



CAPITAL

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R.C.S. B 77.970

FINANCIALS AS OF DECEMBER 31, 2008

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Directors' report

Dear Shareholders,

The fiscal year 2008 of Telecom Italia Capital S.A. (the "Company") ended with a loss of EUR 40,253,450 (profit of EUR 2,522,391 in 2007).

While the ongoing borrowing and lending activity generated a positive margin equal to EUR 1 million, the losses of the year are primarily related to the bankruptcy of Lehman Brothers. When in September 2008 Lehman Brothers Holding Inc. announced that it had begun bankruptcy proceedings, the Company had derivative transactions with Lehman Brothers International (Europe) that were guaranteed by Lehman Brothers Holding Inc. Such derivatives hedged financial risks on existing financial payables. After the announcement, the Company initiated legal action aimed at the early termination of those transactions and to recover the receivables worth EUR 47.9 million equal to the 'Mark to Market' of the early terminated transactions. In consideration of the bankruptcy procedure the Company wrote-down the receivable amounting to EUR 9.6 million, corresponding to the estimated recovery value, being 20% of its nominal amount. Furthermore, during October 2008 with the aim of balancing the credit/debt position towards banks (counterparty risk), the Company assigned two hedging contracts. Such operations resulted in additional costs of EUR 2.6 million.

During 2008, the Company continued its activity of providing financial assistance to Telecom Italia Group companies. On June 4, 2008 notes for an aggregate amount of USD 2 billion have been issued. The new issuance is articulated in two tranches of USD 1 billion 6.999% due June 4, 2018 and USD 1 billion 7.721% due June 4, 2038 respectively. The notes are unconditionally and irrevocably guaranteed by the parent company, Telecom Italia S.p.A. As for the previous issuances, the Company covered the interest and currency exchange risk by means of hedging contracts.

On November 17, 2008 the USD 1 billion 4% notes (issued on October 29, 2003) matured and were repaid with accrued interest.

As per December 31, 2008 the aggregate principal amount of the outstanding notes equaled USD 13.6 billion. The revenues of the aforesaid notes have been utilized to provide funding to Telecom Italia Group companies.

Furthermore, we draw your attention on the fact that the program under which these notes were issued (up to July 2008) expired in December 2008. Accordingly, a new shelf Program for the issuing of notes has been registered with SEC.

During the year 2009 it is foreseen to continue the activity of financial assistance to Telecom Italia Group companies and new bond issuances are advisable, depending on favorable market conditions.

No event after the closing of the accounts has a material impact on the financials herein reported. The Company does not perform research and development activities.

The Company did not acquire and does not hold its own shares.

The Financials as of December 31, 2008 herein reported comprise of the balance sheet, the profit and loss account, the cash flow statement and the explanatory notes.

We invite you to approve the aforesaid financial statements as prepared by the Board and we propose you to:

- Carry forward the loss of EUR 40,253,450 into 2009.
- Create a reserve of EUR 146,750, by utilizing retained earnings of the previous years. Such reserve, following art. 8a of the law October 16, 1934, which authorizes the Company to deduct net wealth tax from its own basis, is equal to five times the amount of the net wealth tax to be paid for year 2008 (EUR 29,350). Such reserve will be unavailable for a five year period starting from the year immediately following the one in which the tax has been reduced.

The Board of Directors
Luxembourg February 20, 2009

Telecom Italia Capital S.A.
Société Anonyme

Balance sheet
As of December 31, 2008
(expressed in EUR)

<u>ASSETS</u>	2008	2007
Non current assets		
Tangible assets (note 3)	110	446
Non current financial assets		
Receivable from group companies (note 4)	9,318,799,898	9,537,676,082
Other receivables (note 5)	9,590,722	—
	<u>9,328,390,730</u>	<u>9,537,676,528</u>
Current Assets		
Financial receivables		
Receivables from group companies (note 6)	989,274,873	100,959,416
Other receivables	197,407	183,813
Cash and cash equivalent	42,180,694	36,488,732
	<u>1,031,652,974</u>	<u>137,631,961</u>
Prepayments and accrued income (note 7)	347,025,761	313,797,238
TOTAL ASSETS	<u><u>10,707,069,465</u></u>	<u><u>9,989,105,727</u></u>

The accompanying notes form an integral part of the accounts.

<u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>	2008	2007
Share capital		
Subscribed share capital (note 8)	2,336,000	2,336,000
Reserves (note 9)		
Legal reserves	234,000	234,000
Other reserves	635,455	526,780
Retained earnings	2,664,233	250,517
(Loss) profit for the financial year	<u>(40,253,450)</u>	<u>2,522,391</u>
Total capital and reserves	(34,383,762)	5,869,688
Liabilities		
Non convertible notes (note 10)		
a) payable within one year	--	679,301,678
b) payable in more than one year	<u>9,772,221,025</u>	<u>7,879,899,463</u>
	9,772,221,025	8,559,201,141
Payables to banks and financial institutions		
b) payable in more than one year (note 11)	54,248,504	52,770,917
Trade and services payables	1,073,963	565,191
Payables to group companies (note 12)	2,344,304	1,052,918
Tax payables and social security contribution (note 13)	2,071,880	2,410,882
Other payables		
a) payable within one year	810,456	2
b) payable in more than one year (note 14)	<u>625,003,148</u>	<u>1,112,364,613</u>
	625,813,604	1,112,364,615
Total liabilities	10,457,773,280	9,728,365,664
Accruals and deferred income (note 15)	283,679,947	254,870,375
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	<u>10,707,069,465</u>	<u>9,989,105,727</u>

Telecom Italia Capital S.A.
Société Anonyme

Profit and loss account
For the year ended December 31, 2008
(expressed in EUR)

<u>C H A R G E S</u>	2008	2007
Personnel expenses		
a) Wages and salaries	97,524	96,935
b) Social security contributions	13,128	54,989
	<u>110,652</u>	<u>151,924</u>
Value adjustment in respect of tangible and intangible fixed assets	336	14,413
Value adjustment in respect of current assets	38,362,887	--
Other operating expenses	1,325,535	1,108,933
Interest and similar expenses		
a) concerning group companies (note 16)	2,469,304	2,244,095
b) other interests and charges	1,212,354,657	913,052,280
	<u>1,214,823,961</u>	<u>915,296,375</u>
Exceptional expenses	--	1,207,103
Income tax	377,886	1,062,015
Profit for financial year	--	2,522,391
TOTAL CHARGES	<u><u>1,255,001,257</u></u>	<u><u>921,363,154</u></u>
 <u>I N C O M E</u>		
Other operating income	39,662	39,937
Other interests and similar income		
a) from group companies	558,900,005	524,930,944
b) other interests and similar income	655,808,140	395,185,171
	<u>1,214,708,145</u>	<u>920,116,115</u>
Extraordinary income	--	1,207,102
Loss for financial year	40,253,450	--
TOTAL INCOME	<u><u>1,255,001,257</u></u>	<u><u>921,363,154</u></u>

The accompanying notes form an integral part of the accounts.

Telecom Italia Capital S.A.
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Cash flow account
For the year ended December 31, 2008
(expressed in EUR)

	2008	2007
Operating Activities		
(Loss) profit before tax	(40,631,337)	3,584,406
Non cash items		
Amortization of property, plant and equipment	336	335
Amortization and impairment of intangible assets	---	14,078
Finance income	(1,166,754,535)	(919,808,678)
Finance expenses	1,212,479,657	913,139,086
(Increase) decrease in trade and other receivables	(9,404,557)	888,477
Increase (decrease) in trade and other payables	1,840,720	(314,137)
Net cash flows used in operating activities	<u>(2,469,716)</u>	<u>(2,496,433)</u>
Cash flow from investing activities		
Investments and re-payments in financial receivables	(441,572,713)	21,678,063
Interest, commissions and other financial income received	1,186,080,972	971,760,880
Net cash flow from investing activities	<u>744,508,259</u>	<u>993,438,943</u>
Cash flow from financing activities		
Net change in short-term financial payables	810,454	---
Proceeds from borrowings	1,284,385,598	---
Repayment of borrowings	(796,366,836)	(6,276,122)
Interest, commissions and other financial expenses paid	(1,224,872,372)	(958,819,298)
Dividends paid	---	(999,990)
Net cash flows used in financing activities	<u>(736,043,156)</u>	<u>(966,095,410)</u>
Net increase in cash and cash equivalents	5,995,386	24,847,100
Net foreign exchange difference	(303,243)	238,202
Cash and cash equivalents at January 1	36,488,551	11,403,249
Cash and cash equivalents at December 31	<u>42,180,694</u>	<u>36,488,551</u>

(1) In order to be consistent with the new format utilised in these annual accounts, figures referred to year 2007 have been reclassified compared to those presented in the cash flow account included in the annual accounts as of December 31, 2007.

The accompanying notes form an integral part of the accounts.

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Notes to the accounts
As of December 31, 2008

Note 1 – General

Telecom Italia Capital S.A. ("the Company") was incorporated in Luxembourg on September 27, 2000 for an unlimited duration. The registered office is established at 12, Rue Eugène Ruppert L-2453 Luxembourg. The registered number is B 77.970.

The corporate object is to provide financial assistance to all the companies within Telecom Italia Group. In this respect, the Company can acquire assets by issuing securities, bonds or any other financial instrument and by taking loans in whatever form from banks and institutional investors or in any other form, the above-mentioned list being purely enumerative and not limitative.

The Company may also have participating interest in any Luxembourg or foreign Company and administrate, manage and develop its portfolio.

The Company may carry out any commercial, industrial or financial operation and perform real estate transactions pertaining directly or indirectly to its object.

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

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

Note 2 – Summary of significant accounting policies

Basis of presentation

The annual accounts have been prepared in accordance with accounting principles and regulations generally accepted in the Grand Duchy of Luxembourg

Euro ("EUR") is the book accounting currency.

Use of estimates

The preparation of financial statements in accordance with Luxembourg GAAP, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the annual accounts, and reported amounts of revenues and expenses during that reporting period. Actual results could differ from those estimates.

Telecom Italia Capital S.A.
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Notes to the accounts (continued)
As of December 31, 2008

Note 2 – Accounting policies and principles (continued)

Foreign currency translation

The Company follows the multi-currency accounting policy that consists in recording the assets and the liabilities in their original currencies, the same being converted into Euro at the end of each month. The net exchange differences that arise from these conversions are reflected in the profit and loss account in the item "other financial charges/ financial income".

The realized income and charges in currencies other than Euro are recorded in their respective currencies and converted at the exchange rate prevailing on the respective transaction dates. The exchange differences arising from the transactions expressed in currencies other than EUR are hedged either by balanced deposits and loans, or through currency swaps contracts using the account « exchange revaluation » whose valuation at the year-end rate allows to hedge off the exchange variance risk.

Derivative instruments

The commitments related to currency and interest rates swaps are recorded as off-balance sheet items at the nominal value of the contracts.

Accrued income and prepaid expenses/accrued expenses and prepaid income

On one hand, this item includes the accrued interest receivable in connection with the deposits and loans granted, as well as in connection with the related interest rate swaps transactions (assets) and on the other hand the accrued interest payable on the notes and the related interest rate swap transactions (liabilities).

The Accrued income also reflects the issue discounts and the other similar charges. These are amortized through the profit and loss account on a straight-line basis over the lifetime of the notes.

Tangible assets

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

Debtors

Debtors are recorded at their probable collection value corresponding to the nominal value subject to individual value adjustments regarding any amount due which appears to be irrecoverable.

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Notes to the accounts (continued)
As of December 31, 2008

Note 2 – Accounting policies and principles (continued)

Cash and cash equivalents

Cash on hand and in banks and short-term deposits which are held to maturity are carried at cost. Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Note 3 – Tangible assets

The tangible assets can be detailed as follows:

	2008 EUR	2007 EUR
Acquisition cost at the beginning of the year	1,023	1,023
Acquisition during the year	--	--
Acquisition cost at the end of the year	1,023	1,023
Value adjustments at the beginning of the year	577	241
Value adjustments during the year	336	336
Value adjustments at the end of the year	913	577
Net book value at the end of the year	110	446

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Notes to the accounts (continued)
As of December 31, 2008

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

Following the issuance of a new bond on capital markets during the month of June 2008, the Company granted a new loan of EUR 1,287,000,000 to Telecom Italia S.p.A. ("the Parent Company"). Furthermore, during the month of December 2008 the Company registered a credit towards the parent company of USD 7,306,000, to be paid in 13 quarterly fixed installments concluding in November 2011. The aforementioned credit is balanced by a corresponding debt versus Bank of America (Note 12). The total of loan agreements with the parent company using the proceeds received by issuing notes (Note 11) amounts to EUR 9,318,799,898 (2007: EUR 9,409,326,081).

Note 5 – Non current financial assets – Other receivable

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

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

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

Note 6 – Current financial assets – Receivables from group companies

The Company entered into loans with affiliates for a total amount of EUR 137,659,582 (2007: EUR 100,959,597).

	2008	2007
	EUR	EUR
Loan with TIS France	16,000,166	---
Loan with TI Germany	12,700,000	---
Loan with TI United Kingdom	8,000,000	---
Loan with Hansanet	100,959,416	100,959,597
	<u>137,659,582</u>	<u>100,959,597</u>

Additionally, the maturity date of one of the loans granted to Telecom Italia S.p.A. is December 15, 2009, so an amount of EUR 851,615,291 has been classified as current receivable.

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Notes to the accounts (continued)
As of December 31, 2008

Note 7 – Prepayments and accrued income

	2008 EUR	2007 EUR
Accrued interest on bank deposits	33,583	82,833
Accrued interest on hedging instruments	121,639,662	105,215,458
Accrued interest on amounts owed by Parent company	159,010,218	146,885,864
Accrued interest on amounts owed by related companies	4,060,442	3,412,130
Prepaid charges and costs on notes (issue discounts and other similar charges)	57,829,728	53,562,660
Other prepayments	4,452,128	4,638,293
	347,025,761	313,797,238

Note 8 – Subscribed share capital

As of December 31, 2008, and 2007 the authorized, issued and fully paid share capital of EUR 2,336,000 is represented by 100,000 shares with a nominal value of EUR 23.36 per share.

As of December 31, 2008 and 2007 the shareholders of the Company are:

	Number of shares 2008	Number of shares 2007
Telecom Italia S.p.A.	99,999	99,999
Telecom Italia Finance S A	1	1
	100,000	100,000

Telecom Italia Capital S.A.
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Notes to the accounts (continued)
As of December 31, 2008

Note 9 – Reserves

The reserves are split as follows:

- a) Legal reserve of EUR 234,000, equal to the 10% of the share capital, set up by the shareholders meeting as of March 2, 2005 by converting a quote of other unavailable reserves;
- b) Other reserves of EUR 635,455 are divided as follows:
 - I. Unavailable reserves of EUR 358,830 and
 - II. Tax reserve for an amount of EUR 276,625. Such reserve has been created by the shareholders meeting held on March 1, 2006 (EUR 83,225) and increased by the shareholders meetings which were held on March 7, 2007 (EUR 84,725) and on March 5, 2008 (EUR 108,675). It is equal to five times the amount of the net wealth tax to be paid for year 2005, 2006 and 2007 and will be unavailable for tax purposes for a five year period since the year following its creation.

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Notes to the accounts (continued)
As of December 31, 2008

Note 10 – Non convertibles notes

The Company issued the following non convertible notes:

	2008 in EUR	2007 in EUR
USD 1,000,000,000 (1) 29/10/2003 - 15/11/2008 fixed interest rate 4%	---	679,301,678
USD 2,000,000,000 29/10/2003 - 15/11/2013 fixed interest rate 5.25%	1,437,091,327	1,358,603,356
USD 1,000,000,000 29/10/2003 - 15/11/2033 fixed interest rate 6.375%	718,545,664	679,301,678
USD 1,250,000,000 06/10/2004 - 15/01/2010 fixed interest rate 4%	898,182,079	849,127,097
USD 1,250,000,000 06/10/2004 - 30/09/2014 fixed interest rate 4.95%	898,182,079	849,127,097
USD 1,000,000,000 06/10/2004 - 30/09/2034 fixed interest rate 6%	718,545,664	679,301,678
USD 700,000,000 28/09/2005 - 01/10/2010 fixed interest rate 4.875%	502,981,964	475,511,175
USD 400,000,000 28/09/2005 - 01/02/2011 floating rate LIBOR 3M+ 0.48%	287,418,265	271,720,671
USD 1,400,000,000 28/09/2005 -01/10/2015 fixed interest rate 5.25%	1,005,963,929	951,022,349
USD 750,000,000 18/07/2006 - 18/07/2011 fixed interest rate 6.20%	538,909,248	509,476,258
USD 850,000,000 18/07/2006 - 18/07/2011 floating LIBOR 3M + 0.61%	610,763,814	577,406,426
USD 1,000,000,000 18/07/2006 - 18/07/2036 fixed interest rate 7.20%	718,545,664	679,301,678
USD 1,000,000,000 (2) 04/06/2008 - 04/06/2018 fixed interest rate 6.999%	718,545,664	---
USD 1,000,000,000 (2) 04/06/2008 - 04/06/2038 fixed interest rate 7.721%	718,545,664	---
	9,772,221,025	8,559,201,141

(1) The Notes totaling USD 1,000,000,000 issued on October 29, 2003 fixed interest rate 4% have matured and been repaid On November 15, 2008.

Telecom Italia Capital S.A.
Société Anonyme

Notes to the accounts (continued)
As of December 31, 2008

Note 10 – Non convertible notes (continued)

- (2) On June 4, 2008, Telecom Italia Capital S.A. issued USD 1,000,000,000 fixed interest rate 6.999% Notes maturing on June 4, 2018 and USD 1,000,000,000 fixed interest rate 7.721% notes maturing on June 4, 2038.

Note 11 – Payables to banks and financial institutions

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

<u>Final quarterly payment on</u>	<u>2008 in EUR</u>	<u>2007 in EUR</u>
15/11/2008 ⁽¹⁾	---	559,479
15/01/2010	1,398,331	2,346,277
01/10/2010	957,361	1,333,571
01/02/2011	450,233	604,769
18/07/2011	1,646,570	2,070,938
18/07/2011	1,245,042	1,567,624
15/11/2011 ⁽²⁾	4,845,872	—
15/11/2013	5,550,397	6,193,543
30/09/2014	4,475,672	4,872,195
01/10/2015	8,084,822	8,554,485
15/11/2033	8,695,579	8,382,875
29/09/2034	11,973,113	11,541,648
18/07/2036	4,925,513	4,743,513
	<u>54,248,505</u>	<u>52,770,917</u>

- (1) On November 15, 2008, the Company has paid out the bank loan ending for the Notes USD 1,000,000,000.00 fixed interest rate 4%, expiring on the same date.
- (2) On December 2008, the Company registered a debt towards Bank of America for a total USD 7,306,000. Such amount will be paid in 13 quarterly fixed installments of USD 562,000, the first of which has been already paid on December 2008 and the last one to be paid on November 2011. A credit towards Telecom Italia S.p.A. for the same amount has been registered (Note 6).

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Notes to the accounts (continued)
As of December 31, 2008

Note 12 – Payables to group companies

It represents the amount due to the Parent Company in relation to the guarantee fee for 2008 for an amount of EUR 2,344,304 (EUR 1,052,918 – 2007).

Note 13 – Tax payables and social security contributions

It represents the amount provisioned in relation to number of taxes to be paid for a total amount of EUR 2,071,880 (EUR 2,410,882 – 2007).

Note 14 – Other payables (payable in more than one year)

The item, amounting to EUR 625,003,1478 (EUR 1,112,364,613 - 2007), is due to the hedging contracts of currency risks linked to the notes issued in 2004, 2005, 2006 and 2008. This negative amount is equal to the difference between the contractual exchange ratio and the exchange ratio as of December 31, 2008 and 2007. On the profit and loss account this item is balanced by the positive result of the conversion of notes into EUR.

Note 15 – Accruals and deferred income

The account includes the amount of accrued interest payables.

	<u>2008</u> EUR	<u>2007</u> EUR
Accrued interest payable on debentures	128,077,354	118,915,142
Accrued interest payable on hedging contracts	155,322,315	135,635,744
Accrued interest payable to banks	280,278	319,489
	<u>283,679,947</u>	<u>254,870,375</u>

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

The notes issued by Telecom Italia Capital and the hedging contracts are guaranteed by Telecom Italia S.p.A.

A guarantee fee of EUR 2,344,304 (EUR 2,157,290 as of December 31, 2007) is registered in the profit and loss account.

Telecom Italia Capital S.A.
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Notes to the accounts (continued)
As of December 31, 2008

Note 17 – Hedging contracts

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

	<u>2008</u> EUR	<u>2007</u> EUR
Currency and interest rates swaps contracts	8,241,587,182	6,954,359,044
Interest rates swaps contracts	7,868,075,016	7,710,074,044
Currency swaps	5,425,618	5,266,519
	<u>16,115,087,816</u>	<u>14,669,699,607</u>

Note 18 – Tax situation

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

Note 19 – Consolidations

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

Note 20 – Directors remuneration

No remuneration has been paid to Directors during fiscal year 2008.

Note 21 – Litigation

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

Independent Auditor's report

To the Board of Directors of
Telecom Italia Capital S.A.
12, rue Eugène Ruppert
L-2453 Luxembourg

We have audited the accompanying annual accounts of Telecom Italia Capital S.A., which comprise of the balance sheet as at December 31, 2008, the profit and loss account and the cash flow account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the "Réviseur d'Entreprises"

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "Réviseur d'Entreprises", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "Réviseur d'Entreprises" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Telecom Italia Capital S.A. as of December 31, 2008, and of the results of its operations and its cash flow for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Report on other legal and regulatory requirements

The Directors' report, which is the responsibility of the Board of Directors, is consistent with the annual accounts

ERNST & YOUNG
Société Anonyme
Réviseur d'entreprises



Jean-Marie GISCHER

Luxembourg, February 20, 2009

Pursuant to paragraph 3 of Luxembourg's Transparency Law, the undersigned Adriano Trapletti, Managing Director of the Company, to the best of his knowledge, hereby declares that the financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and that the management report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that the issuer faces.

Telecom Italia Capital

Société Anonyme

Adriano TRAPLETTI

Managing Director

A handwritten signature in black ink, appearing to read 'Trapletti', written over the printed name and title.