of 5.875% in GBP to a fixed rate of 5.5345% in euros.	587	(134)
IRS transactions put into place by Telecom Italia S.p.A. maturing December 2010 on floating-rate bonds of 1,000 million euros issued by Telecom Italia S.p.A. in December 2005 and maturing December 2012, converting a coupon rate of Euribor +0.53% to a fixed rate of 4.5404% in euros.	1,000	(14)
CCIRS transactions put into place by Telecom Italia S.p.A. maturing October 2029 on the private placement of the Telecom Italia Finance S.A. "Dual-Currency" loan of 20 billion JPY (equivalent amount of 184 million euros at 6/30/2010). The following were put into place: • by Telecom Italia S.p.A., an IRS contract converting the fixed rate of 5% in USD to the 6-month Libor in JPY; • by Telecom Italia S.p.A., a CCIRS contract with which Telecom Italia S.p.A., on the intragroup loan in JPY, receives the 6-month Libor in JPY and pays the 6-month Euribor; • by Telecom Italia S.p.A., an IRS contract converting the 6-month Euribor to the fixed rate of 6.9395% in euros.	174	(23)
CCIRS transactions put into place by Telecom Italia S.p.A. maturing November 2033 on the 30-year tranche of 1,000 million USD (equivalent amount of 815 million euros at 6/30/2010) on bonds for a total of 4,000 million USD issued by Telecom Italia Capital S.A. in October 2003, converting the coupon rate of 6.375% in USD to a fixed rate of 5.994% in euros.	849	(88)

CCIRS transactions put into place by Telecom Italia S.p.A. maturing July 2036 on the 30-year tranche of 1,000 million USD (equivalent amount of 815 million euros at 6/30/2010) on bonds for a total of 2,600 million USD issued by Telecom Italia Capital S.A. in July 2006, converting the coupon rate of 7.20% in USD to a fixed rate of 5.88429% in euros.	791	127
IRS transactions put into place by Telecom Italia S.p.A. maturing July 2013 on quarterly floating-rate bonds of 500 million euros issued by Telecom Italia S.p.A. (2007-2013), converting the 3-month Euribor rate to an annual fixed rate of 4.334%.	500	(44)
CCIRS transactions put into place by Telecom Italia S.p.A. maturing June 2018 on the 10-year tranche of 1,000 million USD (equivalent amount of 815 million euros at 6/30/2010) on bonds for a total of 2,000 million USD issued by Telecom Italia Capital S.A. in May 2008, converting the coupon rate of 6.999% in USD to a fixed rate of 7.01232% in euros.	642	188
CCIRS transactions put into place by Telecom Italia S.p.A. maturing June 2038 on the 30-year tranche of 1,000 million USD (equivalent amount of 815 million euros at 6/30/2010) on bonds for a total of 2,000 million USD issued by Telecom Italia Capital S.A. in May 2008, converting the coupon rate of 7.721% in USD to a fixed rate of 7.45122% in euros.	645	201
IRS transactions put into place by Telecom Italia S.p.A. maturing June 2016 on quarterly floating-rate bonds of 400 million euros issued by Telecom Italia S.p.A. (2007-2016), converting the 3-month Euribor to a semiannual fixed rate of 4.9425%.	400	(64)
IRS transactions put into place by Telecom Italia S.p.A. maturing August 2014 on the monthly floating-rate revolving credit facility of 1,500 million euros, converting the 1-month Euribor to a semiannual fixed rate of 4.82583%.	1,500	(202)
IRS transactions put into place by Telecom Italia S.p.A. maturing March 2014 on the semiannual floating-rate EIB loan of 350 million euros, converting the 6-month Euribor to a semiannual fixed rate of 4.93457%.	350	(40)
IRS transactions put into place by Telecom Italia S.p.A. maturing September 2013 on the quarterly floating-rate EIB loan of 400 million euros, converting the 3-month Euribor to a semiannual fixed rate of 5.03388%.	400	(45)
IRS transactions put into place by Telecom Italia S.p.A. maturing December 2013 on the semiannual floating-rate EIB loan of 100 million euros, converting the 6-month Euribor to a semiannual fixed rate of 4.832%.	100	(11)
CCIRS put into place by Telecom Italia S.p.A. maturing December 2017 on bonds of 750 million GBP (equivalent amount of 917 million euros at 6/30/2010) issued by Telecom Italia S.p.A. in May 2009, converting a component of the coupon rate of 3.72755% to a fixed rate of 3.82901% in euros.	851	-
CCIRS transactions put into place by Telecom Italia S.p.A. maturing June 2014 on the 5-year tranche of 1,000 million USD (equivalent amount of 815 million euros at 6/30/2010) on bonds for a total of 2,000 million USD issued by Telecom Italia Capital S.A. in June 2009, converting the coupon rate of 6.175% in USD to a fixed rate of 5.8186% in euros.	719	109
CCIRS transactions put into place by Telecom Italia S.p.A. maturing June 2019 on the 10-year tranche of 1,000 million USD (equivalent amount of 815 million euros at 6/30/2010) on bonds for a total of 2,000 million USD issued by Telecom Italia Capital S.A. in June 2009, converting the coupon rate of 7.175% in USD to a fixed rate of 6.694% in euros.	722	115
Forward starting IRS transactions put into place by Telecom Italia S.p.A. starting September 2012 and expiring September 2034 on the 30-year tranche of 1,000 million USD (equivalent amount of 815 million euros at 6/30/2010) on bonds for a total of 2,250 million USD issued by Telecom Italia Capital S.A. in October 2004, converting the 6-month Euribor to an annual fixed rate of 4.7316%.	794	(5)
Total Cash Flow Hedge Derivatives	14,953	(416)

The hedge of cash flows by derivatives designated as Cash Flow Hedges was considered highly effective and at June 30, 2010 led to:

- recognition to equity of an unrealized income for 285 million euros;
- reversal from equity to the income statement of net gains from exchange rate adjustments for 1,165 million euros.

Furthermore, at June 30, 2010, the total gain of the hedging instruments that is still recognized in equity amounts to 9 million euros as a result of the effect of transactions early terminated over the years. The positive impact reversed to the income statement during the first half of 2010 is 2 million euros.
The transactions hedged by Cash Flow Hedges will generate cash flows and will produce economic effects in the income statement in the periods indicated in the following table:

Currency of denomination	Notional amount in currency of denomination (million)	Start of period	End of period	Rate applied	Interest period
USD	2,000	July 2010	Nov 2013	5.25%	Semiannually
Euro	120	July 2010	Nov 2015	Euribor 3 months + 0.66%	Quarterly
GBP	500	July 2010	Dec 2015	5.625%	Annually
GBP	850	July 2010	June 2019	6.375%	Annually
GBP	400	July 2010	May 2023	5.875%	Annually
Euro	1.000	July 2010	Dec 2010	Euribor 3 months + 0.53%	Quarterly
USD	186	July 2010	Oct 2029	5.45%	Semiannually
USD	1,000	July 2010	Nov 2033	6.375%	Semiannually
USD	1,000	July 2010	July 2036	7.20%	Semiannually
Euro	500	July 2010	July 2013	Euribor 3 months + 0.63%	Quarterly
USD	1,000	July 2010	June 2018	6.999%	Semiannually
USD	1,000	July 2010	June 2038	7.721%	Semiannually
Euro	400	July 2010	June 2016	Euribor 3 months + 0.79%	Quarterly
Euro	1,500	July 2010	Aug 2014	Euribor 1 months + 0.1575%	Monthly
Euro	350	July 2010	Mar 2014	EIB 6 months + 0.29%	Semiannually
Euro	400	July 2010	Sept 2013	EIB 3 months + 0.15%	Quarterly
Euro	100	July 2010	Dec 2013	Euribor 6 months - 0.023%	Semiannually
GBP	750	July 2010	Dec 2017	3.72755%	Annually
USD	1,000	July 2010	June 2014	6.175%	Semiannually
USD	1,000	July 2010	June 2019	7.175%	Semiannually
USD	1,000	Sept 2012	Sept 2034	6%	Semiannually

The method selected to test the effectiveness, retrospectively and prospectively, of Cash Flow Hedge derivatives, whenever the principal terms do not fully coincide, is the Volatility Risk Reduction (VRR) Test. This test assesses the ratio between the portfolio risk (where the portfolio means the derivative and the item hedged) and the risk of the hedged item taken separately. In short, the portfolio risk must be significantly less than the risk of the item hedged.

The ineffective portion from designated Cash Flow Hedge derivatives recognized in the income statement during the first half of 2010 is immaterial.

Table 3 – Non-Hedge Accounting Derivatives

Description	Notional amount *(millions of euros)*	Mark-to-Market (Clean Price) *(millions of euros)*
Exchange rate transactions put into place by Telecom Italia S.p.A.	12	-
Exchange rate transactions put into place by Telecom Italia Finance S.A.	94	(2)
Exchange rate transactions put into place by Telecom Italia Capital S.A.	18	(1)
Exchange rate transactions put into place by Olivetti S.p.A.	15	-
Interest and exchange rate transactions put into place by Tim Celular S.A.	647	(10)
Total Non-Hedge Accounting Derivatives	786	(13)

The following table presents the derivatives of the Telecom Italia Group by type:

Type	Hedged risk	Notional amount at 6/30/2010 *(millions of euros)*	Notional amount at 12/31/2009 *(millions of euros)*	Mark-to-Market Spot (Clean Price) at 6/30/2010 *(millions of euros)*	Mark-to-Market Spot (Clean Price) at 12/31/2009 *(millions of euros)*
Interest rate swaps	Interest rate risk	7,200	4,150	156	18
Cross Currency and Interest Rate Swaps	Interest rate risk and currency exchange rate risk	6,160	7,174	510	(823)
Total Fair Value Hedge Derivatives		13,360	11,324	666	(805)
Interest rate swaps	Interest rate risk	5,164	4,720	(434)	(360)
Cross Currency and Interest Rate Swaps	Interest rate risk and currency exchange rate risk	9,698	9,698	19	(1,514)
Commodity Swap and Options	Commodity risk (energy)	57	5	-	(1)
Forward and FX Options	Currency exchange rate risk	34	34	(1)	-
Total Cash Flow Hedge Derivatives		14,953	14,457	(416)	(1,875)
Total Non-Hedge Accounting Derivatives		786	949	(13)	(21)
Total Telecom Italia Group Derivatives		29.099	26.730	237	(2.701)

Note 16 – Employee benefits

Employee benefits decreased 6 million euros compared to December 31, 2009 and are composed of the following:

(millions of euros)		12/31/2009	Increase	Decrease	6/30/2010
Provision for employee severance indemnities	(A)	1,051	23	(17)	1,057
Provision for pension plans		25	2	(2)	25
Provision for termination benefit incentives		146	-	(12)	134
Total Other provisions for employee benefits (*)	(B)	171	2	(14)	159
Total	(A+B)	1,222	25	(31)	1,216
of which:					
non-current portion		1,075			1,082
current portion (*)		147			134

(*) The current portion refers only to Other provisions for employee benefits.

Provision for employee severance indemnities refers only to the Italian companies of the Group. The balance increased 6 million euros as a result of the sum of provision charges recorded in the income statement (23 million euros for the interest matured for all Group companies, the charge for severance indemnity for companies with less than 50 employees and actuarial (gains) losses) and utilizations (-17 million euros for indemnities paid to employees who terminated employment and for advances).

The effect on the income statement, included in employee benefits expenses, is as follows:

(millions of euros)	1st Half 2010	1st Half 2009
Current service cost (*)	°	°
Finance expenses	23	32
Net actuarial (gains) losses recognized during the period	°	(15)
Total expenses	23	17
Effective return on plan assets	n/a	n/a

(*) Following the social security reform, the quotas intended for the INPS Treasury Fund or for the supplementary pension funds have been recorded under "Employee benefits expense" in "Social security expenses" and not in "Employee severance indemnities expenses". The latter account will still be used only for the severance indemnity expenses of companies with less than 50 employees (equal, for the year, to 0.2 million euros).

Provisions for pension plans principally refer to pension plans operating in foreign companies of the Group. The decrease also includes the reclassification of the BBNed group to Non-current assets held for sale.

Provisions for termination benefit incentives decreased 12 million euros due to the utilization of the provision for mobility under Law 223/91 accrued in 2008 by the Parent, Telecom Italia, Telecom Italia Sparkle, Olivetti and Olivetti I-Jet.

Note 17 – Provisions

Provisions decreased 21 million euros compared to December 31, 2009 and are composed of the following:

(millions of euros)	12/31/2009	Increase	Used through income statement	Used directly	Exchange differences and other changes	6/30/2010
Provision for taxation and tax risks	116	6		(8)	6	120
Provision for restoration costs	458	11		(5)	13	477
Provision for legal disputes	308	36		(77)	10	277
Provision for commercial risks	70	3	(2)	(7)	3	67
Provision for risks and charges on investments and corporate-related transactions	150	8		(13)	(2)	143
Other provisions	558	4		(4)	(3)	555
Total	1,660	68	(2)	(114)	27	1,639
of which:						
non-current portion	735					754
current portion	925					885

Provision for restoration costs refers to the charge for the estimated cost to dismantle tangible assets and restore the sites of Telecom Italia S.p.A. and the Brazil Business Unit.
This provision increased 19 million euros due to:

- recognition in the income statement of finance expenses to reflect the passage of time (+8 million euros) and new accruals (+3 million euros);
- utilizations (-5 million euros);
- exchange differences of the Brazil Business Unit (+13 million euros).

Provision for legal disputes decreases mainly on account of utilizations by Telecom Italia S.p.A. following the closing of some litigation.

Other provisions for risks and charges decreased 3 million euros. At June 30, 2010, the amount in the provision for risks and charges includes the provision accrued in connection with Telecom Italia Sparkle case. The overall amount provided was 507 million euros (unchanged compared to December 31, 2009) and was accrued to meet risks and charges of a tax nature (VAT unlawfully deducted and the relative interest and penalties) and legal nature. Further details are provided in the Note “Contingent liabilities, other information, commitments and guarantees”.

The provision includes the amounts set aside in respect of the Telecom Italia Sparkle case.

Note 18 – Trade and miscellaneous payables and other current liabilities

Trade and miscellaneous payables and other current liabilities decreased 786 million euros compared to December 31, 2009 and are composed of the following:

(millions of euros)		6/30/2010	12/31/2009
Payables on construction work	(A)	23	24
Trade payables:			
- Payables to suppliers		3,622	4,689
- Payables to other telecommunication operators		1,342	1,326
	(B)	4,964	6,015
Tax payables	(C)	1,053	651
Miscellaneous payables and other current liabilities:			
- Payables for employee compensation		477	440
- Payables to social security agencies		319	421
- Trade and miscellaneous deferred income		869	883
- Advances received		15	26
- Customer-related items		1,125	1,109
- Payables for TLC operating fee		30	30
- Dividends approved, but not yet paid to shareholders		22	22
- Other current liabilities		317	326
- Employee benefits (except for employee severance indemnities) for the current portion expected to be settled within 1 year		134	147
- Provisions for risks and charges for the current portion expected to be settled within 1 year		885	925
	(D)	4,193	4,329
Total	(A+B+C+D)	10,233	11,019

Trade payables (all due within 1 year) amounting to 4,964 million euros (6,015 million euros at December 31, 2009) mainly refer to Telecom Italia S.p.A. (3,301 million euros) and the companies in the Brazil Business Unit (1,006 million euros).

Tax payables particularly refer to the VAT payable of Telecom Italia S.p.A. (639 million euros), to the government concession tax of Telecom Italia S.p.A. (109 million euros) and other tax payables of the companies in the Brazil Business Unit (230 million euros).

Note 19 – Contingent liabilities, other information, commitments and guarantees

This section illustrates the main judicial, arbitration and tax proceedings in which the Telecom Italia Group companies were involved as of June 30, 2010.

Provisions for 625 million euros were made by the Telecom Italia Group for disputes, which are described below, for which an adverse outcome is deemed likely. Of this sum, 507 million euros refer to liabilities related to the Telecom Italia Sparkle case

► a) Contingent Liabilities

Telecom Italia Sparkle – Relationships with I-Globe, Planetarium, Acumen, Accrue Telemedia and Diadem: the Rome Prosecutor's investigation.

As already indicated in previous financial reports, on February 23, 2010 the Finance Police, at the behest of the Prosecutor's Office of Rome ("Prosecutor"), served Telecom Italia Sparkle with:

a) An order setting a fast track hearing procedure concerning the "*request to apply the measure to prohibit [......] from performing activities and to be replaced with a judicial commissioner*" pursuant to Legislative Decree 231/2001;

b) A warrant to seize approximately 298 million euros as an interim measure.

The Prosecutor accused certain former directors and former and current employees of Telecom Italia Sparkle of transnational conspiracy, tax evasion in cooperation with third parties, transnational money laundering, reinvestment of proceeds from criminal activities and registration of assets under false names. The charges of transnational conspiracy, transnational money laundering and reinvestment of proceeds from criminal activities constitute also predicate offenses for administrative liability pursuant to legislative Decree no. 231/2001.
In view of the hearing, Telecom Italia Sparkle filed a defense brief, to argue the lack of grounds for the application of the interim measure. Moreover, in its discussions with the Prosecutor, the Company:

a) gave evidence of the replacement of its Executive Directors, of the suspension of the employees involved in the proceedings and still in service, as well as the dismissal of the employees in custody;

b) filed a resolution of the Board of Directors on March 1, 2010 covering (i) the engagement of an independent tax consultant (Prof. Paolo Ferro-Luzzi) to determine, among other things, whether the Company has adopted and implemented the organizational instruments under Legislative Decree no. 231/2001 and (ii) the ensuing effort by the Company to carry out the improvement recommendations made by such independent tax consultant;

c) filed with the Prosecutor a petition to cancel the request to place the Company under a judicial commissioner, together with, among others:
   1. A surety bond in favor of the Judicial Authority for approximately 72 million euros. This instrument represents a guarantee for the Prosecutor, in case of an irrevocable ruling with an order to seize, pursuant to Legislative Decree 231/2001, the amount that should be identified as proceeds of criminal activities alleged in relation to this case;
   2. A surety bond in favor of the Tax Authority for approximately 123 million euros, representing the difference between the sum already seized to reflect VAT credits claimed for fiscal years 2005, 2006, 2007 (approximately 298 million euros), and the maximum amount that could be estimated for the definition of the company's tax position with respect to the above VAT, by virtue of an acceptance or a settlement with procedure the Italian Revenue Agency.
   3. An overview of the activities carried out by Prof. Paolo Ferro-Luzzi, prepared upon request of Telecom Italia Sparkle, with respect to the Company's corporate governance, organization and control, operations and the "231 Compliance Program" (Telecom Italia Sparkle adopted subsequently several internal measures following Professor Ferro-Luzzi's recommendations).

In light of the above initiatives, on April 2, 2010, the Prosecutor withdrew the request submitted to the preliminary investigation judge to appoint a judicial commissioner for Telecom Italia Sparkle. On April 6, the

preliminary investigation judge issued an order to indicate that there was “no case to answer” with respect to the above request to appoint a judicial commissioner for Telecom Italia Sparkle.
Considering that – since preliminary investigations are still under way - there is still not enough information available in relation to the proceedings and the relevant sources of evidence and given also the complexity of the case, the Company cannot provide any guidance as to the final outcome of the proceedings. However, while an unfavorable outcome cannot be ruled out in principle, Telecom Italia Sparkle will pursue its defense with the utmost vigor, to prove its innocence against the charges brought by the Prosecutor. As to the effects determined by an unfavorable ruling for the proceedings related to Legislative Decree 231/2001, in addition to administrative fines (the amount of which would be low) and interdictive measures, sanctions would include the seizure of proceeds of the offense in question. According to the case made by the Prosecutor, and without considering the effect of the Company’s defense arguments, such proceeds would amount to 72 million euros (a sum that is already covered by the above bond and provisions for that amount have already been made in the Group’s consolidated accounts for fiscal year 2009).

Concerning the tax risk associated with the events in question, it is noted that reference was made in the 2007 consolidated financial statements and in the 2008 half-yearly accounts to an investigation under way on two suppliers in connection with an alleged VAT fraud. At that time, based on technical reasons provided by Telecom Italia Sparkle’s management and after it had obtained positive opinions from external consultants, Telecom Italia S.p.A. thought that it had operated in accordance with the law and that, therefore, there were no contingent tax liabilities.
The information and documents emerged after February 2010, following the investigative activities of the Judicial Authority by virtue of its own powers and authority, brought to light additional elements, thus making it possible to have a more thorough knowledge of the events analyzed in 2007, thanks to information that had been unknown back then.
On May 6, 2010, within the context of the above investigation by the Judicial Authority, the Finance Police notified an official tax audit report (PVC) to Telecom Italia Sparkle, where it stated that:

- no credit could be claimed for VAT paid in connection with the services performed under the above-mentioned fraudulent scheme in fiscal years 2005, 2006 and 2007, for a total amount of approximately 298 million euros;
- the company could not deduct, for IRES and IRAP purposes, the costs incurred in the above transactions, with an estimated cost of 429 million euros, plus penalties and interest.

Subsequently, on July 7, 2010, based on the Finance Police’s findings, the Italian Revenue Agency – Regional Directorate for the Lazio Region – served Telecom Italia Sparkle with three tax assessments notice related to the improperly claimed VAT credits for the 298 million euros indicated above, plus interest and penalties.
Following an extensive review, also in light of the opinion of authoritative tax consultants, the company considered appropriate to pay reduced penalties (25% instead of 100% of the sum levied) and the full amount of the VAT considered non-deductible and related interest. The payment was made on July 19, 2010 for a total of 418 million euros. It is worthy of note that, in view of a settlement, provisions were made in the 2009 consolidated accounts for approximately 421 million euros. With respect to this payment, the company is considering various options to protect its interests. In the meantime, Telecom Italia Sparkle applied to obtain the release of the 298 million euros seized (reflecting “the improperly claimed VAT credits in the fiscal years in which the wrongful activities under investigation occurred”) by the Prosecutor’s Office in Rome in February 2010. Such appeal was upheld on August 5, 2010 and, as a result, the restitution of such sums has been arranged, except for 10 million euros which will remain seized for precautionary reasons in connection with the criminal case in progress. Telecom Italia Sparkle will also take steps for the restitution of the bank guarantee provided to the Financial Administration for the amount of about 123 million euros. Such guarantee, in any case, should be considered as lapsed owing to the payment made by Telecom Italia Sparkle to the Financial Administration.
To this date, the Italian Revenue Agency did not send any tax assessment notice, in relation to the findings of the Finance Police, with respect to direct taxes. Telecom Italia Sparkle thinks, also on the basis of the opinion of authoritative tax professionals, that the risk of an adverse outcome in case of litigation, in connection with any tax assessment notice sent by the Italian Revenue Agency, is only possible and not probable. Consequently, no provisions were made to cover this tax risk.

NOTICE OF COMMENCEMENT OF PROCEEDINGS RECEIVED BY TELECOM ITALIA S.P.A. FOR ADMINISTRATIVE OFFENSES UNDER LEGISLATIVE DECREE 231/2001

In December 2008 Telecom Italia received a notice of commencement of proceedings for administrative offenses under articles 21 and 25, paragraphs 2 and 4 of legislative decree 231/2001, following the investigation, by the Public Prosecutor of Milan, of events involving former Company employees and consultants charged with a series of crimes, including – among others - the offense, under legislative decree 231/2001, of bribing public officials to obtain information from confidential archives.

With the preliminary hearing pending, Telecom Italia submitted a request for the so-called sanction upon request (i.e. "plea bargaining") pursuant to article 63 of legislative decree 231/2001, after, in its capacity as employer, it provided compensation to the employees and former employees - whose personal information had been collected illegally and who had sued the company - and after it had settled with the government authorities that had filed a civil lawsuit against the Company all claims linked to the events covered by the penal proceedings.

The Prosecutor's Office in Milan gave its formal consent to the procedure and now the request is pending before the Court. With a ruling issued on May 28, 2010 (registered on June 14, 2010), the Court regarded the sanctions inflicted to the company in the plea bargaining process as satisfactory and, accordingly, Telecom Italia is no longer a defendant in the penal case. With the same ruling, the Court approved the application of the sanction upon request submitted by several other defendants, including former Group employees.

The Company is still part of the penal proceeding in connection with its civil liability pursuant to article 2049 of the Italian civil code, due to events involving three former employees, who have been ordered to stand trial. Furthermore, by dismissing the case on May 28, 2010 (ruling registered on June 28, 2010), the Court thought that there was no ground for the case of embezzlement brought by the Company and its subsidiary Telecom Italia Latam, which had been parties to the civil action for the losses suffered in connection with such offense. Both Group companies filed an appeal against this ruling with the Italian Cassation Court on July 12, 2010. On the other hand, in a favorable turn of events for Telecom Italia, assets worth over 15 million euros seized from one of the co-defendants continue to be held by the judicial authorities, pending the appeal against the dismissal of the case.

Telecom Italia Latam and Telecom Italia Audit and Compliance Services continue to be aggrieved parties in the civil action due to losses suffered in connection with events other than embezzlement.

The first hearing is set for September 22, 2010.

The consultants, retained by the Company to consider whether there are the conditions to seek compensation for the losses suffered though further actions, are continuing their activity, also in light of the above events.

OTHER TAX DISPUTES

In February and March 2009 - following the tax audits conducted by the Finance Police, the main findings of which have already been settled with the Revenue Agency, as indicated in the 2008 Consolidated Annual Report – the Company received notices disputing the income tax and VAT deductibility of certain "TOP" and "Security" costs.

To this end, the Company activated a procedure with the Revenue Agency for a pre-litigation settlement agreement concerning fiscal years 2005, 2006 and 2007.

FASTWEB

Proceedings initiated by Fastweb in October 2007 are still pending before the Court of Appeal of Milan, for the alleged abusive win-back strategy adopted by Telecom Italia in the market for residential and non-residential fixed-line voice telephony services and broadband internet access services. Plaintiff is seeking compensation for approximately 1,070 million euros.

Fastweb's lawsuit is based on the order issued by the Court of Appeal of Milan on May 16, 2006, following the urgent motion for relief filed by Fastweb, requiring Telecom Italia to cease and desist from continuing its alleged abusive conduct.

Telecom Italia filed a formal challenge against Fastweb's claims.

In June 2010 Fastweb filed a complaint with the Court of Milan seeking 65 million euros in compensation (Fastweb filed also a secondary complaint seeking damages for 87 million euros) for alleged unfair competition and misleading advertising for the "Impresa Semplice" ("Simple Business") campaign related to the offering of integrated services for small and medium businesses. Specifically, according to plaintiff, the tone of the campaign was disparaging, suggesting that, since other operators could not "really" act on malfunctions reported by their customers, Telecom Italia's operational skills were better than those of competitors. The case was brought following an opinion issued by the Jury of the Italian advertising self-regulatory body, which, acting upon Fastweb's and other operators' request, found the campaign misleading.

Telecom Italia, which has remedied by accepting some of the competitors' remarks, will file its own brief to challenge plaintiff's claims.

VODAFONE

Proceedings are still under way before the Court of Appeal of Milan in the action brought by Vodafone in July 2006, seeking compensation for losses set originally at 525 million euros and subsequently raised to 759 million euros. Plaintiff maintains that Telecom Italia engaged in abusive conduct, due to its dominant position in fixed telephony, to strengthen its role in the contiguous mobile telephony market, with exclusionary effects to the detriment of its competitor. According to Vodafone, Telecom Italia's alleged abusive conduct involved residential and business customers and was illegal also because it broke the law on personal data protection.
Telecom Italia filed a formal challenge against Vodafone's allegations and the ground of its claims.

ITALIAN AUDIO-VISUAL ANTI-PIRACY FEDERATION (FAPAV)

In June 2010 the Italian Audio-Visual Anti-Piracy Federation (FAPAV) initiated proceedings against Telecom Italia in the Court of Rome – specialized section in intellectual and industrial property – seeking compensation for alleged losses suffered because Telecom Italia failed to prevent part of its customers from illegally downloading films through access to specific web sites. According to plaintiff, Telecom Italia did not adopt the technical and administrative measures necessary to prevent the illegal use of its network. Moreover, FAPAV requested Telecom Italia to supply its customers' identification data to the Judicial Authority. Plaintiff's claim amounts to 320 million euros.
This action follows interim injunction proceedings whereby the Court of Rome found that Telecom Italia was not responsible for the information transmitted and was not required to suspend internet access in its capacity as mere provider. The Court ordered Telecom Italia to provide the Judicial Authority with all the information available to it on the alleged illegal activity, except the identification details of the internet users involved. Telecom Italia has already complied with this order and will file its own brief to request that plaintiff's claim be dismissed.

EUTELIA AND VOICEPLUS

In June 2009, Eutelia and Voiceplus filed a complaint alleging Telecom Italia's abuse of dominant position in the premium service market (involving the offering to the public of services through so-called Non Geographical Numbers). Plaintiffs seek compensation of approximately 730 million euros for losses suffered.
These proceedings were initiated as plaintiffs sought relief before the Court of Appeal of Milan, which ordered Telecom Italia to cease and desist from certain alleged abuses of dominant position perpetrated in the management of business relationships with Eutelia and Voiceplus. Specifically, the matter refers to Telecom Italia's regulatory obligation to collect payments, on behalf of these OLOs, from end users of Non-Geographical Number services.
Telecom Italia appealed to ask the Court to dismiss plaintiffs' claims.

TELEUNIT

On October 29, 2009 Teleunit filed a complaint before the Court of Appeal of Milan alleging Telecom Italia's abuse of dominant position in the premium service market (involving the offering to the public of services through so-called Non Geographical Numbers and Telecom Italia's regulatory obligation to collect payments, on behalf of these OLOs, from end users). Plaintiff seeks compensation of approximately 362 million euros for losses suffered.
Telecom Italia filed a formal challenge to dispute plaintiff's claims with solid arguments.

POSTE

Some proceedings are still pending in relation to complaints filed by Ing. C. Olivetti & C. S.p.A. (today Telecom Italia) against Poste due to Poste's failure to pay services rendered to it under a number of contracts covering IT gods and services. The opinions handed down in first instance were partly favorable to the former Olivetti but they have been appealed by Poste.
In this respect, while one ruling by the Court of Appeal in Rome confirmed one of the Telecom Italia's claims, another ruling by the same Court pronounced one of the disputed contracts null and void. Following this ruling, Poste recently issued a demand for Telecom Italia to repay approximately 58 million euros. Telecom Italia challenged this demand, considering that a ruling by the Cassation Court is pending with respect to Telecom Italia's appeal against the above decision (the Company requested the Court to set a date to hear this appeal). In this challenge and related urgent appeal for an immediate stay of enforcement, Telecom Italia concluded that

there is no specific order to pay against it, thus there is no enforceable claim. In accepting this argument, on May 6, 2010 the Court of Rome stayed enforcement.

ANTITRUST PROCEDURE A426 – COMMENCEMENT OF INVESTIGATION

On May 13, 2010, following a complaint by Fastweb, the italian Antitrust Authority (AGM) started a procedure against Telecom Italia for the company's alleged abuse of dominant position.

According to Fastweb, Telecom Italia engaged in exclusionary conduct in connection with invitations to bid for fixed telephony and IP connection contracts launched by Consip and Enel. Specifically, according to complainant, Telecom Italia withheld allegedly essential information for the preparation of its competitors' bids and, in relation to certain network services, provided its commercial divisions with allegedly better terms than those applied to the other operators.

Fastweb had filed a similar complaint with the Italian Communication Regulatory Authority (AGCom), which rejected the company's arguments on May 26, 2010 noting that Telecom Italia was not required to provide information or network services other than those mandated by industry regulations.

ANTITRUST PROCEDURE A428 – COMMENCEMENT OF INVESTIGATION

On June 23, 2010, following a complaint by Fastweb and Wind, the italian Antitrust Authority (AGM) started a procedure against Telecom Italia for two alleged cases of abuse of dominant position.

First of all, according to Wind, Telecom Italia engaged in "technical boycott" by hampering or delaying the activation of access services through unjustified and specious refusals (so-called KO).

Furthermore, according to both complainants Telecom Italia allegedly applied price discrimination, by offering final customers significant discounts on prices for access services only in those areas of Italy where unbundled access services are available, thus where competition by other operators is fiercer. Further evidence to this, according to the OLOs, is the contract awarded to Telecom Italia in 2009 by the City of Florence, which is currently under the scrutiny of the Italian Communication Regulatory Authority (AGCom), in keeping with the applicable regulations.

Given that the investigation is in its early stages, a full assessment of the situation would be premature, also considering that a number of questions fall within the purview of the Italian Communication Regulatory Authority (AGCom). A review is underway to define a defense strategy.

ARGENTINA

Telecom Italia S.p.A. and Telecom Italia International N.V. are involved, in their capacity as shareholders of Sofora Telecomunicaciones SA ("Sofora"), in a number of judicial and administrative proceedings initiated by W de Argentina Inversiones SL ("Los W"), partners in Sofora, by SECOM (local telecommunication authority), CNDC (local Antitrust authority) and by the *Secretaría de Comercio Interior* (a body of the Ministry of the Economy).

Specifically, Los W brought judicial cases against Telecom Italia S.p.A. and Telecom Italia International N.V. in order to declare null and void the call options held by Telecom Italia International on the shares representing the 50% of the equity interest held in Sofora through a call option agreement signed in 2003 by Telecom Italia International and Los W ("Call Option Agreement") and to have the court acknowledge the existence of a conflict of interests for the companies of the Telecom Italia Group and the directors of the Telecom Argentina Group designated on indication of the Telecom Italia Group. On the other hand, the local government authorities, in light of alleged distortive effects on competition in the Argentine market deriving from the so-called Telco Transaction, adopted a number of resolutions aimed, among other things, to suspend the exercise of "*derechos politicos*" ("political rights") by the companies of the Telecom Italia Group and their representatives in the Telecom Argentina Group and, most of all, to have the Telecom Italia Group sell its equity interest in Sofora, setting the terms and indicating the possibility of investigative actions and sanctions to ensure completion of the divestment.

Telecom Italia S.p.A. and Telecom Italia International N.V. challenged judicially Los W's claims and the resolutions adopted by the local authorities, each within its purview, against the Group companies, obtaining, in general, favorable rulings in the cases where the competent Courts made a decision. In particular, attention is called, for its importance, to the ruling issued on 1st February, 2010 (see below) by the Criminal Economic Court of Appeal of Buenos Aires which declared null and void Resolution 483/09 dated 25th August, 2009, which had ordered Telecom Italia S.p.A. and Telecom Italia International N.V. to fully divest their interests in Sofora, including the call options, within one year and authorized the CNDC to set out within 60 days the terms and procedures for the divestment process. Furthermore, the decisions issued on June 17, 2010 by the Court of Appeal, revoking the CNDC's resolutions no. 123/08 and 44/09 (respectively providing the prohibition to Telecom Italia Group from (i) performing any action related to the exercise of the call options or the transfer of

such options, and (ii) exercising its political rights within the Telecom Argentina Group companies) are worth to be mentioned (see below).
Details of the disputes and the legal proceedings, as well as the current status for each of them, are provided below. For what concerns the evolution and the possible resolution of the litigation towards Los W, reference should be made to the Note "Events subsequent to June 30, 2010".

* * *

On June 27, 2008 Los W initiated proceedings against Telecom Italia International before the Commercial Court of Buenos Aires for the Call Option Agreement signed in 2003 by Telecom Italia International and Los W, to be declared null and void due to an alleged subsequent conflict with Argentine corporate law. Telecom Italia International filed its own defence brief requesting the Court to reject the counterparty's claim as unfounded. The proceeding is still in its pre-trial phase.

* * *

On October 6, 2008 Los W and its shareholders filed a lawsuit against Telecom Italia and Telecom Italia International, as well as certain directors of the Telecom Argentina Group companies designated on indication of Telecom Italia, before the Commercial Court of Buenos Aires. The plaintiffs requested that the Court declare the existence of an alleged permanent conflict of interest affecting Telecom Italia, Telecom Italia International and the directors of the Telecom Argentina Group designated on indication of Telecom Italia, and determined by the alleged de facto control of Telecom Italia – and consequently of Telecom Argentina – by Telefónica S.A., (which controls also Telecom Argentina's main competitor, Telefónica de Argentina S.A.), following the Telco S.p.A.'s acquisition of 100% of Olimpia S.p.A. share capital ("Telco Transaction").
In December 2008, Telecom Italia and Telecom Italia International filed their defence brief requesting that plaintiff's arguments and claims be rejected. The proceeding is still in its pre-trial phase.

* * *

On April 15, 2009 the Administrative Court of Appeal of Buenos Aires served Telecom Italia and Telecom Italia International with a preliminary ruling granted to the Dracma Group and Los W. This measure suspended Telecom Italia International's rights under the Call Option Agreement, as well as prevented any act of disposal thereunder (in particular the assignment of the agreement to third parties), until SECOM (the Argentine telecommunication authority) rules on the Telco Transaction or until the Court rules on the merits of the action that the Dracma Group and Los W will have to bring to obtain a declaratory judgment confirming the validity of the obligations set out by SECOM Note 1004/08 (see below).
On August 5, 2009 Telecom Italia and Telecom Italia International filed an extraordinary appeal (*Recurso extraordinario*) before the Argentine Supreme Court against such precautionary measure. As the submission of such appeal to the Supreme Court was rejected by the Administrative Court, on September 30, 2009 Telecom Italia and Telecom Italia International filed a direct appeal (*Recurso de queja*) with the Supreme Court.

* * *

On August 31, 2009 the Administrative Trial Court of Buenos Aires served Telecom Italia, Telecom Italia International and the companies of the Telecom Argentina Group with two preliminary rulings issued – on August 26 and 28 *inaudita altra parte* - upon request of Los W, ordering:
(i) to maintain the *status quo* existing prior to the Telco Transaction and imposing on Telecom Italia and Telecom Italia International, as parties to the shareholders agreement with Los W (the "*Shareholders Agreement*") and the Call Option Agreement, to refrain from taking any action under these agreements, including the exercise, the assignment or disposal of any right under the Call Option Agreement;
(ii) to suspend the exercise of the *"derechos politicos"* of Telecom Italia and Telecom Italia International under the law, Bylaws or Shareholders Agreements in the companies of the Telecom Argentina Group;
(iii) the suspension from their office of the directors of the companies of the Telecom Argentina Group designated on indication of Telecom Italia and/or Telecom Italia International; and
(iv) that such directors shall not be calculated in the quorum of the meetings of the boards of directors of the companies belonging to the Telecom Argentina Group.
Subsequently, Telecom Italia and Telecom Italia International requested and obtained from the Civil and Commercial Court of Appeal the interim suspension of several meetings of the boards of directors of the

companies of the Telecom Argentina Group, some of which had been unlawfully convened by Los W. Moreover, on September 30, 2009 Telecom Italia and Telecom Italia International challenged the above mentioned two preliminary rulings, which the Administrative Trial Court ratified on the same date upon Los W's request.
On November 6, 2009 the Administrative Court of Appeal of Buenos Aires rejected the appeal filed by Telecom Italia and Telecom Italia International and, on November 24, 2009 both companies filed an extraordinary appeal (*Recurso extraordinario*) with the Argentine Supreme Court against such decision.
On March 23, 2010 the Administrative Court of Appeal admitted such *Recurso extraordinario* filed by Telecom Italia and Telecom Italia International. The proceeding is pending before such Supreme Court.

On March 9, 2010, the Administrative Trial Court served Telecom Italia, Telecom Italia International and the companies of the Telecom Argentina Group with a preliminary injunction which, among other things, confirms the enforcement of the measures issued on August 26 and 28, 2009 by the same Trial Court (see above). On such basis (i) the board members of the companies belonging to the Telecom Argentina Group designated on indication of Telecom Italia and/or Telecom Italia International have been excluded from the exercise of their functions within the boards of directors of such companies; and (ii) the corporate books of Nortel, Telecom Argentina, Telecom Personal and Sofora were placed under the custody of the vice chairmen (designated by Los W) of each company. Telecom Italia and Telecom Italia International appealed such preliminary injunction.

* * *

With reference to the Shareholders' Meetings of the companies of Telecom Argentina Group, in April 2010 precautionary rulings were granted by the Commercial Court, suspending the discussion of items in the agenda related to the renewal of the members of the corporate bodies in the Argentine companies.

* * *

On October 6, 2009 Telecom Italia and Telecom Italia International filed an appeal with the Argentine Supreme Court, seeking a resolution of the conflict originated by the granting of the aforementioned preliminary rulings and those issued by the Civil and Commercial Court of Appeal which, among others, suspend the effects of Resolution 44/09 of CNDC (see below), so that the latter shall prevail as a result of the exclusive competence of the Court of Appeal.
On November 11, 2009 the Supreme Court requested from each competent Court the files relating to the above captioned administrative precautionary proceedings, as well as those connected to the Dracma proceedings (see above). A decision by the Supreme Court is pending.

ARGENTINA – SECOM

On June 26, 2008 SECOM issued Note 1004/08, ordering Telecom Italia and Telecom Italia International to request SECOM's prior authorisation before signing any agreement or performing any act that would result in:

(i) any increase of their direct or indirect equity interests in the companies of the Telecom Argentina Group;
(ii) the assignment to third parties of the rights of Telecom Italia and Telecom Italia International in respect of Sofora shares or rights related to the call options on Sofora shares; and
(iii) the performance of acts of disposition of such rights that would distort competition and undermine the general economic interest.

SECOM's order was based on the fact that Telefónica S.A. would have purportedly become a substantial shareholder in Telecom Italia – and consequently in Telecom Argentina – with the risk of distortive effects for competition in the telecommunication market.
On August 11, 2008 Telecom Italia and Telecom Italia International filed a *Recurso jerarquico* before the *Ministerio de Planificación Federal, Inversión Pública y Servicios* against Note 1004/08, which is still pending.

* * *

On December 30, 2008 SECOM issued Note 2573/08 whereby, among others, Telecom Italia and Telecom Italia International were ordered to refrain from carrying out any legal act that might entail a change in Sofora's share capital or from transferring the rights related to the call options held by Telecom Italia International until SECOM rules on the Telco Transaction.

On January 26, 2009 Telecom Italia and Telecom Italia International filed a *Recurso jerarquico* against such Note*,* with the *Ministerio de Planificación Federal, Inversión Pública y Servicios*, which is still pending.

ARGENTINA – CNDC

On January 6, 2009, the CNDC (the Argentine antitrust authority) notified Telecom Italia and Telecom Italia International of Resolution 123/08, which prohibits the Telecom Italia Group from performing any action related to the exercise of the call options or the transfer of such options, until the CNDC rules on these call options in light of the Telco Transaction.

Telecom Italia and Telecom Italia International challenged the Resolution and filed an appeal seeking its reversal. Subsequently, on January 28, 2009 (with Resolution 6/09) the CNDC refused to transmit the files related to the appeal to the Court having jurisdiction over it, declaring the absence of a prejudice to Telecom Italia and Telecom Italia International, as Resolution 123/08 had simply suspended the running of the terms for the exercise of the call options by Telecom Italia International, without undermining the company's contractual rights.

Telecom Italia and Telecom Italia International considered Resolution 6/09 to be illegitimate and asked the Court to exercise its jurisdiction and examine the appeal against Resolution 123/08.

On June 17, 2010 the Criminal Economic Court of Appeal - indicated by the Argentine Supreme Court as the competent body to rule on the appeal brought by Telecom Italia Group against CNDC (see below) -, declared Resolution 123/08 null and void. The Government filed a *Recurso Extraordinario* against such nullity decision.

* * *

On January 9, 2009 the CNDC notified Telecom Italia and Telecom Italia International of Resolution 4/09, which requires – among other things – that Pirelli & Co. S.p.A., Sintonia S.p.A. and Sintonia S.A. (as sellers) and Telefónica S.A., Assicurazioni Generali S.p.A., Intesa Sanpaolo S.p.A., Sintonia S.A. and Mediobanca S.p.A. (as buyers of the entire share capital of Olimpia) to notify the Telco Transaction as, according to a preliminary analysis of the Authority, this would purportedly result in an economic concentration under the Argentine antitrust law.

Moreover, the foregoing resolution ordered the buyers to refrain from exercising their "*derechos politicos"* as direct or indirect shareholders of Telecom Italia, Telco, Olimpia, Telecom Italia International, Sofora, Nortel and Telecom Argentina and their subsidiaries, including such rights deriving from shareholders' agreements, until the CNDC adopts a decision on the Telco Transaction. According to a qualified opinion, this restriction should be interpreted as limited to the Argentine market. Moreover, with the same Resolution, the CNDC ordered the directors and statutory auditors designated at the indication of Telecom Italia in the companies of the Telecom Argentina Group to refrain from taking any action that would result in a violation of this Resolution.

On June 17, 2010 the CriminalEconomic Court of Appeal declared Resolution 4/09 null and void in the part where it ordered the buyers of such Transaction to refrain from exercising their "derechos politicos" as direct or indirect shareholders of Olimpia, Telco, Telecom Italia, Telecom Italia International and Telecom Argentina Group. The Government filed a *Recurso Extraordinario* against such nullity decision.

* * *

On April 3, 2009 the CNDC issued Resolution 44/09, requiring:

(i) that Telecom Italia, Telecom Italia International, the directors, officers and representatives of Telecom Italia and Telecom Italia International, and their direct and indirect shareholders, as well as the directors and statutory auditors designated at the indication of Telecom Italia and Telecom Italia International in the companies of the Telecom Argentina Group should have refrained and should refrain from adopting decisions or giving instructions that entailed or would entail in the future, directly or indirectly, the exercise of "*derechos politicos*" (including such rights deriving from shareholders' agreements in the companies of the Telecom Argentina Group); and

(ii) the reversal, as of 9th January, 2009, of decisions adopted by corporate bodies or directors of the Telecom Argentina Group which implied the exercise of such *"derechos politicos"*.

The Telecom Italia Group filed an urgent appeal against this decision before the Civil and Commercial Court of Appeal of Buenos Aires. On July 27, 2009 the same Court granted to Telecom Italia Group the request for precautionary suspension of the effects of Resolution 44/09.

The appeal against the petition to reverse the ruling of July 27, 2009 filed by the Ministry of Economy and Finance (*Ministerio de Economía y Finanzas Públicas)* is pending.

Concurrently, on June 17, 2010 the CriminalEconomic Court of Appeal - indicated by the Argentine Supreme Court as the competent body to rule on the appeal brought by Telecom Italia Group against CNDC (see below) - declared Resolution 44/09 null and void. The Government filed a *Recurso Extraordinario* against such decision.

* * *

On May 26, 2009 the CNDC issued Resolution 64/09, ordering:

(i) the re-establishment of the "*Consejo de Direccion*" of Telecom Argentina which had previously been dissolved;

(ii) the reversal of certain organizational changes in Telecom Argentina;

(iii) the grant of a term of five-days for certain directors of Telecom Argentina to submit evidence against their alleged violation of the CNDC orders on the suspension of "*derechos politicos*".

Telecom Italia, Telecom Italia International, the companies of the Telecom Argentina Group and its directors challenged this Resolution.

On June 10, 2009 the Civil and Commercial Court of Appeal of Buenos Aires ordered the suspension in the meeting of the board of directors of Telecom Argentina scheduled on 12th June, 2009, of the discussion of the item on the agenda related to the implementation of the provisions set forth by Resolution 64/09.

On October 22, 2009 the Criminal Economic Court of Appeal, to which the CNDC had transmitted the files related to the appeal submitted by Telecom Italia and Telecom Italia International against Resolution 64/09, granted such appeal and declared the Resolution null and void.

On November 23, 2009 Telecom Italia, Telecom Italia International, the companies of the Telecom Argentina Group and its directors were served with an extraordinary appeal *(Recurso Extraordinario)* filed by CNDC with the Supreme Court against the above mentioned nullity decision.

On December 17, 2009 the Criminal Economic Court of Appeal admitted the extraordinary appeal to the Supreme Court filed by CNDC against the above mentioned decision on the nullity of Resolution 64/09. The proceeding is pending.

* * *

In the framework of the antitrust proceeding related to the Telco Transaction, the SECOM rendered an opinion to the CNDC on July 23, 2009 which stated that the Telco Transaction would result in violation of several telecommunication rules, and thus recommended the CNDC not to approve it.

* * *

On August 25, 2009 the *Secretária de Comercio Interior* (SCI) adopted Resolution 483/09 whereby, as recommended by CNDC's *Dictamen* 744/09 attached to the Resolution:

(i) it conditions the approval of the Telco Transaction to the full divestment of Telecom Italia's direct and indirect participation in Sofora, as well as divestment of all Telecom Italia's rights in the Telecom Argentina Group, including the call options under the Call Option Agreement;

(ii) it authorizes the CNDC to establish, within 60 days, the terms and conditions of the divestment process, which shall take place in any case within one year;

(iii) it requires, within 60 days, the CNDC to rule on whether fines should be applied in relation to the delay in notifying the alleged concentration that took place through the Telco Transaction, their amount and on whom they should be inflicted.

On September 16, 2009 Telecom Italia and Telecom Italia International challenged Resolution 483/09 before the CNDC, requesting its suspension and annulment and requesting also that the proceeding be transmitted to the Civil and Commercial Court of Appeal of Buenos Aires, in front of which both companies had initiated a proceeding (*accion autosatisfactiva*) to obtain urgent relief in order to suspend the effects of the said Resolution.

On October 9, 2009, the CNDC accepted the request to transfer the proceeding to the Criminal Economic Court of Appeal.

On October 16, 2009 the Civil and Commercial Court of Appeal stayed the proceeding until the Argentine Supreme Court resolved the conflict of jurisdiction between the Civil and Commercial Court and the Criminal Economic Court of Appeal (see below).

On November 19, 2009 the SCI extended for a further 60 days the term allowed to CNDC to set forth the terms and conditions of the divestiture of the participation held in Sofora as well as all the rights in the Telecom Argentina Group including the call options. Such extension applied also to the issuance by CNDC of the decision on possible sanctions to be imposed in relation to the delay in notifying the act of concentration allegedly implemented through the Telco Transaction.

On December 23, 2009, Telecom Italia filed a brief before the Criminal Economic Court of Appeal which confirmed its intention to rule on the appeal.

On December 30, 2009 the Civil and Commercial Court of Appeal declared its competence to hear the appeal against SCI Resolution 483/09, inviting the CriminalEconomic Court of Appeal – before which such appeal is currently pending – to refrain from deciding on the matter. On February 1, 2010, the Criminal Economic Court of Appeal declared Resolution SCI n.483/09 null and void.

As per Resolution 82/10 of the Argentine Ministry of Economy and Public Finance and as per Resolution 14/10 of the *Secretaría de Política Económica* (see below), SCI Resolution 483/09 was abrogated, and the Government expressly relinquished its right to appeal the decision on the annulment of such Resolution.

* * *

In application of what was provided for in SCI Resolution 483/09, and before its annulment, on January 6, 2010 SCI issued Resolutions 2/10 and 3/10 whereby, following CNDC recommendations (*Dictamen* 775 and Resolution 1/10), it respectively (i) imposed fines on the parties of the Telco Transaction for the delay in notifying to the Argentine Antitrust authority the alleged economic concentration that took place through the Telco Transaction and (ii) provided terms and conditions for the full divestment of Telecom Italia’s direct and indirect participation in Sofora, as well as divestment of all Telecom Italia’s rights in the Telecom Argentina Group, including the call options under the Call Option Agreement. In such respect SCI has mainly:

(i) established a timeline for the divestiture procedure that provides for a first phase (which was to end on February 25, 2010) to procure the signing of the agreements for the disposal to third parties of the investment held in Sofora together with the call options, and for a subsequent period of time (until August 25, 2010) for the completion of the transaction which will be subject to the supervision and prior authorization of CNDC;

(ii) imposed on the addressees of the Resolution the obligation to cooperate with and to inform SCI/CNDC on the divestment process;

(iii) granted Argentine regulatory authorities which ultimately are in charge of the approval of the divestment procedure, with a supervisory role and broad investigation, intervention and sanction powers in order to secure the completion of the divestiture.

On January 13, 2010 Telecom Italia and Telecom Italia International filed a *Recurso de apelación* before CNDC seeking the suspension and reversal of Resolutions SCI 3/10 and CNDC 1/10. Such *Recurso* was preliminarily granted by CNDC, which ordered its transmission to the competent court.

On January 13, 2010, both companies also filed a motion before the Civil and Commercial Court of Appeal of Buenos Aires seeking the suspension of the aforementioned SCI/CNDC Resolutions, pending a decision on the validity of the restrictions imposed by SCI/CNDC. This motion was granted on January 15, 2010, suspending the effects of the aforementioned Resolutions with an interim measure which was appealed by CNDC, both through a motion for reconsideration, eventually rejected, and a *Recurso extraordinario* before the Supreme Court.

As per Resolution 82/10 of the Argentine Ministry of Economy and Public Finance and Resolution 14/10 of the *Secretaría de Política Económica* (see below), SCI Resolution 3/10 was abrogated. On March 29, 2010 the Criminal Economic Court of Appeal, which was hearing the appeal brought by Telecom Italia and Telecom Italia International against Resolution SCI 3/10, terminated the proceeding.

* * *

On February 22, 2010 the Argentine Ministry of Economy and Public Finance issued Resolution 82/10 by which it appointed the *Secretaría de Política Económica* (SPE, a subdivision of such Ministry) in order to take all the measures in the context of the antitrust proceeding, following the indications of the Criminal Economic Court of Appeal decision dated February 1, 2010 - which annulled SCI Resolution 483/09 – and in compliance with the local antitrust law.

Subsequently, with Resolution 14/10 dated February 22, 2010, the SPE has, among others (i) confirmed that the Telco Transaction is subject to notification under antitrust law, (ii) abrogated SCI Resolutions 483/09 and 3/10 and (iii) instructed the CNDC to take all measures to adapt the antitrust proceeding following the decision set out by the Criminal Economic Court of Appeal decision.

Following the above, on February 25, 2010 CNDC issued Resolution 30/10 which – among others – granted Telecom Italia and Telecom Italia International 15 days to access the file of the antitrust proceeding and provide their comments, which were submitted by such companies.

On March 1, 2010 Telecom Italia and Telecom Italia International appealed Resolutions 82/10, 14/10 and 30/10 seeking their nullity and suspension. With Resolution 38/10 issued on 18th March, the CNDC – among others – sent the appeal against Resolution 82/10 and 14/10, respectively, to the Ministry of Economy and to the SPE for the prosecution of the proceedings, while the appeal against Resolution 30/10 was sent to the Criminal Economic Court of Appeal. All the appeals filed by Telecom Italia and Telecom Italia International against such Resolutions were ultimately rejected by the Criminal Economic Court of Appeal.

* * *

The Argentine Supreme Court on April 16, 2010 issued a decision by which it affirmed the competence of the Criminal Economic Court of Appeal to rule on the appeals brought by Telecom Italia Group against the Resolutions issued by CNDC. Such decision was rendered as a result of the analysis of the conflict of jurisdiction between the Civil and Commercial Court of Appeal and the Criminal Economic Court of Appeal, which arose after the CNDC sent to the latter Court the files related to the appeal against Resolution 64/09 (see above).
As a consequence of this decision, the files related to the appeals against CNDC Resolutions 123/08, 4/09 and 44/09 were transmitted to the Criminal Economic Court of Appeals, which eventually rendered a decision on each Resolution on June 17, 2010 (see above).

SEC PROCEDURE

On December 17, 2009, the U.S. Securities and Exchange Commission requested that Telecom Italia provide, on a voluntary basis, documents related to the potential sale to third parties of the participation of the Telecom Italia Group in Telecom Argentina. Telecom Italia has cooperated with the American authority . In June 2010 the investigation towards Telecom Italia has been completed by the Commission without any recommendation for enforcement action.

BOLIVIA – ENTEL

Following a series of measures adopted since March 2007, on May 1, 2008 the Bolivian government issued a Supreme Decree to nationalise the participation acquired in 1995 by the Telecom Italia Group (through the Dutch vehicle ETI) in Entel S.A. The Decree set out a 60-day period to determine a price for the nationalised shares, after deducting all Entel's recorded and contingent liabilities. To date the Bolivian Government has not set a price for or provided any compensation for the expropriation.
In October, 2007, after failing to settle the matter amicably, ETI filed for arbitration with the International Centre for Settlement of Investment Disputes (ICSID), a World Bank institution located in Washington D.C., on the basis of the violation of the Bilateral Treaty for the Promotion and Protection of Investments between Bolivia and The Netherlands and seeking compensation for damages for the losses incurred as a result of the measures adopted by the Bolivian government; on 31st October, 2007 ICSID registered the request.
Bolivia filed a motion to question the jurisdiction of the Arbitration Court over the case, after having denounced the ICSID convention after ETI submitted its claim.
Following the motion questioning ICSID's jurisdiction, on October 14, 2009, ETI notified the Bolivian government with the request for a new arbitration by which it commenced a so-called "ad hoc" arbitration proceedings, on the basis of the Bilateral Treaty for the Promotion and Protection of Investments between Bolivia and The Netherlands, to determine whether the measures taken by the Bolivian government constituted a violation of such Treaty and to seek compensation for the damages suffered.
On October 21, 2009 ETI and Bolivia reached an agreement to terminate the ICSID arbitration proceedings, appointing a new Arbitration Panel composed of the same arbitrators as those of the ICSID Arbitration Court.
The "ad hoc" proceedings are continuing under the terms and conditions set forth by the established Arbitration Panel.

GERMANY – AOL ARBITRATION

In November 2008 AOL LLC and AOL Europe Sàrl ("AOL") notified Telecom Italia Deutschland Holding GmbH ("TIDE") and Telecom Italia the initiation of an arbitration proceedings before the Paris International Chamber of Commerce ("ICC") in relation to the contract for TIDE's acquisition of the broadband assets of the AOL Time Warner Group in Germany, signed in September 2006 and completed in February 2007.
The aim of the request for arbitration is to obtain:

(i) a ruling that the contracts for the supply of services to a specific category of customers (known as Bring-Your-Own-Access or BYOA) are not to be considered sold to Telecom Italia and TIDE;

(ii) an order for defendants to cause HanseNet (the German company at that time controlled by TIDE that currently manages the services provided to BYOA customers) to return to AOL the amount invoiced to customers for the above services (approximately 2 million euros).

In February 2009, Telecom Italia and TIDE filed their own briefs and cross-claims, requesting, where this is still possible, the transfer from AOL of the BYOA customers – after determining whether such customers had to be sold by AOL - and in any case the repayment of the revenues improperly collected by AOL from these customers or provide compensation for the loss suffered.
The arbitration proceedings is under way in their pre-trial phase.

GREECE – DELAN

In 2005, Tim International (merged into Telecom Italia International as of 27th June, 2008) sold the entirety of its interest held in Tim Hellas pursuant to a Stock Purchase Agreement executed in 2005 ("SPA"). According to said agreement, Tim International agreed to indemnify the buyer against certain potential liabilities among which an arbitration between Tim Hellas and Delan Celular Services S.A. ("Delan") started in 1998.
In July 2006, Tim Hellas (which changed its corporate name into Wind Hellas) notified Tim International that the Greek Arbitration Panel had issued a decision on the case in favour of Delan and awarded damages against Wind Hellas for a total amount of 52 million euros including interest. Wind Hellas challenged this decision, which was eventually declared null by the Court of Appeal. The nullity was ultimately confirmed by the Greek Supreme Court.
In 2009 Carothers Ltd (acting as successor of Delan) initiated a proceedings against Wind Hellas, seeking a preliminary injunction as well as on the merits before Greek Courts, on grounds apparently similar to those sustained in the Arbitral case.
Wind Hellas in turn notified Telecom Italia International with a notice to join in a hearing to be held in the proceeding on the merits as guarantor, allegedly on the basis of the indemnification obligations under the SPA. Such notification has been made also in the precautionary phase in which Carothers is seeking an attachment on Wind Hellas assets. In the context of precautionary phase, Telecom Italia International challenged the admissibility of notice to join as guarantor made by Wind Hellas.
Subsequently Wind Hellas notified to Telecom Italia International with a notice to join as third party in a judicial proceedings started in 2006 by Wind Hellas against Delan (now Carothers) aimed at challenging the validity of the arbitration clause related to the Delan arbitration and at declaring Wind Hellas not to be liable for damages; the possible consequences under Greek Law of such notification are under evaluation.

DISPUTES CONCERNING LICENSE FEES FOR 1994-1998

Proceedings are still pending in relation to the request to the Ministry of Communications to reimburse Telecom Italia and TIM for the license fees paid for 1994-1998.

► b) Other Information

DISPUTE FOR LICENSE FEE FOR 1998

Recently, Telecom Italia initiated legal proceedings against the Presidency of the Council of Ministers before the Court of Rome seeking damages for the loss caused by the Italian State, through appeal ruling no. 7506/09 of the Council of State. According to Telecom Italia, this ruling violated the principles of EU laws in force. This proceeding was started also in light of the EU's case law, which allows an offended party to sue the State for the violation of rights enshrined under EU laws and infringed by a final ruling that cannot be appealed. The ruling in question has finally deprived Telecom Italia of the right to obtain repayment of the license fee for 1998 (equal to 386 million euros for Telecom Italia and to 143 million euros for TIM, plus interest). Such request had already been rejected by the Lazio Regional Administrative Court (TAR), despite the favorable and binding pronouncement of the EU Court of Justice dated February 23, 2008, concerning the conflict between Directive 97/13/EC on a common framework for general authorizations and individual licenses in the field of telecommunications services and the Italian law that had extended to 1998 the obligation for telecommunications operators to pay the annual license fee, despite the subsequent liberalization process. The claim amounts to approximately 529 million, plus legal interest and revaluation. The date of the first hearing has been set for December 9, 2010.

MOBILE TELEPHONY: DEALER INVESTIGATION

The activities to check and regularize prepaid sim cards incorrectly associated with the customer's ID card continued also in the first half of 2010. During the period the number of the sim cards reviewed was reduced by a further 38%. This result was due to an accurate and constant monitoring activity and the use of specifically implemented tools and software. The Company's effort in this area was acknowledged also by the competent authorities, which appreciated Telecom Italia's commitment in addressing this phenomenon.

Meanwhile, the administrative proceeding started by the Finance Police (in relation to the penal case pending before Venice's prosecutor), which fined Telecom Italia for 1.1 million euros for violating privacy laws, came to an end. This proceeding refers to a period before the company implemented all the measures illustrated in the various reports and disclosures issued over time.

► c) Commitments and guarantees

Guarantees were provided - for a total of 371 million euros, net of back-to-back guarantees received for 144 million euros – by Telecom Italia on behalf of associated companies (14 million euros) and other third parties for medium/long-term financial transactions.

Furthermore, the equity interest in Tiglio I (47.80%) was pledged with the lenders of this associated company.

Purchase commitments outstanding at June 30, 2010 for 130 million euros refer to obligations to be fulfilled in connection with transactions that are not typically part of the Group's "operating cycle". Purchase commitments include obligations for 127 million euros related to the DVB-H contracts entered into by Telecom Italia with the main domestic television operators (particularly the Mediaset group and Sky Italia) to provide the "TIM TV" service.

The Parent Company, Telecom Italia, issued "weak" comfort letters, for a total of 40 million euros, on behalf of ETECSA for vendor financing.

Guarantees were provided by third parties to Group companies, amounting to 3,586 million euros, to guarantee financing received (2,167 million euros) and performance under contracts outstanding (1,419 million euros).

Details of the main guarantee financing received at June 30, 2010 are as follows:

Issuer	Amounts (1) (millions of euros)
BBVA - Banco Bilbao Vizcaya Argentaria	733
Intesa SanPaolo	295
BNL/BNP Paribas	242
Bank of Tokyo - Mitsubishi UFJ	196
Banco Santander	86
Natixis	84
Barclays Bank	75
Sumitomo	74
Other banks in favor of the EIB	70

(1) For loans provided by the EIB to fund the following projects: Tim Rete Mobile, Telecom Italia Breitband Infrastruktur Deutschland, Telecom Italia Media Digital Network, Telecom Italia BroadBand France and Telecom Italia Banda Larga Mezzogiorno.

It should be noted that the BNL/BNP Paribas's 46 million euros guarantee related to the loan provided by the EIB for the Telecom Italia Breitband Infrastruktur Deutschland project, which was paid down by 40 million euros on June 18, 2010, will continue to be valid for 13 months after repayment, as required by the agreement on protection against any claw-back risks.

Guarantees related to the 3G service in Brazil for un amount of 171 million euros were also present.

► d) Assets Pledged To Secure Financial Liabilities

The contracts for supported loans granted by the Brazilian development bank BNDES (Banco Nacional de Desenvolvimento Econômico e Social) to certain operating companies of the Tim Brasil group for a total equivalent amount of 882 million euros are guaranteed by a part of the receipts of those companies, deposited in bank accounts that are pledged in favor of BNDES. The bank will have access to such amounts only in the case of default by the companies, otherwise the funds are automatically transferred to accounts to which the latter have full access.

Note 20 – Finance income and Finance expenses

Finance income

Finance income increased 1,927 million euros compared to the first half of 2009 and is composed as follows:

(millions of euros)		1st Half 2010	1st Half 2009
Other finance income:			
Income from financial receivables, classified as Non-current assets		-	4
Income from securities other than investments, classified as Non-current assets		-	-
Income from securities other than investments, classified as Current assets		19	9
Income other than the above:			
Interest income		64	70
Foreign exchange gains		1,149	270
Income from fair value hedge derivatives		232	271
Reversal of the Reserve for cash flow hedge derivatives to the income statement (interest rate component)		333	349
Income from non-hedging derivatives		28	18
Miscellaneous finance income		22	11
	(A)	1,847	1,002
Positive fair value adjustments to:			
Fair value hedge derivatives		1,515	22
Underlying financial assets and liabilities of fair value hedges		25	477
Non-hedging derivatives		77	36
	(B)	1,617	535
Impairment reversals on financial assets other than investments	(C)	-	-
Total	(A+B+C)	3,464	1,537

Foreign exchange gains (1,149 million euros) increased 879 million euros compared to the first half of 2009 (270 million euros). This amount was reduced by 4 million euros of foreign exchange losses originating from the Reversal of the *Reserve for cash flow hedge derivatives to the income statement* (103 million euros in the first half of 2009). The counterpart of foreign exchange gains is represented by foreign exchange losses (1,158 million euros in the first half of 2010; 207 million euros in the first half of 2009).
Income from fair value hedge derivatives (232 million euros) decreased 39 million euros compared to the first half of 2009 (271 million euros) and refers to CCIRS contracts for 42 million euros and IRS contracts for 190 million euros.
The positive effect of the Reversal of the *Reserve for cash flow hedge derivatives* to the income statement for the interest rate component (333 million euros) decreased 16 million euros compared to the first half of 2009 (349 million euros). It refers to CCIRS contracts for 188 million euros, IRS contracts for 144 million euros and other derivative contracts for 1 million euros.
Income from non-hedging derivatives (28 million euros) increased 10 million euros compared to the first half of 2009 (18 million euros) and refers to IRS contracts for 23 million euros and CCIRS contracts for 5 million euros.
Miscellaneous finance income (22 million euros) increased 11 million euros compared to the first half of 2009 (11 million euros).
Positive fair value adjustments to fair value hedge derivatives 1,515 million euros increased 1,493 million euros compared to the first half of 2009 (22 million euros). The counterpart of this amount is represented by negative fair value adjustments to the underlying financial assets and liabilities of fair value hedge derivatives which amount to 1,466 million euros (17 million euros in the first half of 2009).
Positive fair value adjustments to the underlying financial assets and liabilities of fair value hedge derivatives

(25 million euros) decreased 452 million euros compared to the first half of 2009 (477 million euros). The counterpart of this amount is represented by negative fair value adjustments to the corresponding fair value of the financial hedge derivatives equal to 41 million euros (447 million euros in the first half of 2009).
Positive fair value adjustments to non-hedging derivatives (77 million euros) increased 41 million euros compared to the first half of 2009 (36 million euros); 49 million euros of the increase refers to the effects of transactions put into place by the Brazil Business Unit (on financial debt in foreign currencies, entirely hedged but not qualifying for hedge accounting). The counterpart of this amount is represented by foreign exchange gains and losses.

► Finance expenses

Finance expenses increased 1,843 million euros compared to the first half of 2009 and are composed as follows:

(millions of euros)		1st Half 2010	1st Half 2009
Interest expenses and other finance expenses:			
Interest expenses and other costs relating to bonds		854	838
Interest expenses to banks		111	122
Interest expenses to others		103	111
		1,068	1,071
Commissions		19	13
Foreign exchange losses		1,158	207
Charges from fair value hedge derivatives		103	247
Reversal of the Reserve for cash flow hedge derivatives to the income statement (interest rate component)		387	392
Charges from non-hedging derivatives		55	34
Miscellaneous finance expenses		99	101
	(A)	2,889	2,065
Negative fair value adjustments to:			
Fair value hedge derivatives		41	447
Underlying financial assets and liabilities of fair value hedge derivatives		1,466	17
Non-hedging derivatives		66	90
	(B)	1,573	554
Impairment losses on financial assets (Securities other than investments)	(C)	-	-
Total	(A+B+C)	4,462	2,619

Foreign exchange losses (1,158 million euros) increased 951 million euros compared to the first half of 2009 (207 million euros). This amount was reduced by 1,169 million euros of foreign exchange gains arising from the Reversal of the *Reserve for cash flow hedge derivatives* to the income statement (217 million euros in the first half of 2009). The counterpart of this amount is represented by foreign exchange gains (1,149 million euros in the first half of 2010; 270 million euros in the first half of 2009).
Charges from fair value hedge derivatives (103 million euros) decreased 144 million euros compared to the first half of 2009 (247 million euros) and refer to CCIRS contracts for 51 million euros and IRS contracts for 52 million euros.
The negative effect of the Reversal of the *Reserve of cash flow hedge derivatives* to the income statement for the interest rate component (387 million euros) decreased 5 million euros compared to the first half of 2009 (392 million euros) and refers to CCIRS contracts for 254 million euros, IRS contracts for 131 million euros and other derivative contracts for 2 million euros.
Charges from non-hedging derivatives (55 million euros) increased 21 million euros compared to the first half of 2009 (34 million euros) and refer to IRS contracts for 31 million euros, CCIRS contracts for 21 million euros and

other derivative contracts for 3 million euros.
Miscellaneous finance expenses (99 million euros) decreased 2 million euros compared to the first half of 2009 (101 million euros).

Negative fair value adjustments to fair value hedge derivatives (41 million euros) decreased 406 million euros compared to the first half of 2009 (447 million euros). The counterpart of this amount is represented by the positive fair value adjustments to the underlying financial assets and liabilities of fair value hedge derivatives which amount to 25 million euros (477 million euros in the first half of 2009).

Negative fair value adjustments to underlying financial assets and liabilities of fair value hedge derivatives (1,466 million euros) increased 1,449 million euros compared to the first half of 2009 (17 million euros). The counterpart of this amount is represented by positive fair value adjustments to the corresponding fair value of the financial hedge derivatives equal to 1,515 million euros (22 million euros in the first half of 2009).
Negative fair value adjustments to non-hedging derivatives of 66 million euros, decreased 24 million euros compared to the first half of 2009 (90 million euros). Of the amount of this reduction, 26 million euros is due to the effects of transactions put into place by the Brazil Business Unit (on financial debt in foreign currencies, entirely hedged but not qualifying for hedge accounting). The counterpart of this amount is represented by foreign exchange gains and losses.

***

For a better understanding of the net impacts commented above, a table is presented below:

(millions of euros)		1st Half 2010	1st Half 2009
Net exchange gains and losses:		(9)	63
Exchange gains		1,149	270
Exchange losses		(1,158)	(207)
Net result from derivatives:	(A+B+C)	48	(35)
Income from fair value hedge derivatives		232	271
Charges from fair value hedge derivatives		(103)	(247)
Net result from fair value hedge derivatives	(A)	**129**	**24**
Positive effect of the Reversal of the Reserve of cash flow hedge derivatives to the income statement for the interest rate component		333	349
Negative effect of the Reversal of the Reserve of cash flow hedge derivatives to the income statement for the interest rate component		(387)	(392)
Net effect of the Reversal of the Reserve of cash flow hedge derivatives to the income statement for the interest rate component	(B)	**(54)**	**(43)**
Income from non-hedging derivatives		28	18
Charges from non-hedging derivatives		(55)	(34)
Net result from non-hedging derivatives	(C)	**(27)**	**(16)**
Net fair value adjustments to fair value hedge derivatives and underlying:	(D+E)	33	35
Positive fair value adjustments to fair value hedge derivatives		1,515	22
Negative fair value adjustments to underlying financial assets and liabilities of fair value hedge derivatives		(1,466)	(17)
Net fair value adjustments	(D)	**49**	**5**
Positive fair value adjustments to underlying financial assets and liabilities of fair value hedge derivatives		25	477
Negative fair value adjustments to fair value hedge derivatives		(41)	(447)
Net fair value adjustments	(E)	**(16)**	**30**
Net fair value adjustments to non-hedging derivatives:	(F+G)	11	(54)
Positive fair value adjustments to non-hedging derivatives	(F)	77	36
Negative fair value adjustments to non-hedging derivatives	(G)	(66)	(90)

Note 21 – Profit for the period

Profit for the period increased 304 million euros compared to the first half of 2009 and can be analyzed as follows:

(millions of euros)		1st Half 2010	1st Half 2009
Attributable to:			
Owners of the Parent			
Profit (loss) from continuing operations		1,213	978
Profit (loss) from Discontinued operations/Non-current assets held for sale		(2)	(19)
Profit (loss) for the period attributable to owners of the Parent	(A)	1,211	959
Non-controlling interests			
Profit (loss) from continuing operations		29	(23)
Profit (loss) from Discontinued operations/Non-current assets held for sale		-	-
Profit (loss) for the period attributable to Non-controlling interests	(B)	29	(23)
PROFIT FOR THE PERIOD	(A+B)	1,240	936

Note 22 – Segment reporting

a) Operating segment reporting

Segment reporting is based on the following operating segments:

- Domestic
- Brazil
- Media
- Olivetti
- Other Operations

Separate Consolidated income statements by operating segment

(millions of euros)	Domestic		Brazil		Media		Olivetti		Other operations		Adjustments and eliminations		Consolidated total	
	1 st Half 2010	1 st Half 2009	1 st Half 2010	1 st Half 2009	1 st Half 2010	1 st Half 2009	1 st Half 2010	1 st Half 2009	1 st Half 2010	1 st Half 2009	1 st Half 2010	1 st Half 2009	1 st Half 2010	1 st Half 2009
Third-party revenues	10,064	10,864	2,865	2,193	116	98	136	122	42	44	-	-	13,223	13,321
Intragroup revenues	27	28	10	3	11	16	40	31	1	2	(89)	(80)	-	-
Revenues by operating segment	10,091	10,892	2,875	2,196	127	114	176	153	43	46	(89)	(80)	13,223	13,321
Other income	89	103	7	5	1	1	11	8	-	1	(4)	(3)	104	115
Total operating revenues and other income	10,180	10,995	2,882	2,201	128	115	187	161	43	47	(93)	(83)	13,327	13,436
Acquisition of goods and services	(3,586)	(4,119)	(1,576)	(1,321)	(83)	(82)	(181)	(126)	(30)	(28)	88	76	(5,368)	(5,600)
Employee benefits expenses	(1,627)	(1,721)	(141)	(98)	(30)	(36)	(34)	(34)	(14)	(15)	1	1	(1,845)	(1,903)
of which: accruals to employee severance indemnities	*(23)*	*(17)*	-	-	-	-	-	-	-	-	-	-	*(23)*	*(17)*
Other operating expenses	(268)	(374)	(290)	(223)	(5)	(3)	(3)	(3)	(3)	(4)	(1)	1	(570)	(606)
of which: Writedowns and expenses in connection with credit management and accruals to provisions	*(173)*	*(221)*	*(93)*	*(93)*	*(4)*	*(1)*	*(1)*	*(3)*	*(1)*	*(1)*	*(2)*	*1*	*(274)*	*(318)*
Changes in inventories	(64)	24	(75)	(37)	(1)	-	15	(10)	-	-	-	(1)	(125)	(24)
Internally generated assets	285	233	23	5	-	-	-	-	-	-	6	6	314	244
EBITDA	4,920	5,038	823	527	9	(6)	(16)	(12)	(4)	-	1	-	5,733	5,547
Depreciation and amortization	(2,157)	(2,277)	(656)	(488)	(30)	(30)	(3)	(3)	(10)	(11)	11	10	(2,845)	(2,799)
Gains (losses) on disposals of non-current assets	-	(2)	(2)	(2)	-	(11)	1	-	-	-	(1)	-	(2)	(15)
Impairment reversals (losses) on non-current assets	(5)	(48)	-	-	-	-	-	-	-	-	-	-	(5)	(48)
EBIT	2,758	2,711	165	37	(21)	(47)	(18)	(15)	(14)	(11)	11	10	2,881	2,685
Share of profits (losses) of associates and joint ventures accounted for using the equity method	(16)	(17)	-	-	-	-	-	-	55	50	-	-	39	33
Other income (expenses) from investments													2	(34)
Finance income													3,464	1,537
Finance expenses													(4,462)	(2,619)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS													1,924	1,602
Income tax expenses													(682)	(647)
PROFIT FROM CONTINUING OPERATIONS													1,242	955
Profit (loss) from Discontinued operations/ Non-current assets held for sale													(2)	(19)
PROFIT FOR THE PERIOD													1,240	936
of which:														
* Profit attributable to owners of the Parent													1,211	959
* Non-controlling interests													29	(23)

None of the Telecom Italia Group's customers exceeds 10% of consolidated revenues.

Revenues by operating segment

(millions of euros)	Domestic		Brazil		Media		Olivetti		Other operations		Adjustments and eliminations		Consolidated total	
	1 st Half 2010	1 st Half 2009	1 st Half 2010	1 st Half 2009	1 st Half 2010	1 st Half 2009	1 st Half 2010	1 st Half 2009	1 st Half 2010	1 st Half 2009	1 st Half 2010	1 st Half 2009	1 st Half 2010	1 st Half 2009
Revenues from equipment sales - third party	373	522	138	186	-	-	136	122	-	-	-	-	647	830
Revenues from equipment sales - intragroup	1	1	-	-	-	-	22	12	-	-	(23)	(13)	-	-
Total revenues from equipment sales	374	523	138	186	-	-	158	134	-	-	(23)	(13)	647	830
Revenues from services - third party	9.691	10.341	2.727	2.007	116	98	-	-	42	44	-	-	12.576	12.490
Revenues from services - intragroup	26	27	10	3	11	16	18	19	1	2	(66)	(67)	-	-
Total revenues from services	9.717	10.368	2.737	2.010	127	114	18	19	43	46	(66)	(67)	12.576	12.490
Revenues on construction contracts - third party	-	1	-	-	-	-	-	-	-	-	-	-	-	1
Total revenues on construction contracts	-	1	-	-	-	-	-	-	-	-	-	-	-	1
Total third-party revenues	10.064	10.864	2.865	2.193	116	98	136	122	42	44	-	-	13.223	13.321
Total intragroup revenues	27	28	10	3	11	16	40	31	1	2	(89)	(80)	-	-
Total revenues by operating segment	10.091	10.892	2.875	2.196	127	114	176	153	43	46	(89)	(80)	13.223	13.321

Capital expenditures by operating segment

(millions of euros)	Domestic		Brazil		Media		Olivetti		Other Operations		Adjustments and Eliminations		Consolidated Total	
	1st Half 2010	1st Half 2009	1st Half 2010	1st Half 2009	1st Half 2010	1st Half 2009	1st Half 2010	1st Half 2009	1st Half 2010	1st Half 2009	1st Half 2010	1st Half 2009	1st Half 2010	1st Half 2009
Purchase of intangible assets	619	615	261	154	15	18	1	-	-	2	-	-	896	789
Purchase of tangible assets	868	989	246	134	6	6	2	2	3	2	-	-	1,125	1,133
Total capital expenditures	1,487	1,604	507	288	21	24	3	2	3	4	-	-	2,021	1,922

Headcount by operating segment

(number)	Domestic		Brazil		Media		Olivetti		Other Operations		Consolidated Total	
	06/30/2010	12/31/2009	06/30/2010	12/31/2009	06/30/2010	12/31/2009	06/30/2010	12/31/2009	06/30/2010	12/31/2009	06/30/2010	12/31/2009
Headcount (*)	58,899	59,367	9,415	9,783	803	757	1,105	1,098	368	379	70,590	71,384

(*) Headcount at period-end do not take into account the number of employees relating to discontinued operations/non-current assets held for sale.

Assets and liabilities by operating segment

(millions of euros)	Domestic		Brazil		Media		Olivetti		Other operations		Adjustments and eliminations		Consolidated total	
	06/30/2010	12/31/2009	06/30/2010	12/31/2009	06/30/2010	12/31/2009	06/30/2010	12/31/2009	06/30/2010	12/31/2009	06/30/2010	12/31/2009	06/30/2010	12/31/2009
Non-current operating assets	59,083	59,738	5,912	5,291	477	486	15	15	195	209	(26)	(35)	65,656	65,704
Current operating assets	6,779	6,075	1,826	1,515	128	125	248	217	19	34	(100)	(127)	8,900	7,839
Total operating assets	65,862	65,813	7,738	6,806	605	611	263	232	214	243	(126)	(162)	74,556	73,543
Investments accounted for using the equity method	29	45	-	-	-	-	-	1	498	389	-	-	527	435
Discontinued operations /Non-current assets held for sale													137	1,233
Unallocated assets													8,843	10,970
Total assets													**84,063**	**86,181**
Total operating liabilities	11,081	11,750	1,683	1,782	153	148	203	184	35	60	(116)	(148)	13,039	13,776
Liabilities directly associated with Discontinued operations /Non-current assets held for sale													41	967
Unallocated liabilities													42,749	44,318
Equity													28,234	27,120
Total equity and liabilities													**84,063**	**86,181**

b) Reporting by geographical area

		Revenues				Non-current operating assets	
		Breakdown by location of operations		Breakdown by location of customers		Breakdown by location of operations	
(millions of euros)		1st Half 2010	1st Half 2009	1st Half 2010	1st Half 2009	6/30/2010	12/31/2009
Italy	(A)	10,154	10,929	9,429	10,175	59,140	59,831
Abroad	(B)	3,069	2,392	3,794	3,146	6,516	5,873
Total	(A+B)	13,223	13,321	13,223	13,321	65,656	65,704

Note 23 – Related party transactions

There are no significant transactions with related parties, including intragroup transactions, which are non recurring or unusual and / or atypical in nature. Such transactions, when not dictated by specific laws, are in any case conducted at arm's length.

The following tables present the balances relating to transactions with related parties and the incidence of those amounts on the consolidated separate income statements, consolidated statements of financial position and consolidated statements of cash flows.

The **effects on the individual line items of the separated consolidate income statements** for the first six months of 2010 and 2009 (Restated) are as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS 1st Half 2010 (millions of euros)	Total	Related parties								
		Associates and joint ventures	Companies controlled by associates and joint ventures	Other related parties (*)	Pension funds	Key managers	**Total related parties**	Transactions of Discontinued Operations	**Total related parties net of Disc.Op**	% incidence on line item
Revenues	13,223	62	14	403			**479**		**479**	3.6
Other income	104	1		3			**4**		**4**	3.8
Acquisition of goods and services	5,368	41	3	232			**276**		**276**	5.1
Employee benefits expenses	1,845			2	47	4	**53**		**53**	2.9
Finance income	3,464			184			**184**		**184**	5.3
Finance expenses	4,462	15		20			**35**		**35**	0.8

(*) Other related parties through directors, statutory auditors and key managers.

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS (Restated) 1st Half 2009 (millions of euros)	Total	Related parties								
		Associates and joint ventures	Companies controlled by associates and joint ventures	Other related parties (*)	Pension funds	Key managers	**Total related parties**	Transactions of Discontinued Operations	**Total related parties net of Disc.Op**	% incidence on line item
Revenues	13,321	97	13	359			**469**	(16)	**453**	3.4
Other income	115	2					**2**		**2**	1.7
Acquisition of goods and services	5,600	50	4	248			**302**	(64)	**238**	4.3
Employee benefits expenses	1,903			2	48	7	**57**		**57**	3.0
Finance income	1,537			39			**39**		**39**	2.5
Finance expenses	2,619	16		194			**210**		**210**	8.0
Profit (loss) from Discontinued operations/Non-current assets held for sale	(19)			(48)			**(48)**			

(*) Other related parties through directors, statutory auditors and key managers.

The **effects on the individual line items of the consolidated statements of financial position** at June 30, 2010 and at December 31, 2009 are as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION LINE ITEMS AT 6/30/2010 (millions of euros)	Total	Related parties								
		Associates and joint ventures	Companies controlled by associates and joint ventures	Other related parties (*)	Pension funds	Key managers	**Total related parties**	Transactions of Discontinued Operations	**Total related parties net of Disc.Op**	% incidence on line item
NET FINANCIAL DEBT										
Securities, financial receivables and other non-current financial assets	(2,828)			(199)			**(199)**		**(199)**	7.0
Securities other than investments (current assets)	(1,361)			(9)			**(9)**		**(9)**	0.7
Financial receivables and other current financial assets	(375)			(17)			**(17)**		**(17)**	4.5
Cash and cash equivalents	(3,507)			(123)			**(123)**		**(123)**	3.5
Discontinued assets/Non-current assets held for sale of a financial nature	(19)									
Non-current financial liabilities	36,184	208		237			**445**		**445**	1.2
Current financial liabilities	5,935	128		73			**201**		**201**	3.4
Total net financial debt	**34,029**	**336**		**(38)**			**298**		**298**	**0.9**
OTHER STATEMENT OF FINANCIAL POSITION LINE ITEMS										
Miscellaneous receivables and other non-current assets	1,050	25					**25**		**25**	2.4
Trade and miscellaneous receivables and other current assets	8,637	69	4	246			**319**		**319**	3.7
Discontinued assets/Non-current assets held for sale of a non-financial nature	118									
Miscellaneous payables and other non-current liabilities	1,102		22	4			**26**		**26**	2.4
Trade and miscellaneous payables and other current liabilities	10,233	30	3	259	31		**323**	(3)	**320**	3.1
Liabilities directly associated with Discontinued operations/Non-current assets held for sale of a non-financial nature	41			3			**3**			

(*) Other related parties through directors, statutory auditors and key managers.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION LINE ITEMS AT 12/31/2009 (millions of euros)	Total	Related parties								
		Associates and joint ventures	Companies controlled by associates and joint ventures	Other related parties (*)	Pension funds	Key managers	**Total related parties**	Transactions of Discontinued Operations	**Total related parties net of Disc.Op**	% incidence on line item
NET FINANCIAL DEBT										
Securities, financial receivables and other non-current financial assets	(1,119)			(48)			**(48)**		**(48)**	4.3
Securities other than investments (current assets)	(1,843)									
Financial receivables and other current financial assets	(1,103)			(22)			**(22)**		**(22)**	2.0
Cash and cash equivalents	(5,504)			(48)			**(48)**		**(48)**	0.9
Discontinued assets/Non-current assets held for sale of a financial nature	(81)									
Non-current financial liabilities	36,797	221		254			**475**		**475**	1.3
Current financial liabilities	6,941	128		413			**541**		**541**	7.8
Liabilities directly associated with Discontinued operations/Non-current assets held for sale of a financial nature	659									
Total net financial debt	**34,747**	**349**		**549**			**898**		**898**	**2.6**
OTHER STATEMENT OF FINANCIAL POSITION LINE ITEMS										
Miscellaneous receivables and other non-current assets	893	26					**26**		**26**	2.9
Trade and miscellaneous receivables and other current assets	7,462	120	6	163			**289**	(8)	**281**	3.8
Discontinued assets/Non-current assets held for sale of a non-financial nature	1,152			8			**8**			
Miscellaneous payables and other non-current liabilities	1,084		23	3			**26**	(1)	**25**	2.3
Trade and miscellaneous payables and other current liabilities	11,019	57	4	305	31		**397**	(32)	**365**	3.3
Liabilities directly associated with Discontinued operations/Non-current assets held for sale of a non-financial nature	308			33			**33**			

(*) Other related parties through directors, statutory auditors and key managers.

The **effects on the individual line items of the consolidated statements of cash flows** for the first six months of 2010 and 2009 (Restated) are as follows:

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS 1st Half 2010 (millions of euros)	Total	Related parties								
		Associates and joint ventures	Companies controlled by associates and joint ventures	Other related parties (*)	Pension funds	Key managers	**Total related parties**	Transactions of Discontinued Operations	**Total related parties net of Disc.Op**	% incidence on line item
Purchase of intangible and tangible assets on an accrual basis	2,021	1					**1**		**1**	0.0
Dividend paid	1,060			161			**161**		**161**	15.2

(*) Other related parties through directors, statutory auditors and key managers.

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS 1st Half 2009 (Restated) (millions of euros)	Total	Related parties								
		Associates and joint ventures	Companies controlled by associates and joint ventures	Other related parties (*)	Pension funds	Key managers	**Total related parties**	Transactions of Discontinued Operations	**Total related parties net of Disc.Op**	% incidence on line item
Purchase of intangible and tangible assets on an accrual basis	**1,922**	1		12			**13**	(12)	**1**	0.1
Dividend paid	**1,050**			168			**168**		**168**	16.0
Cash flows from (used in) Discontinued operations/non-current assets held for sale	**22**			12			**12**			

(*) Other related parties through directors, statutory auditors and key managers.

Transactions with associates and joint ventures

The most significant amounts are summarized as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS (millions of euros)	1st Half 2010	1st Half 2009	TYPE OF CONTRACT
REVENUES			
ETECSA	3	2	International telecommunications services, roaming and technical assistance
LI.SIT. S.p.A.	3	11	Lombardy Region social health system information networking and telephone services
NordCom S.p.A.	1		Telephone, data network connections and applications software services, call center services
Telbios S.p.A.	2		Supply of telephone services, ADSL, sale of equipment and property leases
Teleleasing S.p.A.	52	83	Sale of equipment as per the 2000 collaboration agreement
Other minor companies	1	1	
Total revenues	62	**97**	
OTHER INCOME	1	**2**	Recovery of costs of personnel on secondment and recovery of costs for services rendered
ACQUISITION OF GOODS AND SERVICES			
ETECSA	31	42	International telecommunications services and roaming
NordCom S.p.A.	1		Purchase and development of computer solutions
Telbios S.p.A.	2	2	Supply of audio/visual services and products and hardware systems and software for remote medicine offerings
Teleleasing S.p.A.	2	3	Purchase of goods sold under leasing arrangements with Telecom Italia customers as per the 2000 collaboration agreement
Tiglio I S.r.l.	2	2	Property leases
Telecom Media News S.p.A.	2		Press agency services and supply of information content
Other minor companies	1	1	
Total acquisition of goods and services	41	**50**	
FINANCE EXPENSES	15	**16**	Interest expenses for finance leases with Teleleasing

CONSOLIDATED STATEMENT OF FINANCIAL POSITION LINE ITEMS (millions of euros)	6/30/2010	12/31/2009	TYPE OF CONTRACT
NET FINANCIAL DEBT			
NON-CURRENT FINANCIAL LIABILITIES			
Teleleasing S.p.A.	207	220	Finance lease
Tiglio I S.r.l.	1	1	Sale and leaseback transactions
Total non-current financial liabilities	208	**221**	
CURRENT FINANCIAL LIABILITIES	128	**128**	Finance lease and treasury account with Teleleasing S.p.A.
OTHER STATEMENT OF FINANCIAL POSITION LINE ITEMS			
MISCELLANEOUS RECEIVABLES AND OTHER NON-CURRENT ASSETS			
Aree Urbane S.r.l.	25	25	Non interest-bearing loan to shareholders
LI.SIT. S.p.A.		1	Receivables representing the residual share premium paid
Total miscellaneous receivables and other non-current assets	25	**26**	
TRADE AND MISCELLANEOUS RECEIVABLES AND OTHER CURRENT ASSETS			
ETECSA	33	28	International telecommunications services, roaming and dividends collectible
LI.SIT. S.p.A.		19	Lombardy Region social health system information networking and telephone services
NordCom S.p.A.	1	1	Supply of data network connections and applications software
Telbios S.p.A.	3	4	Supply of telephone services, ADSL lines, sale of equipment and property leases
Teleleasing S.p.A.	30	65	Sale of equipment as per the 2000 collaboration agreement
Telecom Media News S.p.A.	1	1	Property leases and telecommunications services
Xtramedia		1	Internet connectivity services and custom operations
Other minor companies	1	1	
Total trade and miscellaneous receivables and other current assets	69	**120**	
TRADE AND MISCELLANEOUS PAYABLES AND OTHER CURRENT LIABILITIES			
ETECSA	5	7	Telecommunications services and roaming
LI.SIT. S.p.A.		20	Deferred financial income on the information networking project of the Lombardy Region social health system
Movenda S.p.A.	1	1	Development of computer solutions and applications software for SIM card laboratories and mobile handsets and professional services
Nord.Com S.p.A.	1	1	Purchase and development of computer solutions
Telbios S.p.A.	3	5	Supply of audio/visual services and products and hardware systems and software for remote medicine offerings
Teleleasing S.p.A.	15	19	Purchase of goods sold under leasing arrangements with Telecom Italia customers as the 2000 collaboration agreement
Telecom Media News S.p.A.	3	2	Press agency services and supply of information content
Tiglio I S.r.l.		1	Property leases
Other minor companies	2	1	
Total trade and miscellaneous payables and other current liabilities	30	**57**	
PURCHASE OF INTANGIBLE AND TANGIBLE ASSETS ON AN ACCRUAL BASIS	1	**1**	Acquisition from other minor companies

Transactions with companies controlled by associates and joint ventures

The most significant amounts are summarized as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS (millions of euros)	1st Half 2010	1st Half 2009	TYPE OF CONTRACT
REVENUES	14	13	International telecommunications services and roaming; data, voice and supply of "IRU" transmission capacity; supply of advanced platforms and technical assistance rendered by Telecom Italia for the development of broadband and the study of Value-Added Services to Telecom Argentina group
ACQUISITION OF GOODS AND SERVICES	3	4	International telecommunications services and roaming to Telecom Argentina group

CONSOLIDATED STATEMENT OF FINANCIAL POSITION LINE ITEMS (millions of euros)	6/30/2010	12/31/2009	TYPE OF CONTRACT
NET FINANCIAL DEBT			
TRADE AND MISCELLANEOUS RECEIVABLES AND OTHER CURRENT ASSETS	4	6	International telecommunications services and roaming; data, voice and supply of "IRU" transmission capacity services; supply of advanced platforms and technical assistance rendered by Telecom Italia for the development of broadband and the study of Value-Added Services to Telecom Argentina group
MISCELLANEOUS PAYABLES AND OTHER NON-CURRENT LIABILITIES	22	23	Medium/long-term portion of deferred income for the supply of "IRU" transmission capacity to Telecom Argentina group
TRADE AND MISCELLANEOUS PAYABLES AND OTHER CURRENT LIABILITIES	3	4	International telecommunications services, roaming and the short-term portion of deferred income for the supply of "IRU" transmission capacity to Telecom Argentina group

At June 30, 2010, the Telecom Italia Group has provided guarantees on behalf of associates and companies controlled by associates for a total of 14 million euros (16 million euros at 12/31/2009), of which, on behalf of: Aree Urbane S.r.l. 5 million euros (11 million euros at 12/31/2009), ETECSA 7 million euros (3 million euros at 12/31/2009) and Telecom Media News S.p.A. 2 million euros (21 million euros at 12/31/2009).
Furthermore, weak comfort letters have also been provided for a total of 40 million euros (34 million euros at 12/31/2009) on behalf of ETECSA in respect of loans from suppliers.

Transactions with other related parties (through directors, statutory auditors and key managers)

On February 27, 2009, following the resignation of Gianni Mion (through whom the companies of the Edizione group and the Sintonia group were related parties of Telecom Italia), Stefano Cao was co-opted as director (through whom only the companies of the Sintonia group are related parties of Telecom Italia); the shareholders' meeting held on April 8, 2009 later confirmed this appointment.
On December 22, 2009, the director Stefano Cao resigned from the post of director. Consequently, the income statement transactions reported in the following tables include the income statement transactions with respect to the Edizione group from January 1, to March 31, 2009 and the Sintonia group from January 1, to December 22, 2009.

The most significant amounts are summarized as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS (millions of euros)	1st Half 2010	1st Half 2009	TYPE OF CONTRACT
REVENUES			
ATM group	1		Supply of personalized services and network business data
Edizione group		3	Supply of telephone and data transmission services outsourced managed with dedicated assistance
Generali group	29	25	Supply of telephone and data transmission services, peripheral data networks, connections, storage and telecommunications products and services for foreign holdings
Intesa SanPaolo group	48	61	Telephone, data and international network services, ICT services, LAN network management and applications platform
Mediobanca group	3	3	Telephone and MPLS data network services and marketing of data and VoIP devices
Telefónica group	322	266	Interconnection services, roaming, broadband access fees, supply of "IRU" transmission capacity and software
Other minor companies and companies that are no longer related parties		1	
Total revenues	403	359	
OTHER INCOME	3		Damage compensation from the Generali group
ACQUISITION OF GOODS AND SERVICES			
China Unicom group		2	International telecommunications services and roaming
Edizione group		5	Sponsorships, commissions for the sale of prepaid telephone cards, fees for laying cables along expressways, TV and internet rights connected with sports events
Generali group	13	12	Insurance premiums and property leases
Intesa SanPaolo group	7	10	Mobile banking services, commissions for payment of telephone bills by direct debit and collections via credit cards
Mediobanca group	1	1	Credit recovery activities
Telefónica group	211	218	Interconnection and roaming services, site sharing, co-billing agreements, broadband line sharing and unbundling
Total acquisition of goods and services	232	248	
EMPLOYEE BENEFITS EXPENSES	2	2	Non-obligatory employee insurance taken out with the Generali group
FINANCE INCOME			
Intesa SanPaolo group	162	24	Bank accounts, deposits and hedging derivatives
Mediobanca group	22	15	Bank accounts, deposits and hedging derivatives
Total finance income	184	39	
FINANCE EXPENSES			
Intesa SanPaolo group	10	181	Term Loan Facility, Revolving Credit Facility, hedging derivatives, loans and bank accounts
Mediobanca group	10	13	Term Loan Facility and Revolving Credit Facility and hedging derivatives
Total finance expenses	20	194	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION LINE ITEMS (millions of euros)	6/30/2010	12/31/2009	TYPE OF CONTRACT
NET FINANCIAL DEBT			
SECURITIES, FINANCIAL RECEIVABLES AND OTHER NON-CURRENT FINANCIAL ASSETS			
Intesa SanPaolo group	150	43	Hedging derivatives
Mediobanca group	49	5	Hedging derivatives
Total securities, financial receivables and other non-current financial assets	199	48	
SECURITIES OTHER THAN INVESTMENTS (CURRENT ASSETS)			
Intesa SanPaolo group	7		Hedging derivatives
Mediobanca group	2		Hedging derivatives
Total securities other than investments (current assets)	9		
FINANCIAL RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS			
Intesa SanPaolo group	12	8	Hedging derivatives
Mediobanca group	5	14	Hedging derivatives
Total financial receivables and other current financial assets	17	22	
CASH AND CASH EQUIVALENTS	123	48	Bank accounts and deposits with Intesa SanPaolo group
NON-CURRENT FINANCIAL LIABILITIES			
Intesa San Paolo group	175	192	Revolving Credit Facility, hedging derivatives, loans and financial lease liabilities
Mediobanca group	62	62	Revolving Credit Facility and hedging derivatives
Total non-current financial liabilities	237	254	
CURRENT FINANCIAL LIABILITIES			
Intesa SanPaolo group	72	344	Bank accounts, hedging derivatives, finance lease liabilities and other financial payables
Mediobanca group	1	69	Hedging derivatives
Total current financial liabilities	73	413	
OTHER STATEMENT OF FINANCIAL POSITION LINE ITEMS			
TRADE AND MISCELLANEOUS RECEIVABLES AND OTHER CURRENT ASSETS			
China Unicom group	1	1	Supply of international telecommunications services and roaming
Generali group	32	26	Supply of telephone and data transmission services, peripheral data networks, connections, storage, applications services and supply of telecommunications products and services for foreign holdings
Intesa SanPaolo group	124	51	Supply of telephone and data transmission services, ICT services, LAN network management and applications platform
Mediobanca group	1	2	Supply of telephone and MPLS data network services and marketing of data and VoIP devices
Telefónica group	88	83	Interconnection services, roaming, broadband access fees, supply of "IRU" transmission capacity and software
Total trade and miscellaneous receivables and other current assets	246	163	
Discontinued assets/Non-current assets held for sale of a non-financial nature		8	Interconnection services and roaming of HanseNet GmbH (included in Discontinued Operations) to the Telefónica group
MISCELLANEOUS PAYABLES AND OTHER NON-CURRENT LIABILITIES	4	3	Deferred income relating to the supply of "IRU" transmission capacity to the Telefónica group
TRADE AND MISCELLANEOUS PAYABLES AND OTHER CURRENT LIABILITIES			
China Unicom group	1	1	International telecommunications services and roaming
Generali group	3		Deferred income referring to outsourcing of central and peripheral data networks and telephone systems
Intesa SanPaolo group	190	213	Mobile banking services, commissions for payment of telephone bills by direct debit and collections via credit cards
Mediobanca group	2	2	Credit recovery activities and factoring commissions
Telefónica group	62	89	Interconnection services, roaming, site sharing, co-billing agreements, broadband line sharing and unbundling
Other minor companies	1		
Total trade and miscellaneous payables and other current liabilities	259	305	
Liabilities directly associated with Discontinued operations/Non-current assets held for sale of a non-financial nature	3	33	Interconnection services and roaming and other TLC services of Elettra TLC S.p.A. included in non current assets held for sale (for 30.6.2010) and of HanseNet GmbH included in Discontinued Operations (for 31.12.2009) to Telefónica group

CONSOLIDATED STATEMENT OF CASH FLOWS LINE ITEMS (millions of euros)	1st Half 2010	1st Half 2009	TYPE OF CONTRACT
PURCHASE OF INTANGIBLE AND TANGIBLE ASSETS ON AN ACCRUAL BASIS		12	Capitalization of costs connected with unbundling in Germany with the Telefónica group

Sale of HanseNet Telekommunikation GmbH to the Telefónica group

On February 16, 2010, after having obtained the necessary authorizations from the competent authorities, the sale of HanseNet Telekommunikation GmbH to Telefónica group was finalized. HanseNet (an operator on the retail market of broadband services in Germany), is a 100%-owned subsidiary of Telecom Italia S.p.A. through the holding in Telecom Italia Deutschland Holding GmbH. The sales price of the company was based on the enterprise value of 900 million euros.

Details of the transaction are provided in the note "Discontinued operations/Non-current assets held for sale".

Transactions with pension funds

The most significant amounts are summarized as follows:

SEPARATE CONSOLIDATED INCOME STATEMENT LINE ITEMS (millions of euros)	1st Half 2010	1st Half 2009	TYPE OF CONTRACT
EMPLOYEE BENEFITS EXPENSES			Contributions to pension funds
Fontedir	7	7	
Telemaco	37	38	
Other Italian and foreign pension funds	3	3	
Total employee benefits expenses	47	48	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION LINE ITEMS (millions of euros)	6/30/2010	12/31/2009	TYPE OF CONTRACT
TRADE AND MISCELLANEOUS PAYABLES AND OTHER CURRENT LIABILITIES			Payables for contributions to pension funds
Fontedir	4	5	
Telemaco	25	25	
Other Italian and foreign pension funds	2	1	
Total trade and miscellaneous payables and other current liabilities	31	31	

Remuneration to key managers

The total remuneration recorded on the accrual basis by Telecom Italia S.p.A. or by companies controlled by the Group in respect of key managers amounts to 4.3 million euros (7.4 million euros in the first half of 2009), analyzed as follows:

(millions of euros)	1st Half 2010	1st Half 2009
Short-term remuneration	3.7	6.8
Share-based payments (*)	0.6	0.6
	4.3	7.4

(*) This is the fair value of rights, accrued to June 30, 2010, under Telecom Italia incentive plans (PSG and TOP 2008).

Key managers, that is, those who have the power and responsibility, directly or indirectly, for the planning, direction and control of the operations of Telecom Italia, including directors, are the following:

Directors:	
Gabriele Galateri di Genola	Chairman of Telecom Italia S.p.A.
Franco Bernabè	Chief Executive Officer of Telecom Italia S.p.A.
Managers:	
Oscar Cicchetti	Head of Technology & Operations
Stefano Ciurli	Head of Purchasing
Antonino Cusimano	Head of Corporate Legal Affairs
Luca Luciani	Director Chairman of Tim Brasil
Andrea Mangoni	Head of Administration, Finance and Control Head of International Business Chairman of Telecom Italia Sparkle S.p.A. [1]
Antonio Migliardi	Head of Human Resources and Organization
Marco Patuano	Head of Domestic Market Operations

[1] to july 12, 2010.

Note 24 – Stock Option and Performance Share Granting Plans

The stock option and *"Performance Share Granting"* plans in effect at June 30, 2010 and at December 31, 2009 are the following, respectively:

- options (including those at one time granted by Telecom Italia S.p.A. before its merger by incorporation in Olivetti S.p.A. – renamed Telecom Italia S.p.A. – and by TIM S.p.A., later merged in Telecom Italia S.p.A.) which give, or have given, the right to subscribe to Telecom Italia S.p.A. ordinary shares;
- free Telecom Italia ordinary share grants based on the effective period of participation in the plan by each of the grantees and the degree to which they have reached pre-fixed performance targets.

These plans are used by the Telecom Italia for retention purposes and as a long-term incentive for the managers and employees of the Group.

The changes between December 31, 2009 and June 30, 2010 in the stock option and "Performance Share Granting" Plans of Telecom Italia S.p.A. are described in the following paragraphs.

► Stock Option Plans - Telecom Italia S.p.A.

In the description of the stock option plans, in order to render the representation of the options homogeneous with that of the underlying subscribable shares and to facilitate their measurement on the basis of the relevant subscription prices, Telecom Italia S.p.A. has used the concept of "equivalent options", which means a quantity of options equal to the number of ordinary shares actually subscribable of the current Telecom Italia S.p.A.. In this manner, the weighted average prices and the exercise prices indicated are consistent and directly comparable among each other.

The main features of the Telecom Italia S.p.A. stock option plans in effect at December 31, 2009 and at June 30, 2010 are summarized in the following tables.

Stock Option Plans (Date of shareholders' meeting)	BoD Grant Date (Grantees)	Lot	Exchange Ratio (1)	Exercise Price of Options (2) (euros)	Exercise Price of Equivalent Options (3) (euros)	Original Grant		Exercise period		Equivalent Options Outstanding at:	
						No. of Options	No. of Equivalent Options	from	to	12/31/2009	6/30/2010
2008 Top Plan (4/14/2008)	**4/15/2008** (Executive Directors)	single	1	1.95	1.95	11,400,000	11,400,000	4/15/11	4/15/14	11,400,000	11,400,000
2002 Top Plan (6/12/2001- 5/26/2003)	**2/13/2002** (16 Top Managers)	2°	3.300871	9.203	2.788052	3,540,000	11,685,083	2/18/04	2/18/09	-----	-----
		3°	3.300871	9.203	2.788052	4,720,000	15,580,111	2/18/05	2/18/10	5,941,567	-----
2002 Plan granted in March (12/15/1998 - 8/10/2000 - 5/3/2001 - 5/26/2003)	**3/26/2002** (Managers of the Group)	2°	3.300871	9.665	2.928015	8,987,400	29,666,248	3/3/04	3/3/09	-----	-----
		3°	3.300871	9.665	2.928015	11,983,200	39,554,997	3/3/05	3/3/10	16,929,390	-----
2002 Plan granted in August (12/15/1998 - 8/10/2000 - 5/3/2001 - 5/26/2003)	**8/1/2002** (Managers of the Group)	2°	3.300871	7.952	2.409061	252,000	831,819	3/3/04	3/3/09	-----	-----
		3°	3.300871	7.952	2.409061	336,000	1,109,093	3/3/05	3/3/10	224,457	-----
2003-2005 Plan (10/10/2000- 4/7/2005)	**5/6/2002** (Managers and employees of the Group)	2°	1.730000	5.070	2.930636	16,685,666	28,866,202	5/24/04	5/31/09	-----	-----
		3°	1.730000	5.070	2.930636	16,685,667	28,866,204	12/22/04	5/31/10	1,212,557	-----
Total										35,707,971	11,400,000

(1) Number of Telecom Italia ordinary shares granted for the exercise of one option.
(2) Original exercise price determined for the exercise of one option.
(3) Subscription price of one Telecom Italia S.p.A. ordinary share coming from the exercise of one equivalent option.

Information on the changes during the first half of 2010 in the Telecom Italia S.p.A. stock option plans is as follows:

- "Stock Option 2002 Top Plan": on February 18, 2010, the terms for exercising the remaining options expired.

- "Stock Option 2002 Plan": on March 31, 2010, the terms for exercising the remaining options expired.
- "Stock Option Plans 2003-2005": on May 31, 2010, the terms for exercising the remaining options expired.

During the first half of 2010, no stock options were exercised.

The market value of Telecom Italia ordinary shares at June 30, 2010 and at December 31, 2009 was respectively 0.9161 euros and 1.0920 euros, thus below the exercise price of the equivalent options outstanding and exercisable at those dates.

Aggregate movements in all Telecom Italia stock option plans from December 31, 2009 to June 30, 2010 are presented in the following table.

	Number of Equivalent Options	Weighted Average Price per Equivalent Option (euros)
Options outstanding at December 31, 2009	35,707,971	2.59
Of which: Options exercisable at December 31, 2009	*24,307,971*	*2.89*
Granted during the period	-	-
Exercised during the period	-	-
Forfeit (1) during the period	-	-
Lapsed (2) during the period	*(1,152,662)*	*2.93*
Expired (3) during the period	*(23,155,309)*	*2.89*
Options outstanding at June 30, 2010	11,400,000	1.95
Of which: Options exercisable at June 30, 2010	-	-

(1) These equivalent options are forfeit since they could no longer be exercised as a result of failure to reach performance targets.
(2) These options lapsed since they could no longer be exercised as a result of the termination of employment and/or for other reasons (e.g. relinquished by the interested party).
(3) These equivalent options expired since they were not exercised during the stated period.

The following tables present, with reference to the Telecom Italia stock option plans existing at June 30, 2010 and December 31, 2009, grouped by the exercise price range, the residual weighted average life and the weighted average grant price of the equivalent options:

Price range	Equivalent options outstanding at June 30, 2010			Equivalent options exercisable at June 30, 2010	
(euros)	Equivalent options	Residual Weighted Average Life (years)	Weighted Average Grant Price (euros)	Equivalent Options	Weighted Average Grant Price (euros)
1.95	11,400,000	3.79	1.95	-	-
	11,400,000			-	

Price Range	Equivalent options outstanding at December 31, 2009			Equivalent options Exercisable at December 31, 2009	
(euros)	Equivalent options	Residual Weighted Average Life (years)	Weighted Average Grant Price (euros)	Equivalent Options	Weighted Average Grant Price (euros)
1.95	11,400,000	4.29	1.95	-	-
2.41	224,457	0.17	2.41	224,457	2.41
2.78 – 2.94	24,083,514	0.18	2.89	24,083,514	2.89
	35,707,971			24,307,971	

► Performance Share Granting Plan - Telecom Italia S.p.A.

Information on the changes during the first half of 2010 in the Telecom Italia S.p.A. Performance Share Granting Plan is presented below.

The situation at June 30, 2010 shows that the number of shares which could potentially be effectively granted based on the rights attributed is equal to 10,912,200, while the number at December 31, 2009 was equal to 11,224,600.

The fair value of the rights of the Performance Share Granting Plan had originally been determined as a total of 2,593 thousand euros. During 2010, new rights were granted and others were forfeit; consequently, the fair value at June 30, 2010 - equal to 2,581 thousand euros, of which 202 thousand euros referring to the new rights issued on January 1, 2010 and 2,379 thousand euros referring to the remaining rights previously granted and forfeit - will be recognized in equity over the vesting period of the rights with a corresponding entry to "employees benefits expenses". The charge to the 2010 first half separate consolidated income statement is equal to 520 thousand euros.

The unit fair value of the rights granted under the "Performance Share Granting" plan was calculated at the grant date of January 1, 2010 by applying the Montecarlo method and using the following calculation parameters:

- exercise price: equal to zero;
- current price: in compliance with regulations, for Telecom Italia this is represented by the average of the share trading prices for the month of June 2009 equal to 0.96168 euros; for the Dow Jones Stoxx Index TLC sector this is represented by the average of the closing prices of June 2009 equal to 214,01 euros;
- volatility TI: historical volatility values of one year were assumed, taken over the 1.5 previous years equal to 37.781%;
- option period: two years from June 30, 2009 to June 30, 2011;
- expected dividends: dividends were assumed to be constant over the life of the rights granted on the basis of the latest dividends paid on Telecom Italia ordinary shares (0.05 euros per share);
- risk-free interest rate: this is considered the rate of the government securities of the Federal Republic of Germany (the market benchmark for transactions in euros) with maturities commensurate with the life of the rights granted, that is, 1.2742%.

Note 25 – Significant non-recurring events and transactions

The effect of non-recurring events and transactions on equity, profit, net financial debt and cash flows of the Telecom Italia Group is set out below in accordance with Consob Communication DEM/6064293 dated July 28, 2006.
The effect of non-recurring events and transactions at June 30, 2010 is as follows:

(millions of euros)		Total Equity	Profit for the period	Carrying Net financial debt	Cash flows (*)
Amount – financial statements	(A)	28,234	1,240	34,029	(2,241)
Other sundry expenses		(7)	(7)	7	(7)
Expenses for mobility under Law 223/91		-	-	61	(61)
Net gain on disposal of other investments		1	1	(1)	1
Total effect – (excluding effect of Discontinued operations)	(B)	(6)	(6)	67	(67)
Effect of Discontinued operations	(C)	(2)	(2)	(800)	141
Figurative amount – financial statements	(A-B-C)	28,242	1,248	34,762	(2,315)

(*) Cash flows refer to the increase (decrease) in Cash and cash equivalents during the year.

The impact of non-recurring items on the separate consolidated income statement line items is as follows:

(millions of euros)	1st Half 2010	1st Half 2009
Acquisition of goods and services / Other operating expenses:		
Other sundry expenses	(8)	(7)
IMPACT ON EBITDA	(8)	(7)
Gains (losses) on non-current assets:		
Loss on disposal of Telecom Media News	-	(11)
Impairment reversals (losses) on non-current assets:		
Impairment loss on BBNed goodwill	-	(48)
IMPACT ON EBIT	(8)	(66)
Finance income (expenses) and Other income (expenses) from investments:		
Gains on disposal of other investments	1	3
Other finance expenses	-	(5)
IMPACT ON PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	(7)	(68)
Effect of income taxes	1	15
Discontinued operations	(2)	-
IMPACT ON PROFIT FOR THE PERIOD	(8)	(53)

Note 26 – Positions or transactions resulting from atypical and/or unusual operations

In accordance with Consob Communication DEM/6064293 of July 28, 2006, a statement is made to the effect that in the first half of 2010 the Telecom Italia Group has not put into place any atypical and/or unusual operations, as defined by that Communication.

Note 27 – Other information

► a) Exchange rates used to translate the financial statements of foreign operations (*)

(local currency against 1 euro)		Period-end exchange rates (statements of financial position) 6/30/2010	12/31/2009	Average exchange rates for the period (income statements and statements of cash flows) 1st Half 2010	1st Half 2009
Europe					
BGN	Bulgarian Lev	1.95580	1.95580	1.95580	1.95580
CZK	Czech koruna	25.69100	26.47300	25.73356	27.13152
HUF	Hungarian forint	286.00000	270.42000	271.68738	289.79938
CHF	Swiss franc	1.32830	1.48360	1.43591	1.50583
TRY	Turkish lira	1.94000	2.15470	2.02163	2.15132
GBP	Pound sterling	0.81745	0.88810	0.87000	0.89454
RON	New Romanian leu	4.37000	4.23630	4.14944	4.22955
North America					
USD	US dollar	1.22710	1.44060	1.32683	1.33316
Latin America					
VEF	Venezuelan bolivar	3.18647	3.09340	3.41576	2.86269
BOB	Bolivian boliviano	8.61424	10.11300	9.31804	9.36376
PEN	Peruvian nuevo sol	3.46852	4.16189	3.77559	4.13683
ARS	Argentinean peso	4.82551	5.46185	5.13422	4.84920
CLP	Chilean peso	671.33200	730.74400	695.91634	780.97343
COP	Colombian peso	2,355.29000	2,943.76000	2,584.85543	3,089.53656
MXN	Mexican peso	15.73630	18.92230	16.81108	18.44074
BRL	Brazilian real	2.21062	2.50837	2.38434	2.92345
Other countries					
ILS	Israeli shekel	4.76689	5.45452	4.98714	5.41155

(*) Source: data processed by the European Central Bank, Reuters and major Central Banks.

► b) Research and development

In the first half of 2010, expenditures for research and development activities are represented by external costs, labor costs of dedicated staff and depreciation and amortization. Details are as follows:

(millions of euros)	1st Half 2010	1st Half 2009
Research and development costs expensed during period	22	43
Development costs capitalized	328	330
Total research and development costs (expensed and capitalized)	350	373

Moreover, in the separate consolidated income statement for the first half of 2010 amortization charges are recorded for development costs, capitalized during the period and in prior periods, for an amount of 418 million euros.

Research and development activities conducted by the Telecom Italia Group are detailed in the Interim Management Report in the Section "Research and Development".

Note 28 – Events subsequent to June 30, 2010

► Employee Stock Ownership

On July 29, 2010, 27,056,139 Telecom Italia ordinary shares were issued (equal to 0.20% of the share capital of the class and equal to 87% of the maximum amount of 31,000,000 ordinary shares approved by the board of directors on May 6, 2010, in execution of the mandate received from the shareholders' meeting on April 29, 2010).
Ordinary shares were offered to employees from June 28, to July 9, 2010 and more than 9,000 employees accepted (equal to about 16% of those entitled). The ordinary shares have been offered at a subscription price of 0.84 euros corresponding to the arithmetic mean of the trading prices of Telecom Italia ordinary shares recorded from May 25, 2010 to June 25, 2010 on the Mercato Telematico Azionario (electronic stock market), discounted by 10%.
After this operation, the total quantity of Telecom Italia ordinary shares issued is equal to 13,407,963,078 and Telecom Italia share capital is 10,688,746,056,45 euros.

► Long Term Management Incentive Plan

The Long Term Incentive Plan 2010-2015 also commenced on July 29, 2010. The plan was approved by the shareholders' meeting held on April 29, 2010 and is reserved for a chosen number of management who are not already the grantees of other long-term incentive plans.
The LTI 2010-2015 Plan calls for granting managers, who received a cash bonus for their three-year performance (2010-2012) measured against pre-set targets, the possibility of investing 50% of the bonus in new ordinary shares. The subscription price is based on the share market value at the time of the offering. The maximum equivalent amount of the reserved capital increase will be equal to 4,377,300 euros.
The grantees who retain those subscribed shares for two years, subject to maintaining an employment relationship with Telecom Italia or other companies of the Group, in 2015 will be attributed profits under art. 2349 of the Italian Civil Code through the issue of free shares to be attributed in a ratio of one matching share for every subscribed share.

► BBNed

On July 16, 2010, the Telecom Italia Group announced that it had reached an agreement for the sale of BBNed to Tele2.
The decision to sell is in line with the Telecom Italia Group's objective to reposition itself in the core markets; this will not have an appreciable impact on the separate consolidated income statement of the Group.
The price negotiated on the sale was an enterprise value of about 50 million euros.
The conclusion of the sale is subject to the approval of the Antitrust Authority of the Netherlands.

► Telecom Italia Sparkle – update on alleged VAT fraud

On July 7, 2010, the Revenue Agency – Lazio Regional Office – having taken note of the matters raised by the Finance Police, served Telecom Italia Sparkle with a notice of an assessment with which it disputed the non-deductibility of VAT for a total amount of about 298 million euros, plus interest and penalties.
On July 19, 2010, a payment was made for a total of 418 million euros to the Revenue Agency. The Telecom Italia Group, after an in-depth review, also in light of opinions obtained from respected professionals, decided to pay the penalties at a reduced amount (25% instead of 100% of the amount levied) and the entire amount of VAT considered non-deductible and the relative interest.
It should be recalled that, with a view towards settling the charges before litigation, in the 2009 financial statements this amount was already covered by a specific provision (about 421 million euros). As concerns this payment, the company is evaluating the scenarios and the initiatives to protect its interests; in the meantime, Telecom Italia Sparkle has filed an appeal to revoke the seizure as a precautionary measure of the sum of 298 million euros (corresponding to the "VAT receivable unlawfully deducted for the tax years relating to the alleged illegal activities under investigation") ordered by the Rome court in February 2010. Such appeal was upheld on August 5, 2010 and, as a result, the restitution of such sums has been arranged, except for 10 million euros which will remain seized for precautionary reasons in connection with the criminal case in progress.
Telecom Italia Sparkle will also take steps for the restitution of the bank guarantee provided to the Financial Administration for the amount of about 123 million euros. Such guarantee, in any case, should be considered as lapsed owing to the payment made by Telecom Italia Sparkle to the Financial Administration.

Additional details are provided in the Note “Contingent liabilities, other information, commitments and guarantees”.

► Trade Union Agreement

On August 4, 2010, the final agreement was reached with the Trade Unions at the Ministry of Economic Development in the presence of the Minister for Work and Social Policy and the Deputy Minister for Economic Development relating to the employment levels for the years of the 2010-2012 Business Plan, in line with what is called for in the plan itself.
The agreement, which establishes efficiencies in economic terms in line with what was indicated in the Strategic Plan (efficiencies between 2009 – 2012 for a difference of 400 million euros) mainly calls for the adoption of tools of a structural nature – voluntary lay-offs – and will enable the Telecom Italia Group to obtain and increase the benefits regarding labor costs beyond the period of the Plan.
During 2010, a net provision charge will be made for an estimated amount of about 240 million euros. Such charge will not have impacts on the guidance provided to the market.

► Argentina

During the Telecom Italia board of directors meeting held on August 5, 2010, all the hypotheses considered during the last few months for increasing the value of the Argentine asset were examined, including that of selling the investment. Following these analyses, the board identified the best possibility as being an agreement with the W de Argentina Inversiones SL group, the local shareholder holding a 50% stake in Sofora Telecomunicaciones SA, which will strengthen the already existing partnership and close all the litigation among the shareholders (detailed in the Note “Contingent liabilities, other information, commitments and guarantees”).
The agreement reinforces the key principles of the partnership and the role of Telecom Italia in Argentina. The agreement also includes certain changes to the governance of the partnership which Telecom Italia believes could represent a positive solution to the problems raised by the Argentine authorities. The renewed collaboration with W Group will enable the Telecom Italia Group to evaluate all the alternatives concerning its future in the country.

► Aree Urbane S.r.l.

Aree Urbane S.r.l. is a company operating in the real estate sector in which stakes are held by the Telecom Italia Group (32.62%), Pirelli&C. Real Estate (34.60%), Pirelli&C. (0.28%) and Marzotto (32.50%). The company currently owns 15 industrial sites and was set up in 2002 for the purpose of conducting activities to develop and increase the value of the assets, acting through urban planning projects, managing their progress with the local institutions and their successive sale. The company is structurally in a loss position and the persisting slump in the real estate market has, in effect, considerably lengthened the development times for the individual projects and slowed down the sales of the assets.
As at May 31, 2010, the equity of the company was negative for approximately 400,000 euros and, accordingly, a meeting of the shareholders was called to approve a resolution to reduce share capital and to simultaneously increase share capital for an amount not below the minimum required by law. The shareholders’ meeting was unable to vote on the resolution pursuant to art. 2482 ter of Italian Civil Code owing to the absence of the shareholder Marzotto since the existing bylaws establish that a resolution to increase share capital against payment, in either the first or the second call, must be passed by a number of shareholders representing at least 75% of share capital. This being the case for the dissolution of the company, a shareholders’ meeting was called for August 31, 2010 to appoint one or more liquidators.

Note 29 – List of companies of the Telecom Italia Group

In accordance with Consob Communication DEM/6064293 dated July 28, 2006, the list of companies is provided herein.

The list is divided by type of investment, consolidation method and operating segment.

The following is indicated for each company: name, head office, country and share capital in the original currency, in addition to the percentage holding of share capital, the percentage of voting rights in the ordinary shareholders' meeting if different than the percentage holding of share capital, and which companies hold the investment.

Name	Head office	Currency	Share capital	% Ownership	% of voting rights	Held by
PARENT COMPANY						
TELECOM ITALIA S.p.A.	MILAN (ITALY)	EUR	10,673,865,180			
SUBSIDIARIES CONSOLIDATED LINE-BY-LINE						
DOMESTIC BU						
FLAGSHIP STORE MILANO 1 S.r.l. (sale of products and services in the field of fixed and mobile telecommunications and sale of every means of diffusion, both analog and digital)	MILAN (ITALY)	EUR	50,000	100.0000		TLC COMMERCIAL SERVICES SRL
FLAGSHIP STORE ROMA 1 S.r.l. (sale of products and services in the field of fixed and mobile telecommunications and sale of every means of diffusion, both analog and digital)	ROME (ITALY)	EUR	50,000	100.0000		TLC COMMERCIAL SERVICES SRL
H.R. SERVICES S.R.L. (planning, development and supply of training services)	L'AQUILA (ITALY)	EUR	500,000	100.0000		TELECOM ITALIA S.p.A.
I.T. TELECOM S.r.l. (software development and software consulting)	POMEZIA (ROME) (ITALY)	EUR	7,000,000	100.0000		TELECOM ITALIA S.p.A.
LATIN AMERICAN NAUTILUS ARGENTINA S.A. (installation and maintenance of submarine cable systems)	BUENOS AIRES (ARGENTINA)	ARS	9,998,000	95.0000 5.0000		LATIN AMERICAN NAUTILUS Ltd TELECOM ITALIA SPARKLE LUXEMBOURG S.A.
LATIN AMERICAN NAUTILUS BOLIVIA S.r.l. (installation and maintenance of submarine cable systems)	LA PAZ (BOLIVIA)	BOB	6,730,600	99.9985 0.0015		TELECOM ITALIA SPARKLE LUXEMBOURG S.A. LATIN AMERICAN NAUTILUS USA Inc.
LATIN AMERICAN NAUTILUS BRASIL Ltda (installation and maintenance of submarine cable systems)	RIO DE JANEIRO (BRAZIL)	BRL	6,850,598	99.9999 0.0001		LATIN AMERICAN NAUTILUS BRASIL PARTICIPACOES Ltda LATIN AMERICAN NAUTILUS USA Inc.
LATIN AMERICAN NAUTILUS BRASIL PARTICIPAÇÕES Ltda (holding company)	RIO DE JANEIRO (BRAZIL)	BRL	8,844,866	99.9999 0.0001		LATIN AMERICAN NAUTILUS Ltd TELECOM ITALIA SPARKLE LUXEMBOURG S.A.
LATIN AMERICAN NAUTILUS CHILE S.A. (installation and maintenance of submarine cable systems)	SANTIAGO (CHILE)	CLP	12,781,934,000	100.0000		LATIN AMERICAN NAUTILUS Ltd
LATIN AMERICAN NAUTILUS COLOMBIA Ltda (installation and maintenance of submarine cable systems)	BOGOTA' (COLOMBIA)	COP	240,225,000	100.0000		LATIN AMERICAN NAUTILUS Ltd
LATIN AMERICAN NAUTILUS Ltd (installation and maintenance of submarine cable systems)	DUBLIN (IRELAND)	USD	1,000,000	100.0000		TELECOM ITALIA SPARKLE LUXEMBOURG S.A.
LATIN AMERICAN NAUTILUS MEXICO S.A. (installation and maintenance of submarine cable systems)	MEXICO, D.F. (MEXICO)	MXN	100,000	99.9999 0.0001		LATIN AMERICAN NAUTILUS Ltd LATIN AMERICAN NAUTILUS USA Inc.
LATIN AMERICAN NAUTILUS PANAMA S.A. (installation and maintenance of submarine cable systems)	PANAMA	USD	10,000	100.0000		LATIN AMERICAN NAUTILUS Ltd
LATIN AMERICAN NAUTILUS PERU' S.A. (installation and maintenance of submarine cable systems)	LIMA (PERÙ)	PEN	56,865,179	100.0000		LATIN AMERICAN NAUTILUS Ltd
LATIN AMERICAN NAUTILUS St. Croix LLC (installation and maintenance of submarine cable systems)	VIRGIN ISLANDS (USA)	USD	10,000	100.0000		LATIN AMERICAN NAUTILUS Ltd
LATIN AMERICAN NAUTILUS USA Inc. (installation and maintenance of submarine cable systems)	FLORIDA (USA)	USD	20,000	100.0000		LATIN AMERICAN NAUTILUS Ltd
LATIN AMERICAN NAUTILUS VENEZUELA C.A. (installation and maintenance of submarine cable systems)	CARACAS (VENEZUELA)	VEF	981,457	100.0000		LATIN AMERICAN NAUTILUS Ltd
LOQUENDO SOCIETA' PER AZIONI (research, development and marketing of technologies and equipment regarding voice synthesis recognition and/or interaction)	TURIN (ITALY)	EUR	3,573,741	99.9846		TELECOM ITALIA S.p.A.
MATRIX S.p.A. (Internet services)	MILAN (ITALY)	EUR	2,100,000	100.0000		TELECOM ITALIA S.p.A.
MED - 1 (NETHERLANDS) B.V. (holding company)	AMSTERDAM (NETHERLANDS)	EUR	18,200	100.0000		MED - 1 SUBMARINE CABLES Ltd
MED - 1 ITALY S.r.l. (installation and management submarine cable systems in Italian seas)	ROME (ITALY)	EUR	548,477	100.0000		MED - 1 (NETHERLANDS) B.V.
MED - 1 SUBMARINE CABLES Ltd (installation and management of cable Lev)	RAMAT GAN (ISRAEL)	ILS	55,886,866	99.9123		TELECOM ITALIA SPARKLE S.p.A.
MEDITERRANEAN NAUTILUS B.V. (holding company)	AMSTERDAM (NETHERLANDS)	EUR	18,003	100.0000		MEDITERRANEAN NAUTILUS Ltd
MEDITERRANEAN NAUTILUS BULGARIA EOOD (telecommunications services)	SOFIA (BULGARIA)	BGN	100,000	100.0000		MEDITERRANEAN NAUTILUS B.V.
MEDITERRANEAN NAUTILUS GREECE S.A. (installation and management of submarine cable systems)	ATHENS (GREECE)	EUR	111,600	100.0000		MEDITERRANEAN NAUTILUS B.V.
MEDITERRANEAN NAUTILUS ISRAEL Ltd (TLC services, installation and management of submarine cable systems)	RAMAT GAN (ISRAEL)	ILS	1,000	100.0000		MEDITERRANEAN NAUTILUS B.V.
MEDITERRANEAN NAUTILUS ITALY S.p.A. (installation and management of submarine cable systems)	ROME (ITALY)	EUR	3,100,000	100.0000		MEDITERRANEAN NAUTILUS B.V.
MEDITERRANEAN NAUTILUS Ltd (TLC services, installation and management of submarine cable systems)	DUBLIN (IRELAND)	USD	153,259	100.0000		TELECOM ITALIA SPARKLE LUXEMBOURG S.A.
MEDITERRANEAN NAUTILUS TELEKOMÜNIKASYON HIZMETLERI TICARET ANONIM SIRKETI (telecommunications services)	ISTANBUL (TURKEY)	TRY	5,639,065	99.9996 0.0001 0.0001 0.0001 0.0001		MEDITERRANEAN NAUTILUS B.V. MEDITERRANEAN NAUTILUS Ltd MEDITERRANEAN NAUTILUS ITALY S.p.A. MEDITERRANEAN NAUTILUS ISRAEL Ltd MEDITERRANEAN NAUTILUS GREECE S.A.
OLIVETTI MULTISERVICES S.p.A. (real estate management)	MILAN (ITALY)	EUR	20,337,161	100.0000		TELECOM ITALIA S.p.A.
PATH.NET S.p.A. (networking systems and telecommunications)	ROME (ITALY)	EUR	25,800,000	100.0000		TELECOM ITALIA S.p.A.
SHARED SERVICE CENTER S.r.l. (planning, design, installation running of computer services)	ROME (ITALY)	EUR	7,000,000	100.0000		TELECOM ITALIA S.p.A.
TECNOSERVIZI MOBILI S.r.l. (management of movable assets)	ROME (ITALY)	EUR	26,000	100.0000		TELECOM ITALIA S.p.A.
TELECOM ITALIA AUDIT AND COMPLIANCE SERVICES Scarl (internal auditing for the Telecom Italia Group)	MILAN (ITALY)	EUR	2,750,000	81.8182 18.1818		TELECOM ITALIA S.p.A. TELECOM ITALIA MEDIA S.p.A.
TELECOM ITALIA NETHERLANDS B.V. (telecommunications services)	AMSTERDAM (NETHERLANDS)	EUR	18,200	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TELECOM ITALIA SAN MARINO S.p.A. (telecommunications services in San Marino)	ROVERETA-FALCIANO (REP. OF S. MARINO)	EUR	1,808,000	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TELECOM ITALIA S.p.A.

Name	Head office	Currency	Share capital	% Ownership	% of voting rights	Held by
TELECOM ITALIA SPAIN SL UNIPERSONAL (telecommunications services)	MADRID (SPAIN)	EUR	2,003,096	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TELECOM ITALIA SPARKLE CZECH S.R.O. (telecommunications services)	PRAGUE (CZECH REPUBLIC)	CZK	6,720,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TELECOM ITALIA SPARKLE EST S.r.l. (telecommunications services)	BUCHAREST (RUMANIA)	RON	1,318,560	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TELECOM ITALIA SPARKLE HUNGARY K.F.T. (telecommunications services)	BUDAPEST (HUNGARY)	HUF	2,860,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TELECOM ITALIA SPARKLE LUXEMBOURG S.A. (holding company)	LUXEMBOURG	EUR	41,625,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TELECOM ITALIA SPARKLE OF NORTH AMERICA, Inc. (telecommunications and promotional services)	NEW YORK (USA)	USD	15,550,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TELECOM ITALIA SPARKLE S.p.A. (public and private telecommunication services management)	ROME (ITALY)	EUR	200,000,000	100.0000		TELECOM ITALIA S.p.A.
TELECOM ITALIA SPARKLE SINGAPORE PTE. Ltd (telecommunications services)	SINGAPORE	USD	5,121,120	99.9999 0.0001		TELECOM ITALIA SPARKLE S.p.A. TELECOM ITALIA SPARKLE OF NORTH AMERICA, Inc.
TELECOM ITALIA SPARKLE SLOVAKIA S.R.O. (telecommunications services)	BRATISLAVA (SLOVAKIA)	EUR	300,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TELECONTACT CENTER S.p.A. (telemarketing services)	NAPLES (ITALY)	EUR	770,000	100.0000		TELECOM ITALIA S.p.A.
TELEFONIA MOBILE SAMMARINESE S.p.A. (mobile telephony services)	B.GO MAGGIORE (REP. OF S. MARINO)	EUR	78,000	51.0000		TELECOM ITALIA SAN MARINO S.p.A.
TELENERGIA S.r.l. (import, export, purchase, sale and exchange of electrical energy)	ROME (ITALY)	EUR	50,000	100.0000		TELECOM ITALIA S.p.A.
TELSY ELETTRONICA E TELECOMUNICAZIONI S.p.A. (manufacturing and sale of systems for encrypted crypto's telecommunications)	TURIN (ITALY)	EUR	390,000	100.0000		TELECOM ITALIA S.p.A.
TI BELGIUM S.P.R.L. - B.V.B.A (telecommunications services)	BRUSSELS (BELGIUM)	EUR	3,000,000	99.9999		TELECOM ITALIA SPARKLE S.p.A.
TI GERMANY GmbH (telecommunications services)	FRANKFURT (GERMANY)	EUR	25,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI SWITZERLAND GmbH (telecommunications services)	ZURICH (SWITZERLAND)	CHF	2,000,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI TELECOM ITALIA (AUSTRIA) TELEKOMMUNICATIONDIESTE GmbH (telecommunications services)	VIENNA (AUSTRIA)	EUR	2,735,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TI UNITED KINGDOM Ltd (telecommunications services)	LONDON (UK)	GBP	4,150,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TIS FRANCE S.A.S. (installation and maintenance of telecommunications services for fixed network and relating activities)	PARIS (FRANCE)	EUR	18,295,000	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TLC COMMERCIAL SERVICES S.r.l. (purchase and management of financial investments focused on the sale of products and services in the field of telecommunications and ICT)	ROME (ITALY)	EUR	500,000	100.0000		TELECOM ITALIA S.p.A.
TMI - TELEMEDIA INTERNATIONAL Ltd (telecommunications services)	LONDON (UK)	EUR	3,983,254	100.0000		TELECOM ITALIA SPARKLE S.p.A.
TMI TELEMEDIA INTERNATIONAL DO BRASIL Ltda (telecommunications services)	SAO PAOLO (BRAZIL)	BRL	8,909,639	100.0000		TMI - TELEMEDIA INTERNATIONAL Ltd
BRAZIL BU						
INTELIG TELECOMUNICAÇÕES Ltda (telecommunications services)	RIO DE JANEIRO (BRAZIL)	BRL	3,279,157,267	99.9999 0.0001		TIM PARTICIPAÇÕES S.A. TIM CELULAR S.A.
TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A. (holding company)	RIO DE JANEIRO (BRAZIL)	BRL	6,067,040,293	100.0000		TELECOM ITALIA INTERNATIONAL N.V.
TIM CELULAR S.A. (mobile telephony operator)	SAO PAOLO (BRAZIL)	BRL	7,731,647,115	100.0000		TIM PARTICIPAÇÕES S.A.
TIM PARTICIPAÇÕES S.A. (holding company)	RIO DE JANEIRO (BRAZIL)	BRL	8,149,096,024	66.2686		TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A.
MEDIA BU						
BEIGUA S.r.l. (purchase, sale, management and maintenance of installation for the repair and distribution of radio and TV broadcasting)	ROME (ITALY)	EUR	51,480	51.0004		TELECOM ITALIA MEDIA BROADCASTING S.r.l.
MTV ITALIA S.r.l. (services in the field of radio and TV broadcasting, production and sale of radio, TV and cinema programs)	ROME (ITALY)	EUR	12,151,928	51.0000		TELECOM ITALIA MEDIA S.p.A.
MTV PUBBLICITA' S.r.l. (advertising agency)	MILAN (ITALY)	EUR	10,400	100.0000		MTV ITALIA S.r.l.
TELECOM ITALIA MEDIA BROADCASTING S.r.l. (purchase, sale, management and maintenance of installation for the repair and distribution of radio and TV broadcasting)	ROME (ITALY)	EUR	15,000,000	100.0000		TELECOM ITALIA MEDIA S.p.A.
TELECOM ITALIA MEDIA S.p.A. (development and sale of products in the field of the publishing industry, gathering and sale of advertising, management of all activities concerning the treatment and handling of information)	ROME (ITALY)	EUR	212,188,324	75.1714 2.2471	75.4553 2.2557	TELECOM ITALIA S.p.A. TELECOM ITALIA FINANCE S.A.
OLIVETTI BU						
ADVALSO S.p.A. (planning, production and servicing of telecommunication services and product)	IVREA (TURIN) (ITALY)	EUR	500,000	100.0000		OLIVETTI S.p.A
OLIVETTI DEUTSCHLAND GmbH (sale of office equipment and holding company)	NURNBERG (GERMANY)	EUR	25,600,000	100.0000		OLIVETTI S.p.A
OLIVETTI ENGINEERING S.A. (product research and development based on ink-jet technology)	YVERDON LES BAINS (SWITZERLAND)	CHF	100,000	100.0000		OLIVETTI I-JET S.p.A.
OLIVETTI ESPANA S.A. (sale and maintenance of office equipment, consulting and telematic network management)	BARCELONA (SPAIN)	EUR	1,229,309	99.9912		OLIVETTI S.p.A.
OLIVETTI FRANCE S.A. (sale of office equipment and software)	PUTEAUX (FRANCE)	EUR	2,200,000	100.0000		OLIVETTI S.p.A
OLIVETTI I-JET S.p.A. (manufacture and sale of products and accessories for office equipment)	ARNAD (AOSTA) (ITALY)	EUR	15,000,000	100.0000		OLIVETTI S.p.A
OLIVETTI S.p.A (manufacture and sale of products and accessories for office equipment)	IVREA (TURIN) (ITALY)	EUR	83,500,000	100.0000		TELECOM ITALIA S.p.A.
OLIVETTI UK Ltd. (sale of office equipment)	MILTON KEYNES (UK)	GBP	6,295,712	100.0000		OLIVETTI S.p.A
TIESSE S.c.p.A. (installation and assistance for electronic, computer, telematic and telecommunication equipment)	ROME (ITALY)	EUR	103,292	61.0000		OLIVETTI S.p.A

Name	Head office	Currency	Share capital	% Ownership	% of voting rights	Held by
OTHER OPERATIONS - NO CORE SEGMENT						
BRASILCO S.r.l. (in liquidation) (holding company)	MILAN (ITALY)	EUR	10,000	100.0000		TELECOM ITALIA INTERNATIONAL N.V.
EMSA SERVIZI S.p.A. (in liquidation) (real estate services management)	ROME (ITALY)	EUR	5,000,000	100.0000		TELECOM ITALIA S.p.A.
ETI - EURO TELECOM INTERNATIONAL N.V. (holding company)	AMSTERDAM (NETHERLANDS)	EUR	50,050	100.0000		ICH - INTERNATIONAL COMMUNICATION HOLDING N.V.
ICH - INTERNATIONAL COMMUNICATION HOLDING N.V. (holding company)	AMSTERDAM (NETHERLANDS)	EUR	50,000	100.0000		TELECOM ITALIA INTERNATIONAL N.V.
OFI CONSULTING S.r.l. (administrative consulting)	IVREA (TURIN) (ITALY)	EUR	95,000	100.0000		TELECOM ITALIA S.p.A.
OLIVETTI GESTIONI IVREA S.r.l. (real estate services)	IVREA (TURIN) (ITALY)	EUR	100,000	100.0000		TELECOM ITALIA S.p.A.
OLIVETTI HOLDING B.V. (finance company)	AMSTERDAM (NETHERLANDS)	EUR	15,882,770	100.0000		TELECOM ITALIA FINANCE S.A.
PURPLE TULIP B.V. (holding company)	AMSTERDAM (NETHERLANDS)	EUR	18,000	100.0000		TELECOM ITALIA INTERNATIONAL N.V.
SAIAT SOCIETA' ATTIVITA' INTERMEDIE AUSILIARIE TLC S.p.A. (finance company)	TURIN (ITALY)	EUR	35,745,120	100.0000		TELECOM ITALIA S.p.A.
TECO SOFT ARGENTINA S.A. (in liquidation) (design, development and sale of software)	BUENOS AIRES (ARGENTINA)	ARS	12,000	100.0000		TELECOM ITALIA S.p.A.
TELECOM ITALIA CAPITAL S.A. (finance company)	LUXEMBOURG	EUR	2,336,000	100.0000		TELECOM ITALIA S.p.A.
TELECOM ITALIA DEUTSCHLAND HOLDING GmbH (holding company)	FRANKFURT (GERMANY)	EUR	25,000	100.0000		TELECOM ITALIA S.p.A.
TELECOM ITALIA FINANCE S.A. (finance company)	LUXEMBOURG	EUR	542,090,241	100.0000		TELECOM ITALIA S.p.A.
TELECOM ITALIA INTERNATIONAL N.V. (holding company)	AMSTERDAM (NETHERLANDS)	EUR	2,399,483,000	100.0000		TELECOM ITALIA S.p.A.
TELECOM ITALIA LATAM S.A. (telecommunications and promotional services)	SAO PAOLO (BRAZIL)	BRL	118,925,804	100.0000		TELECOM ITALIA S.p.A.
TIAUDIT COMPLIANCE LATAM S.A. (internal auditing)	RIO DE JANEIRO (BRAZIL)	BRL	1,500,000	69.9996 30.0002		TELECOM ITALIA AUDIT AND COMPLIANCE SERVICES Scarl TIM BRASIL SERVIÇOS E PARTICIPAÇÕES S.A.
SUBSIDIARIES CONSOLIDATED HELD FOR SALE						
BBEYOND B.V. (telecommunications services)	HOOFDDORP (NETHERLANDS)	EUR	18,000	100.0000		BBNED N.V.
BBNED N.V. (telecommunications services)	HOOFDDORP (NETHERLANDS)	EUR	82,430,000	99.9939 0.0061		TELECOM ITALIA INTERNATIONAL N.V. BBNED N.V.
ELETTRA TLC S.p.A. (services rendered in connection with submarine cable systems for telecommunications)	ROME (ITALY)	EUR	10,329,200	70.0000		TELECOM ITALIA SPARKLE LUXEMBOURG S.A.
INTERNLNET B.V. (internet services)	NIJMEGEN (NETHERLANDS)	EUR	39,960	100.0000		BBNED N.V.
ASSOCIATED AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD						
AREE URBANE S.r.l. (real estate)	MILAN (ITALY)	EUR	100,000	31.6500 0.9700		TELECOM ITALIA S.p.A. TELECOM ITALIA MEDIA S.p.A.
ASSCOM INSURANCE BROKERS S.r.l. (insurance mediation)	MILAN (ITALY)	EUR	100,000	20.0000		TELECOM ITALIA S.p.A.
BALTEA S.r.l. (manufacture and sale of office equipment and computer and telecommunications services)	IVREA (TURIN) (ITALY)	EUR	100,000	49.0000		OLIVETTI S.p.A
BROAD BAND SERVICE S.p.A. (in liquidation) (production and sales of multimedia services)	SERRAVALLE (REP.OF S.MARINO)	EUR	77,000	20.0000		TELECOM ITALIA SAN MARINO S.p.A.
CONS. SCUOLA SUP.ALTA FORMAZIONE UNIVERSITARIA FEDERICO II (in liquidation) (professional training)	NAPLES (ITALY)	EUR	127,500	20.0000		TELECOM ITALIA S.p.A.
CONSORZIO E O (in liquidation) (professional training)	ROME (ITALY)	EUR	15,482	50.0000		TELECOM ITALIA S.p.A.
CONSORZIO TEMA MOBILITY (marketing and development of the products jointly realized by Telecom Italia and Magneti Marelli)	TURIN (ITALY)	EUR	850,000	50.0000		TELECOM ITALIA S.p.A.
CONSORZIO TURISTEL (in liquidation) (online tourism services)	ROME (ITALY)	EUR	77,460	33.3333		TELECOM ITALIA S.p.A.
CRIAI S.c.r.l. CONS.CAMPANO DI RICERCA PER L'INFORMATICA E L'AUTOMAZIONE INDUSTRIALE (delivery of services in the IT and industrial automation fields)	NAPLES (ITALY)	EUR	589,258	47.9327		TELECOM ITALIA S.p.A.
Empresa de Telecomunicaciones de Cuba S.A. ETEC-SA (telecommunications services)	HAVANA (CUBA)	USD	1,749,313,080	27.0030		TELECOM ITALIA INTERNATIONAL N.V.
IM.SER S.r.l. (real estate management)	MILAN (ITALY)	EUR	21,165	40.0000		TELECOM ITALIA S.p.A.
MOVENDA S.p.A. (technological platforms for the development of mobile Internet services)	ROME (ITALY)	EUR	133,333	24.9998		TELECOM ITALIA FINANCE S.A.
NORDCOM S.p.A. (application service provider)	MILAN (ITALY)	EUR	5,000,000	42.0000		TELECOM ITALIA S.p.A.
OCN-TRADING S.r.l. (in liquidation) (trading company)	IVREA (TURIN) (ITALY)	EUR	40,800	40.0000		TELECOM ITALIA S.p.A.
SOFORA TELECOMUNICACIONES S.A. (holding company)	BUENOS AIRES (ARGENTINA)	ARS	439,702,000	32.5000 17.5000		TELECOM ITALIA S.p.A. TELECOM ITALIA INTERNATIONAL N.V.
TELBIOS S.p.A. (technological services supporting the health sector)	MILAN (ITALY)	EUR	355,994	34.4705		TELECOM ITALIA S.p.A.
TELECOM MEDIA NEWS S.p.A. (multimedia journalistic information)	ROMA	EUR	1,120,000	40.0000		TELECOM ITALIA MEDIA S.p.A.
TELELEASING - LEASING DI TELECOMUNICAZIONI E GENERALE S.p.A. (financial leasing of real estate and other assets)	MILAN (ITALY)	EUR	9,500,000	20.0000		SAIAT SOCIETA' ATTIVITA' INTERMEDIE AUSILIARIE TLC S.p.A.
TIGLIO I S.r.l. (real estate management)	MILAN (ITALY)	EUR	5,255,704	45.6991 2.1027		TELECOM ITALIA S.p.A. TELECOM ITALIA MEDIA S.p.A.
TIGLIO II S.r.l. (real estate management)	MILAN (ITALY)	EUR	10,000	49.4700		TELECOM ITALIA S.p.A.

Name	Head office	Currency	Share capital	% Ownership	% of voting rights	Held by
OTHER SIGNIFICANT INVESTMENTS						
CEFRIEL S.r.l. (professional training)	MILAN (ITALY)	EUR	100,350	11.6000		TELECOM ITALIA S.p.A.
CELL-TEL S.p.A. (telecommunications equipment, plant, systems)	IVREA (TURIN) (ITALY)	EUR	500,000	15.0000		OLIVETTI S.p.A.
FIN.PRIV. S.r.l. (finance company)	MILAN (ITALY)	EUR	20,000	14.2900		TELECOM ITALIA S.p.A.
IFM INFOMASTER S.p.A. (planning and development of call center solutions)	GENOA (ITALY)	EUR	161,765	12.0000		TELECOM ITALIA FINANCE S.A.
INNOVIS S.p.A. (computer, online and telecommunications equipments and services)	IVREA (TURIN) (ITALY)	EUR	325,000	15.0000		OLIVETTI S.p.A.
ITALBIZ.COM Inc. (internet services)	DELAWARE (USA)	USD	4,720	19.5000		TELECOM ITALIA MEDIA S.p.A.
ITALTEL GROUP S.p.A. (holding company)	SETTIMO M.SE (ITALY)	EUR	115,459,344	19.3700		TELECOM ITALIA FINANCE S.A.
MIX S.r.l. (internet service provider)	MILAN (ITALY)	EUR	99,000	10.8500		TELECOM ITALIA S.p.A.
NEW SATELLITE RADIO S.r.l. (production and realization of radio-TV channel and program)	MILAN (ITALY)	EUR	10,000	12.7200		TELECOM ITALIA S.p.A.
PIEDMONT INTERNATIONAL S.A. (finance company)	LUXEMBOURG	USD	10,507,500	17.1300	10.3000	TELECOM ITALIA FINANCE S.A.

Certification of the Half-year Condensed Consolidated Financial Statements at June 30, 2010 Pursuant to Art. 81-ter of Consob Regulation 11971 dated May 14, 1999, with amendments and additions

1. We, the undersigned, Franco Bernabè, as the Chief Executive Officer, and Andrea Mangoni, as the Manager responsible for preparing Telecom Italia S.p.A.'s financial reports, certify, having also considered the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of February 24, 1998:

   - the adequacy in relation to the characteristics of the company and
   - the effective application

   of the administrative and accounting procedures used in the preparation of the half-year condensed consolidated financial statements for the period January 1 – June 30, 2010.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the half-year condensed consolidated financial statements at June 30, 2009 was based on a process defined by Telecom Italia with reference to the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission which represents a framework generally accepted internationally.

3. The undersigned also certify that:

   3.1. the half-year condensed consolidated financial statements at June 30, 2010:

   a) are prepared in conformity with International Financial Reporting Standards adopted by the European Union pursuant to EC regulation 1606/2002 of the European Parliament and Council dated July 19, 2002 (International Financial Reporting Standards – IFRS) as well as the legislative and prescribed provisions in force in Italy with particular reference to art. 154-ter of Legislative Decree 58 dated February 24, 1998 and the measures enacted for the implementation of Legislative Decree 38 dated February 28, 2005;
   b) agree with the results of the accounting records and entries;
   c) provide a true and fair view of the financial condition, the results of operations and the cash flows of the Telecom Italia Group;

   3.2. the interim management report contains a reliable analysis of important events which took place during the first six months of the year 2010 and their impact on the half-year condensed consolidated financial statements at June 30, 2010, together with a description of the principal risks and uncertainties for the remaining six months of the year 2010. The interim management report also contains a reliable analysis of information concerning significant related party transactions.

August 5, 2010

/signed/ Franco Bernabè	/signed/ Andrea Mangoni
Chief Executive Officer	Manager responsible for preparing the Company's financial reports

Independent Auditor's Review Report on the Half-year Condensed Consolidated Financial Statements at June 30, 2010

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT ON THE REVIEW OF THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2010

To the Shareholders of
Telecom Italia SpA

1 We have reviewed the half-year condensed consolidated financial statements of Telecom Italia SpA and subsidiaries (Telecom Italia Group) at 30 June 2010 comprising the statement of financial position, the separate income statement, the statement of comprehensive income, the statements of changes in shareholders' equity and cash flows and related explanatory notes. Telecom Italia SpA directors are responsible for the preparation of the half-year condensed consolidated financial statements in accordance with the international accounting standard (IAS 34), applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2 Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the consolidated condensed interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the above mentioned consolidated financial statements. The review excluded certain auditing procedures such as compliance, verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express an audit opinion on the consolidated condensed interim financial statements.

The consolidated financial statements of the prior year, presented for comparative purposes, have been audited by other auditors and, therefore, reference should be made to their report dated 13 April 2010. The directors have restated certain comparative information related to the half-year condensed consolidated financial statements of the prior year compared to information previously presented and reviewed by other auditors, which issued their report dated 27 August 2009. We have examined the methods

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P. IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – **Bologna Zola Predosa** 40069 Via Tevere 18 Tel. 0516186211 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38122 Via Grazioli 73 Tel. 0461237004 – **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 – **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel. 0458002561

PRICEWATERHOUSECOOPERS

adopted to restate the comparative information of the first semester of 2009 and related disclosure included in the explanatory notes for the purpose of issuing the review report on the half-year condensed consolidated financial statements at 30 June 2010.

3 Based on our review, nothing has come to our attention that causes us to believe that the half-year condensed consolidated financial statements of Telecom Italia Group at 30 June 2010 have not been prepared, in all material respects, in accordance with the international accounting standard (IAS 34), applicable to interim financial reporting, as adopted by the European Union.

Milan, 26 August 2010

PricewaterhouseCoopers SpA

Signed by

Paolo Caccini
(Partner)

This report has been translated into the English language solely for the convenience of international readers.

Useful information

Free copies of this report can be obtained by:

Telephone	Toll-free number 800020220 (for calls inside Italy) or +39 - 0112293603 (for calls outside Italy) These numbers are at the service of shareholders for information and assistance
E-mail	Ufficio.Soci@telecomitalia.it
Internet	Users of the World Wide Web can consult the Half-year Financial Report at June 30, 2010 and receive information about Telecom Italia and its products and services at the URL: http://www.telecomitalia.it.
Investor Relations	+39 – 0285954131 / 0636883113 +39 – 0285954132 (fax) investor_relations@telecomitalia.it

TELECOM ITALIA
Registered office, Piazza degli Affari 2 – 20123 Milan
Headquarters and secondary office in Corso d'Italia 41 – 00198 Rome
Share capital 10,673,865,180 euros
Tax Code/VAT No. and Milan Companies Registry No. 00488410010
Registration No. A.E.E. IT08020000000799